

**TITLE OF REPORT:**        **Gateshead Community Infrastructure Levy –  
Neighbourhood Portion**

**REPORT OF:** **Paul Dowling, Strategic Director, Communities and Environment**

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### **Purpose of the report**

1. This report explains the process for the governance for the collection and spending of the neighbourhood portion of the Community Infrastructure Levy (CIL) in Gateshead but excluding Lamesley Parish which has separate arrangements required under the CIL regulations.

### **Background**

2. A previous report was considered by Cabinet on 8 November 2016 on the collection, monitoring, governance and spending of CIL. This report set out that 15% of CIL (other than Lamesley Parish) could be used as a neighbourhood portion. It was resolved (section vii of the table in paragraph C106 of the minutes) that “a further report be submitted to Cabinet on the implementation of the 15% communities’ element with proposals for governance and distribution of this element of CIL.

### **Proposal**

3. When CIL is received by the Council for a new development, 15% of this would be set aside to be spent in the areas where the chargeable CIL development takes place. The CIL regulations set out that the neighbourhood portion should be used to address the significant impact of a particular development through either the provision, improvement, replacement, operation or maintenance of infrastructure or anything else that is concerned with addressing the demands that development places on an area.
4. It is proposed that this neighbourhood portion would be operated as a supplementary component of the Gateshead Fund (GF) to be administered by the Community Foundation for Tyne and Wear and Northumberland and made available for constituted community groups and organisations to apply for with priority given to those within the ward in which the chargeable development takes place and secondly to those in the nearest neighbouring ward to the chargeable development. If funding is not taken up within the ward in which the development takes place or the nearest neighbouring ward then the neighbourhood portion would become eligible to those in the remaining wards in the Borough.

5. In terms of the assessment of applications this would be based on the extent to which they would align with addressing the significant impact of a particular development through either the provision, improvement, replacement, operation or maintenance of infrastructure or anything else that is concerned with addressing the demands that development places on an area.
6. In making decisions on applications it is proposed that a panel (CIL Neighbourhood Advisory Panel) would be set up to meet on an annual basis which would be chaired by the Communities and Volunteering Portfolio Holder and made up of Ward Members and representatives from the Community Foundation for Tyne and Wear and Northumberland who would be charged with making recommendations on applications subject to due diligence on these application by the foundation board.

## **Recommendations**

7. It is recommended that Cabinet approve:
  - i. 15% (neighbourhood portion) of all the CIL receipts resulting from chargeable development outside Lamesley Parish to be administered by the Community Foundation for Tyne and Wear and Northumberland with the transfer of monies including an administration fee of approximately 5% at the start of every financial year. This amount will fluctuate each year as CIL receipts received each year will vary.
  - ii. The entering into a legal agreement with the Community Foundation for Tyne and Wear and Northumberland for the above.
  - iii. The governance arrangements for the apportionment of funds to be through the CIL Neighbourhood Advisory Panel which meets annually to exercise oversight of the foundation's administration of the funds to review the Foundation's ranking of applications and make decisions on applications (subject to additional due diligence being done by the Foundation) and is made up of:
    - a) Chair – Portfolio for Communities and Volunteering.
    - b) Two Members for each ward in which the chargeable development would take place.
    - c) Representative(s) of the Community Foundation for Tyne and Wear and Northumberland.
    - d) The Council's CIL officer.
  - iv. The sequential criteria against which applications would be considered would be:

Priority criteria:

    - a) Applications submitted by constituted community groups and organisations within the ward in which the chargeable development will take place and then;

- b) Applications submitted by constituted community groups and organisations in the nearest neighbouring ward to the chargeable development.

Threshold criteria:

- c) Applications for capital investment of between £5000 and £25,000 submitted by constituted community groups and organisations.
- d) There are no on-going revenue costs to the Council.

Quality criteria:

- e) The extent to which the application and funding would address the significant impact of a particular development through either the provision, improvement, replacement, operation or maintenance of infrastructure or anything else that is concerned with addressing the demands that development places on an area.
- v. The neighbourhood portion to be allocated and defrayed within the financial year. Any unspent funds from the neighbourhood portion to roll over to the next financial year, to form a Borough-wide neighbourhood fund available to all wards, assessed against the criteria above, allocated and defrayed within the financial year.
- vi. If there are still unspent funds after the above, these are then transferred to the CIL central pot which is used to fund strategic infrastructure on the Council's CIL Regulation 123 list.
- vii. A review of the approach to the CIL neighbourhood portion (outside Lamesley Parish) to be carried out after April 2019.

