



Local Plan Committee

30 June 2014

Item
12

| | | | |
|----------------|-------------------------------|--------|--------------------------|
| Report of | Head of Commercial Services | Author | Karen Syrett ☎ 506477 |
| Title | Community Infrastructure Levy | | |
| Wards affected | All | | |

The Local Plan Committee is asked to approve further work on the Community Infrastructure Levy (CIL).

1. Decision(s) Required

- 1.1 The Committee is asked to resume work on developing a charging schedule by undertaking the following work;
1. updating the viability work to reflect updated sales costs (and other changes)
 2. updating the infrastructure evidence base and producing a draft 123 list
 3. reviewing governance and implementation arrangements to ensure they are fit for purpose.

2. Reasons for Decision(s)

- 2.1 The Community Infrastructure Levy is an important source of future infrastructure funding. The Governments intention to scale back the use of S106 Agreements makes it important to progress the Levy. Once CIL is adopted or in April 2015 the use of tariffs and standard charges will be severely restricted and securing funding for big items of infrastructure could become increasingly difficult.

3. Alternative Options

- 3.1 The committee could delay work on the Charging Schedule or decide not to proceed with the Community Infrastructure Levy.

4. Supporting Information

- 4.1 The Community Infrastructure Levy is a relatively new levy that local authorities can choose to charge on new developments in their area. The levy is intended to provide infrastructure to support the development of an area rather than to make individual planning applications acceptable in planning terms.
- 4.2 Local authorities are required to spend the levy's revenue on the infrastructure needed to support the development of their area and they will decide what infrastructure is needed ie roads, community facilities and open space. The levy is intended to focus on the provision of new infrastructure and should not be used to remedy pre-existing deficiencies in infrastructure provision unless those deficiencies will be made more severe by new development. 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.

- 4.3 The idea is that the system is very simple in that it applies to most new buildings and charges are based on the size and type of the new development.
- 4.4 In Colchester, work commenced on CIL in 2011 and the first public consultation took place in August and September on the Preliminary Charging Schedule and the evidence base to support it. A meeting was also held between the CIL consultants and two local development companies and a property agent. A total of 25 responses were received to the consultation.
- 4.5 All the responses received were analysed and a revised Charging Schedule and evidence base were published in November 2011 with submission expected at the end of the year or early 2012. However, in light of the responses received to that consultation, members of the Local Development Framework Committee at the time, asked for a workshop with developers and the consultants who had undertaken the viability work. Following the workshop it was agreed that further work would be undertaken looking at viability and the rates proposed in the charging schedule. This was completed and changes were proposed as a result of the updated evidence.
- 4.6 The residential charge was revisited in light of the viability work and this resulted in two charges;
1. £100 per square metre for new residential development in the 'rural' parts of the borough which includes Myland and Stanway.
 2. £80 per square metre in the remaining 'urban' part of the borough.
- 4.7 The comparison retail charge was also changed and split according to location as follows;
1. In the Town Centre new comparison retail development will not be liable for CIL.
 2. Outside the town centre a charge of £90 per square metre will apply.
- 4.9 The proposed levy for convenience retailing (food stores) remained unchanged at £240 per square metre.
- 4.10 These charges were due to be consulted on early in 2013 but nationally a key issue came to light which suggested we should not proceed as planned. Mid Devon District Council's proposed CIL charge for residential development was rejected by an examiner because it did not reflect the council's target for the provision of affordable housing set out in its development plan. Shortly afterwards, Exeter were asked to revisit their proposed CIL because it would compromise affordable housing delivery.
- 4.11 The Council recognised that it could not continue to aspire/expect to achieve 35% affordable housing and also implement CIL (which as a statutory charge would be paid prior to agreeing any affordable housing.) Examination of a CIL charge which undermined adopted Council policy would have been risky and could have resulted in aborted costs. An alternative option to set CIL at a lower rate to enable delivery of 35% affordable housing would have resulted in such a low levy it would not have been worth proceeding. The existing arrangements for negotiating and collecting S106 contributions were working well enough and it seemed prudent to continue with that approach in the short term.

