

REPORT TO EXTRAORDINARY COUNCIL

Date of Meeting: 21 March 2024

Report of: Director Finance

Title: Allocation of Capital funding for the MRF

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To approve the allocation of funding to enable the MRF capital project to proceed.

2. Recommendations:

2.1 That Council approve the allocation of £6 million from the CIL infrastructure fund to enable the project approved in December 2023 to proceed.

3. Reasons for the recommendation:

3.1 Subject to the identification of sufficient capital receipts to finance the whole project, the original report approved by Council on 12 December 2023 delegated the final decision to the Director Finance in consultation with the Leader, relevant Portfolio Holder and Director of Net Zero and City Management. It is unlikely that the Council will be able to generate sufficient capital receipts in a timely manner, however there are sufficient funds available in the CIL infrastructure pot. The scale of the CIL required is so significant that a decision from Council is considered necessary.

4. What are the resource implications including non financial resources

4.1 The resource implications are set out in detail in the report. The allocation of £6 million from CIL will use up virtually all the available CIL. However further CIL is projected to be received over the next few years.

5. Section 151 Officer comments:

5.1 The delivery of the project to enhance the MRF is critical to both the delivery of the Service now and will also futureproof the operation for further housing development in the future.

6. What are the legal aspects?

6.1 Section 216 of the Planning Act 2008 places charging authorities under a duty to apply Community Infrastructure Levy funds to "*funding the provision, improvement, replacement, operation or maintenance of infrastructure*". This duty is restated in Regulation 59 of the Community Infrastructure Levy Regulations 2010 (the

"**Regulations**") which requires a charging authority to "apply CIL to funding the provision, improvement, replacement, operation or maintenance of infrastructure to support the development of its area".

6.2 The Government's Planning Practice Guidance ("**PPG**") states that: "*The levy can be used to fund a wide range of infrastructure, including transport, flood defences, schools, hospitals, and other health and social care facilities [...]. This definition allows the levy to be used to fund a very broad range of facilities such as play areas, open spaces, parks and green spaces, cultural and sports facilities, healthcare facilities, academies and free schools, district heating schemes and police stations and other community safety facilities. This flexibility gives local areas the opportunity to choose what infrastructure they need to deliver their relevant plan (the Development Plan [...]). [...]*"

Local authorities must spend the levy on infrastructure needed to support the development of their area, and they will decide what infrastructure is needed."

The PPG states that: "*the levy can be used to increase the capacity of existing infrastructure or to repair failing existing infrastructure, if that is necessary to support development."*

Since 2019 Local Authorities have been required to produce an infrastructure funding statement on an annual basis. Regulation 121A of the Regulations states that such infrastructure statement will include: "*a statement of the infrastructure projects or types of infrastructure which the charging authority intends will be, or may be, wholly or partly funded by CIL.*" The PPG states that it should identify "*infrastructure needs, the total cost of this infrastructure, anticipated funding from developer contributions, and the choices the authority has made about how these contributions will be used*". The City Council's most recent Infrastructure Funding Statement was recently published in December 2023.

The PPG states further on how decisions on future spending priorities are made: "*The infrastructure funding statement should set out future spending priorities on infrastructure and affordable housing in line with up-to-date or emerging plan policies. This should provide clarity and transparency for communities and developers on the infrastructure and affordable housing that is expected to be delivered. Infrastructure funding statements should set out the infrastructure projects or types of infrastructure that the authority intends to fund, either wholly or partly, by the levy or planning obligations. This will not dictate how funds must be spent but will set out the local authority's intentions.*"

7. Monitoring Officer's comments:

7.1 The CIL levy can be used to fund a wide range of infrastructure, including transport, flood defences, play areas, open spaces, parks, and green spaces, cultural and sports facilities, healthcare facilities, district heating schemes and police stations and other community safety facilities.

Local authorities must spend the levy on infrastructure needed to support the development of their area, and they decide what infrastructure is needed.

The levy can be used to increase the capacity of existing infrastructure or to repair failing existing infrastructure if that is necessary to support development. Clearly investment of

CIL in this way will increase its capacity ensuring the operation is protected against future housing growth within the City.