For the following reasons:

- (i) To ensure that regulatory requirements regarding the neighbourhood portion are met.
- (ii) To ensure that decisions relating to the allocation and expenditure of the neighbourhood portion is subject to appropriate oversight.
- (iii) To review how well the process is working.

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### Policy Context

1. The proposals will align with Vision 2030, in particular through Creative Gateshead, Sustainable Gateshead, Active and Healthy Gateshead and Gateshead Volunteers by providing a potential source of funding to local communities which can be spent on a variety of objectives to create sustainable communities, benefit health and wellbeing and encourage volunteers.
2. The proposals will also align with the Council Plan in terms of encouraging new housing and economic development in the Borough and by providing benefits to local communities and allowing them to shape their own neighbourhoods.
3. The proposals are in accordance with the Community Infrastructure Levy (Amendment) Regulations 2014 and guidance on the implementation of these regulations contained in the Government's Planning Practice Guidance.

### Background

4. The charging schedule for CIL was approved by Cabinet on 8 November 2016 and brought into force on 1 January 2017. A further report was also considered by Cabinet on 8 November 2016 on the collection, monitoring, governance and spending of CIL. Cabinet resolved that a further report be submitted on the implementation of the 15% communities' element with proposals for governance and distribution of this element of CIL.

### Neighbourhood portion of levy

5. The neighbourhood portion would consist of two elements. One of these would involve the payment of the neighbourhood portion to Lamesley Parish Council for them to spend on their local area, where chargeable development takes place within the parish boundary. This report concerns the other element which is the neighbourhood portion of CIL in the rest of the Borough.

### Governance and spending

6. For the neighbourhood portion of CIL outside Lamesley Parish, this can still be spent on the same range of things as available to the Parish Council. To facilitate this, the Council is required to engage with the relevant communities and agree with them how best to spend the 15% portion. The CIL Regulations do not set out how to do this or how to define the geographical area of a relevant neighbourhood.
7. The most effective vehicle for spending the neighbourhood portion would be as a supplementary component to the Gateshead Fund.
8. The Gateshead Fund is already administered on behalf of the Council by the Community Foundation for Tyne and Wear and Northumberland with Members involved with the decision making via a dedicated Advisory Group which forwards

recommendations to Cabinet for approval. This model of governance would be applied to the CIL neighbourhood portion as this would minimise administrative burdens on the Council and Members would be involved in the decision-making process.

9. It is recommended that the foundation issue a call-out for applications at the beginning of each year. Applications would need to be made for between £5000 and £25,000. This level of funding would strike the appropriate balance between providing a level of funding that would be sufficient to make a real contribution to mitigating the impacts of development on an area whilst at the same time ensuring that funding applications are not overly large and that funding is available for use as widely as possible. This level of funding will be kept under review to see if it is having the desired affect and whether there are any unintended consequences as well as monitoring through the CIL annual report which the Council is required to produce.
10. When applying, applicants would need to make a case for how their application would meet the criteria set out in paragraph 7 (iv) above.
11. The Community Foundation for Tyne and Wear and Northumberland would initially assess applications against the criteria to ensure eligibility and then produce a summary list with bids ranked according to impact-based and geographical criteria (also explained further below). The CIL Neighbourhood Advisory Panel would then convene to review the applications. It is recommended that the panel is chaired by the Communities and Volunteering Portfolio holder. It is recommended that sitting on the panel would be two Members for the ward in which the development is located along with representatives from the Community Foundation for Tyne and Wear and Northumberland and the Council's CIL officer.
12. The panel would then review the summary list and a final list would be provided to the Community Foundation board to undertake due diligence and after this the relevant funds would be released. As part of the release of funds there would be a requirement for successful applicants to report to the foundation when it is spent and what on. This information will then inform the CIL annual monitoring report.
13. If the full neighbourhood portion for each year is not spent then the remaining funds would roll over to the next year and would be made available for applications from all Wards of the Borough. If there are still funds remaining after this, these would be transferred into the central pot of CIL to be spent on strategic infrastructure in line with the Council's CIL Regulation 123 list.
14. In terms of the priority for funding it is proposed to use the neighbourhood portion for wards that chargeable development is located in then the nearest neighbouring ward. This is because neighbourhoods affected by significant developments which are generating CIL receipts should have access to the neighbourhood portion to address the demands that development places on an area. It is acknowledged that this approach would favour parts of the Borough where higher CIL rates are in place. However, this would be partly offset by the

remaining 80% of CIL receipts (taking off the 5% portion that the Council is allowed to retain to fund the costs of the administration of CIL) which would be used to fund infrastructure throughout the Borough.