- 4.12 Over the past year the Government have confirmed their commitment to CIL and published further regulations. More local authorities have progressed their own Charging schedules, including Chelmsford who implemented their levy earlier this month. Their charges have been set as follows;
- Residential (including sheltered or specialist housing) - £125 per sq m.
 - Retail – Convenience (food)] - £150 per sq m.
 - Retail – All other retail (non-food) and Use Classes A2-A5 and sui generis uses akin to non-food retail - £87 per sq m.
 - All other uses (including Use Classes B, C1, C2, and D and any other sui generis uses - £0 per sq m.
- 4.13 In January this year Savills and the Home Builders Federation (HBF) published a report on CIL with the objective of achieving more consistency in the CIL rate setting process, with particular regard to viability. To take a view on the viability of policies across the country, they developed a model for the viability of large greenfield sites in different strength markets. The output is a benchmark amount available to pay CIL, Section 106 infrastructure funding and the cost of local policies, taking account of affordable housing policy. It gives a starting point for review of policy viability, before examination of local specifics.
- 4.14 Table 1 shows the benchmark amount per plot, as an average across all tenures. This varies significantly, according to sales value and affordable housing policy, with little or no level of CIL being viable in lower value markets, where sales values are at £175 per sq.ft. In these markets, developers and local authorities need to work together to find ways of bringing sites forward, using policy flexibility and whatever public investment in infrastructure that can be made available.

TABLE 1
Amount available for CIL and S.106 (£ per plot, all tenures)

| Affordable Housing % | Sales value per sq.ft. | | | | | | | | |
|----------------------|------------------------|--------|--------|--------|--------|--------|-------|-------|-----|
| | 350 | 325 | 300 | 275 | 250 | 225 | 200 | 175 | 150 |
| 0% | 45,800 | 39,400 | 33,000 | 26,600 | 20,200 | 13,800 | 7,400 | 1,000 | 0 |
| 10% | 38,300 | 32,700 | 27,100 | 21,500 | 15,900 | 10,200 | 4,600 | 0 | 0 |
| 20% | 30,900 | 26,000 | 21,200 | 16,400 | 11,500 | 6,700 | 1,800 | 0 | 0 |
| 30% | 23,400 | 19,400 | 15,300 | 11,300 | 7,200 | 3,100 | 0 | 0 | 0 |
| 40% | 16,000 | 12,700 | 9,500 | 6,200 | 2,900 | 0 | 0 | 0 | 0 |
| 50% | 8,600 | 6,100 | 3,600 | 1,100 | 0 | 0 | 0 | 0 | 0 |

Source: Savills Research

- 4.15 Sales values in Colchester vary considerably across the borough as might be expected. The evidence collected in 2012 does not reflect the current housing market which has seen rises averaging 4.6% or £10,814 per property over the past year. Information on Zoopla shows that average sales values by postcode vary between £200 and £277 per square foot. Only flats in CO4 achieve a sales value of less than £200 (being £199 per square foot) and a more detailed search by road has not identified any that low. There is usually a sales premium on new build properties, for which CIL would be payable.
- 4.16 The table demonstrates that reducing the affordable housing policy from 35% to 20% on qualifying sites, has a significant impact on the amount available for CIL

and s106. Small sites (those under 10 units in the urban parts of the borough and under 5 in the rural area) are not required to provide affordable housing. Using the simple table produced by Savills and average generic sales values in Colchester suggests the following amounts are available for CIL and S106;

| • | Sales value £200 sq ft | Sales value £250 sq ft |
|-------------------|---------------------------|---------------------------|
| Small site no AH | £7,400 | £20,200 |
| Large site 20% AH | £1,800 | £11,500 |

- 4.17 One of the concerns that has been raised both locally and nationally is a fear that S106 will continue to be used by local authorities who are also charging CIL and that this could lead to double counting. The Government have made it clear that this should not occur and it is proposed that the Council produces guidance to clarify those instances where S106 will be utilised i.e. affordable housing and smaller scale on site infrastructure such as road and pedestrian connections, play space etc. The table below shows the amount available for CIL assuming £3000 per plot for S106;