8. Report details:

8.1 The report approved on 12 December 2023 increased the budget to £8 million for the works at the MRF following receipts of tenders for the equipment required in the MRF. As the project was significantly focused on the replacement of equipment, this meant that the revenue allocation to support the existing approved borrowing was insufficient given the fact that the equipment had a useful life of 15 years, rather than the normal 50 years for property enhancement. Given the challenging interest rates and in order to protect the revenue position of the Council, the maximum borrowing that is affordable to the Council is £2 million. Therefore, alternative sources of funding were required to deliver the project in full.

8.2 Subject to the identification of sufficient capital receipts to finance the whole project, the original report approved by Council on 12 December 2023 delegated the final decision to the Director Finance in consultation with the Leader, relevant Portfolio Holder and Director of Net Zero and City Management. However, an allocation of £6 million from the CIL infrastructure fund is necessary to enable the project approved in December 2023 to proceed. The scale of the CIL required is so significant that a decision from Council is considered necessary.

8.3 At present the Council holds £10 million of CIL receipts that have not yet been spent. However, there are a number of commitments against this pot, which have been approved by Council These are :

ECC Revenue Spend	160,000
Cycle route between Monkerton and City Centre	375,000
Northbrook Wild Arboretum	222,615
Play Areas	741,994
Pinhoe Community Hub	1,222,710
Heavitree Paddling Pools	25,000
St Thomas Splashpad	100,000
Habitat Mitigation	265,000
Total £M	£3,112,319

8.4 There is therefore £6,477,681 uncommitted. The Council will need a further £160,000 for the 2025-26 budget to deliver maintenance to its infrastructure, but that can be covered from the resources left.

8.5 As Members will recall from the earlier paper, this project will not only ensure the MRF's continued operation for the next 15-20 years, it will also increase capacity ensuring the operation is protected against future housing growth within the City. Alongside this, associated works will allow the rollout of the food waste project to be completed.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The allocated funding will support the Council's aspirations around becoming a net zero carbon City.

10. What risks are there and how can they be reduced?

10.1 The allocation of funds at this stage will allow the Council to formally sign a contract with the successful bidder. Failure to agree funding will result in a failed tender and a new procurement exercise will have to be undertaken.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation, and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies, and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage, and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because the report is to allocate funding for a specific approved scheme that impacts the City as a whole.

12. Carbon Footprint (Environmental) Implications:

12.1 The Waste Strategy for England 2007 and the Environment Act 2021 outline the Governments ambition to work towards a zero-waste economy, in which material resources are reused, recycled, or recovered wherever possible and only disposed of as the option of last resort. This means reducing the amount of waste produced and ensuring all material are pushed up the waste hierarchy. The benefits will be realised in a healthier natural environment and reduce the impacts on climate change.

12.2 Exeter City Council has declared a Climate Emergency. Waste management is a key service provided by the authority and as a predominantly logistical exercise contributes significantly to carbon emissions through transportation.

12.3 Collecting and processing recyclates is one of the key contributions towards the environmental agenda. This project will ensure that there is a sustainable outlet for the

material that we collect and will give us better control of both the materials that we are able to process and the final destination of these materials.

12.4 The proposed investment will substantially enhance the Council's recycling ability by reducing burden on raw materials and allow for greater opportunities in promoting circular economy innovation. There have been numerous examples of successful circular economy projects over the years such as the sea kayaks and carrier bags into bin liners and this investment will increase those opportunities.

12.5 The collecting and processing of recycling benefits from the recent commissioning of the Council's solar farm. The energy this generates contributes further to reducing the carbon footprint of the service.

13. Are there any other options?

13.1 The Council could continue to wait for sufficient capital receipts to become available, however this will likely take a couple of years to materialise. Alternatively, the Council could determine it will borrow and identify the approximately £700,000 of revenue reductions that would be required to fund the borrowing costs.

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

- Future Investment at MRF and Exton Road – Executive 28 Nov 2024, Council 12 December 2024

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