15. In terms of the involvement of the structure proposed, the advantage of this approach is that the Community Foundation could leverage additional funding to go with the neighbourhood portion such as match funding, endowments and being eligible for funding through their charitable status. It would also be of little administrative burden to the Council and through the review panel, Members would be able to determine where the funding is directed.
16. For this approach, there would be a high level of scrutiny over the spending of funding as individuals and groups are required to report back their spending which would be set out in the CIL annual report. In addition, the Community Foundation would be required to produce an annual report to the Council's Corporate Resources Overview and Scrutiny Committee in the same way that it is done for the Gateshead Fund.
17. It is acknowledged that as CIL is new to Gateshead there may be unforeseen circumstances that could arise and subsequently require the governance of the neighbourhood portion to be amended. It is therefore suggested that there is a pilot period after which a review is carried out of the process. As CIL has only recently been implemented and funds have not yet built up, it is suggested that a 12 month period for a pilot is agreed. As the first year of funding will not be allocated until end of April 2018 this would mean that the pilot would run until end of April 2019.

## **Consultation**

18. The following have been consulted in producing this report:

- Cabinet Members for Environment & Transport and Communities & Volunteering who support the proposals; and
- The Community Foundation for Tyne and Wear and Northumberland who have confirmed that the proposals are acceptable and that their likely fee for administration would be 5%.

## **Alternative options**

19. Consideration was given to not having the neighbourhood portion (outside Lamesley Parish). However, this would mean that an opportunity would be lost for local communities to benefit from CIL and new development.
20. Consideration was also given to allowing the neighbourhood portion to be spent anywhere in the Borough. However, this would not have guaranteed that funding would be spent in the locations where the biggest impact from chargeable development would occur and was met with concerns from Cabinet and support Members for Environment and Transport Portfolio.

## Implications of recommended options

### 21. Resources

- i. **Financial Implications** – The Strategic Director, Corporate Resources confirms that the adoption of CIL will provide additional capital funding for the Council to contribute towards the delivery of infrastructure to support growth in Gateshead and this investment will form part of the Council's Capital Programme. It is estimated that CIL will generate approximately £12 million up to 2030 based on the strategic sites allocated in the Core Strategy and Urban Core Plan.

The neighbourhood portion enables the flexibility to address the demands that specific development places on a local community. Following the receipt of the 15% portion (the amount will fluctuate annually as the amount of CIL receipts will vary each year), the resources will be passed on as a capital contribution to the Community Foundation for Tyne and Wear and Northumberland to administer on behalf of the Council in accordance with the proposed criteria which will attract a fee of 5% which is within the allowance the Council is permitted to use for the administration of the funding.

- ii. **Human Resources Implications** – There are no human resource implications arising from this report as it is proposed that the administration of the neighbourhood portion would be through the Community Foundation for Tyne and Wear and Northumberland.
- iii. **Property Implications** – There are no direct property implications for the Council arising from this report.

22. **Risk Management Implications** – There are no risk management implications arising from this report.

23. **Equality and Diversity Implications** – There are no equality and diversity implications arising from this report.

24. **Crime and Disorder Implications** – There are no crime and disorder implications arising from this report.

25. **Health Implications** – It is considered that there will be positive health impacts as the CIL neighbourhood portion will encourage people to become active in the community and funding could potentially be used to improve recreation and the local environment.

26. **Sustainability Implications** – It is considered that the proposals will have positive sustainability implications by encouraging community participation, bringing additional funding into local areas and ensuring greater prosperity and encouraging new economic and housing development.

**27. Area and Ward Implications** – Potential benefits for all areas and wards through the opportunity to apply for the CIL neighbourhood portion.

**Background information** - Community Infrastructure Levy (Amendment) Regulations 2014 and guidance on the implementation of these regulations contained in the Government's Planning Practice Guidance, report to Cabinet on 8 November 2016 entitled – Gateshead Community Infrastructure Levy (CIL).