Amount available for CIL – assuming £3,000 S.106 per plot (all tenures)

| Affordable Housing % | Sales value per sq.ft. | | | | | | | | |
|----------------------|------------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| | 350 | 325 | 300 | 275 | 250 | 225 | 200 | 175 | 150 |
| 0% | 420 | 360 | 300 | 230 | 170 | 110 | 40 | 0 | 0 |
| 10% | 390 | 330 | 270 | 200 | 140 | 80 | 20 | 0 | 0 |
| 20% | 350 | 280 | 230 | 170 | 110 | 50 | 0 | 0 | 0 |
| 30% | 290 | 230 | 170 | 120 | 60 | 0 | 0 | 0 | 0 |
| 40% | 210 | 160 | 110 | 50 | 0 | 0 | 0 | 0 | 0 |
| 50% | 110 | 60 | 10 | 0 | 0 | 0 | 0 | 0 | 0 |

£ per sq.m. of market housing

- 4.18 The table demonstrates how different rates of CIL could be used depending on value areas and if affordable housing is expected on a scheme. It highlights the importance of understanding market areas. Relevant sections for Colchester are extracted below;

Savills suggested CIL levels for two sales value scenario's;

| | Sales value £200 sq ft | Sales value £250 sq ft |
|-------------------|---------------------------|---------------------------|
| Small site no AH | £40 per sq m | £170 per sq m |
| Large site 20% AH | £0 CIL | £110 per sq m |

The Charging Schedule must be examined by an independent person appointed by the Charging Authority.

The procedures are similar to those of a development plan document and any person requesting to be heard by the examiner must be heard in public. The independent examiner will

- 4.19 If S106 expectations were higher, i.e. £15,000 per plot, only those sites where no affordable housing was provided and with sales values in excess of £250 per sq m could a small charge be levied (between £10 - £50 per sq m.)
- 4.20 To proceed with CIL it will be necessary to update the evidence base to ensure it reflects up to date information. It is proposed that this is undertaken and reported back to committee prior to consultation before submission.
- 4.21 When the Council adopts and implements CIL it is also necessary to publish what is known as the 123 List. This lists all the infrastructure to be funded through CIL. CIL money can only be put towards items on this list and S106 contributions cannot be used towards anything on the list (there can be no doubling up.) The 123 list can be changed by the Council at anytime without the need for examination or any publicity. However to provide some certainty and in line with recent regulation changes, it is being recommended that the list is produced to inform the examination. Previous draft governance arrangements have suggested the List should be reviewed twice a year but would only be amended more than once in exceptional circumstances.
- 4.22 The Government require the Council to allocate a meaningful proportion of levy revenues raised in each area back to that neighbourhood. The Department for Communities and Local Government (DCLG) has previously announced that town and parish councils that draw up neighbourhood plans will receive 25 per cent of the planning levy charged on new developments in their area. Neighbourhoods without a neighbourhood plan but where CIL is being charged will receive a 15 per cent share of the revenue from development in their area, but this will be capped at £100 per council tax dwelling. This will ensure that where a neighbourhood bears the brunt of a new development, it receives sufficient money to help it manage those impacts.

5. Proposals

- 5.1 The Governments intention to scale back the use of S106 Agreements makes it important to progress the Levy. Once CIL is adopted or in April 2015 the use of tariffs and standard charges will be severely restricted and securing funding for big items of infrastructure could become increasingly difficult.
- 5.2 It is recommended that the Council resume work on developing a charging schedule by undertaking the following work;
4. updating the viability work to reflect updated sales costs (and other changes)
 5. updating the infrastructure evidence base and producing a draft 123 list
 6. reviewing governance and implementation arrangements to ensure they are fit for purpose

6. Strategic Plan References

- 6.1 The Strategic Plan Action Plan includes a commitment to regenerating the Borough through buildings, employment, leisure and infrastructure. CIL can help achieve these objectives.

7. Consultation

7.1 No consultation is proposed at this stage.

8. Publicity Considerations

8.1 There is no publicity expected at this stage.

9. Financial Implications

9.1 Finding for updating the evidence base is included within existing budgets.

10. Equality, Diversity and Human Rights/Health and Safety and Community Safety Implications

10.1 None identified.

11. Risk Management Implications

11.1 A review of the evidence base will reduce the risk of CIL being found unsound.

12. Disclaimer

12.1 The information in this report was, as far as is known, correct at the date of publication. Colchester Borough Council cannot accept responsibility for any error or omissions.