



SPELTHORNE JOINT COMMITTEE – 18 July 2022

AGENDA ITEM 8

WRITTEN PUBLIC QUESTIONS

Question 1:

Mrs Kath Sanders, Sunbury-on-Thames

Regarding Item 9 of the agenda for 18th July 2022, under Section 5 ("Financial and Value for Money Implications"), the report states in 5.2 that:

"Forecasting has been undertaken to ensure the Council has sufficient CIL funds to commit the requested amount of money to each scheme. It has been confirmed that the Council can commit to funding the above schemes whilst maintaining a £1 million reserve. Please see CIL Progress Report (Appendix 4) for projections and charts."

Having studied Item 9, Appendix 4, please could the Committee confirm if the £1m reserve which needs to be maintained under the CIL Terms of Reference need only be a "cash" reserve or the balance after commitments? To help understand this better, please could the figures behind the Strategic CIL projection graphs in Appendix 4 also be provided in tabular form along with a graph showing the projected balance after commitments?

BACKGROUND

The purpose of my question is to better understand the phasing assumptions of the proposed Strategic CIL Expenditure - the phasing of the expected future Strategic CIL Income* is clear (assuming 80% of £1m per annum). My concern is that the red line on both the current graphs looks to be showing the projected financial cashflow position (i.e. based on receipts and payments) rather than a prudent financial position done on an accruals (or "commitments") basis.

In practical terms, this means that the committed expenditure isn't matched to the income generated to cover it. It means that decisions can be made on Strategic CIL which aren't fully funded (as it looks like there's more money in the pot than there would be when all the liabilities are paid). Funding would then rely on the generation of uncertain future revenue. This could lead to undue pressures to deliver CIL in future to cover current liabilities. At a

minimum, as more long-term projects came on-stream, the cash pot would get bigger and more complicated to track.

For example, as at 1st July 2022, the Strategic CIL Balance was said to be £6,358,619. The total of Strategic CIL commitments made however and yet to be paid is said to total £6,191,760. This gives an "uncommitted" balance of only £166,859 and yet the total amount of CIL to consider at this meeting is a further commitment of £916,637.

The Terms of Reference might only stipulate that £1m of Strategic CIL needs to be maintained in "cash" terms. However, for risk management purposes, I believe the "uncommitted" balance should also be tracked in a way that non-financial managers can understand.

It would obviously be better to have a policy to only plan to spend the money which hasn't yet been committed. In any event, and at a minimum, an additional graph to track it would be desirable. The red line would then show the balance after commitments (rather than merely the balance after payments).

* I'm assuming the blue line in both graphs is the Forecast "Income" and the red line is the "Balance" as per the label (rather than "Expenditure" as per the graph title). I believe the chart titles and labels are inconsistent and the blue line is actually a bit of a distraction and will change the scaling over time as its just the cumulative income. It could give the impression that there is lots more money available (especially as the "Forecast" is not clearly noted as just the "Income").

Officer response:

Please see wording relating to the £1m reserve from the Strategic CIL Terms of Reference –

- To monitor receipts and expenditure of CIL monies, including the maintenance of reserves in the fund of approximately £1 million

As CIL is continuously accruing, and as payments are not made until completion of projects, forecasting has been undertaken and charts compiled to best illustrate the £1m reserve whilst at the same time allowing the Task Group to make important CIL funding decisions.

I have attached part of the tables where the chart data is pulled from, as you have requested.

***Please note** the figures used in the table are subject to change.

The following table shows the CIL commitments, as well as collected and spent:

	Admin (5%)	Local (15%)	Strategic (80%)	OVERALL TOTAL
Collected	£420,709.62	£1,262,128.87	£6,731,353.98	£8,414,192.48
Spent	£420,709.62	£0.00	£365,000.00	£785,710
Committed	£0.00	£185,898.87	£6,191,760.00	£6,377,658.87
Balance	£0.00	£1,076,230.00	£174,593.98	£1,250,823.99

The CIL spending regime cannot be effectively managed based on the balance after commitments. Currently the 'balance' after commitments for Strategic CIL is under £200k, meaning there would be insufficient funding available to make important decisions on the future usage of CIL funding, and towards important infrastructure projects in the Borough.

The CIL Task Group are aware of the workings of CIL, how it is based on ongoing and upcoming development in the Borough, and therefore the 'pot' is continuously being replenished. Based on past trends we are able to assume we will be in receipt of £1m per annum.

As CIL is not spent until completion, this also has to be considered. All projects that have been committed CIL monies are required to submit a schedule along with estimated completion dates which are entered into the projection spreadsheet.

The red line on the chart shows the balance over time – this is a projection into the future based on estimated CIL receipts per annum against the estimated completion dates for commitments already made.

The blue line show accruals over time and is on the chart as a visual aide to provide confidence in the predicted forecast based on past trends.

Forecasting of CIL is based on assumptions of what can expect to be generated through development over the coming years. This is done on past trends, but also keeping in mind that there are likely to be a number of large developments that will come forward identified by the emerging Local Plan. Furthermore, as CIL is paid on completion, the timeframe of a project must be factored into the forecasting. Please be aware the majority of projects that are of a 'strategic' nature would take usually take two financial years to complete from when the CIL monies have been committed. We have projects that are possibly going to take 3+ years to complete, this must be taken into account.

Officers and Members have discussed the expenditure of CIL in great extent and detail. The CIL balances, commitments and receipts are discussed at each CIL Task Group meeting, and a CIL Progress Report is provided at every Joint Committee meeting.

The allocation of Strategic CIL is key to support infrastructure in Spelthorne and is the fundamental purpose of the CIL regime.

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