

PLACES SCRUTINY PANEL

14 March 2013

COMMUNITY INFRASTRUCTURE LEVY: PRELIMINARY DRAFT CHARGING SCHEDULE AND SUPPORTING EVIDENCE

Report of the Operational Director for Places

STRATEGIC AIM:	Creating an active and enriched community Creating a sustained environment Building our infrastructure
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1. PURPOSE OF THE REPORT

- 1.1 To consider a Preliminary Draft Charging Schedule (PDCS) setting out a proposed schedule of Community Infrastructure Levy (CIL) rates to be applied by the Council plus supporting evidence prior to forwarding it to Cabinet.

2. RECOMMENDATIONS

- 2.1 **That the contents of the Preliminary Draft Charging Schedule (PDCS) and supporting evidence, included in Appendix A and B to this report, is considered by the Places Scrutiny Panel and any observations, comments or amendments be reported to Cabinet, as appropriate.**

3. BACKGROUND

- 3.1 Government has introduced new provisions to securing funding towards community infrastructure made necessary by new development. CIL is a tariff based approach charging a levy on development based on the size and type of the new development. CIL can apply to every new residential property or minimum floorspace increase of 100m² to any eligible property as detailed in a local authority charging schedule. The CIL rate is expressed as £m² and will vary for those categories of development that are generally identified to be sufficiently viable to be able to pay the levy. The money can be raised to support development by funding community infrastructure that the local charging authority decides is most needed in consultation with the community as set out in a schedule of infrastructure priorities.
- 3.2 The publication for consultation purposes of a Preliminary Draft Charging Schedule with supporting evidence is the first stage in the process of adopting a CIL charging schedule for Rutland County Council.
- 3.3 The purpose of the document is to identify the need for infrastructure investment to support the growth being planned in the Council's Local Plan and to present a robust viability assessment to establish the 'ability to pay' of the development being planned for.

4. INFRASTRUCTURE PLANNING

- 4.1 URS Consultants were commissioned to assist the Council on drawing up a Rutland Infrastructure Project List (IPL). This work is still on-going but sufficient work has been undertaken to present a summary estimate of infrastructure requirements. This is set out at Table 3.1 of the PDCS attached at Appendix A. URS are generally satisfied that the methodology used by the Council to identify and measure the infrastructure funding gap is robust. The infrastructure funding gap is further explained at paragraph 6.2 below. The URS role has not been to comment on the choices the Council might make in prioritising its infrastructure requirements but in advising on how to present its priorities in accordance with the CIL regulations and government advice as it currently stands. URS has advised that the IPL should be part of the evidence base to support the Council's PDCS and that this should be done at the earliest opportunity.
- 4.2 Consultation has taken place with all Parishes across Rutland to invite their views on infrastructure priorities in their area they feel would arise as a consequence of future growth. Responses received are currently being worked on and will be reflected in the Rutland Infrastructure Project List (IPL) being drawn up. A further announcement in January 2013 has clarified the government's advice about ensuring a 'meaningful proportion' of CIL receipts should be directed to those neighbourhoods where the development takes place. This could amount to up to 15% of the CIL paid by developments within a 'parished' area rising to 25% within a 'parished' area where an adopted Neighbourhood Plan is in place. Once a CIL is adopted decisions about the infrastructure investments to be made will inevitably take account of these requirements and will be part of the Council's overall capital investment strategy currently being developed.
- 4.3 All RCC projects are being supported by a clear justification arising from growth and for CIL funding being required to achieve project delivery. Decisions have also been made about the level of funding that would appear to be appropriate to external stakeholder organisations (e.g., health and police) based on supporting evidence submitted.
- 4.4 It is of critical importance that a Rutland IPL is concluded in time for it to appear as evidence to support the final Draft Charging Schedule (DCS) in the summer. The IPL and DCS can then be the subject of public consultation before the DCS is taken forward to public examination later in the year.

5. PROPOSED CIL RATE

- 5.1 The evidence to support setting the right CIL rates for Rutland is set out in a Leicester, Leicestershire and Rutland CIL Viability Study jointly commissioned by all the local authorities in the sub-region. This study has been undertaken by the Council's Consultant's HDH Planning and Development. This work has been subject to two consultation exercises with representatives of the development industry active across the area. The main issues raised in the responses were considered in finalising the study.
- 5.2 A PDCS setting out the Council's proposed CIL rates is attached at Appendix A. A Supplementary Paper with more detailed evidence to support the PDCS is attached at Appendix B. URS/HDH has assisted the Council in drawing this up.

- 5.3 The critical test to be applied when a Council is considering the rates of CIL it should adopt is to be able to evidence striking a balance between funding essential infrastructure from the levy whilst ensuring that the Council's planning policies to deliver development to meet local needs is not frustrated by an excessive tax.
- 5.4 The draft Charging Schedule proposes the following rates;

Category of Development	Proposed CIL rate (£ per m2) gross
Residential	100
Distribution	10
Convenience (Supermarkets)	150
Retail Warehouses	150
Hotel	150

- 5.5 Further explanation of the above categories is given at Para 4.2 of the PDCS Supplementary Paper attached at Appendix B.
- 5.6 The Council also needs to ensure it is striking the right balance between the rate of CIL it sets and its Affordable Housing (AH) policy. The key issue is meeting the needs for Affordable Housing (currently at 35%) on all residential developments. Securing the provision of commuted sums for AH on sites of 5 or fewer new dwellings at current rates (up to £23,900) has proved particularly difficult whilst the Council is also seeking to secure developer contributions at a rate of approx. £9k to £10k per new dwelling.
- 5.7 Further work on this has been undertaken by HDH Planning & Development consultants working with the Council's Housing Enabling Officer using a 'bottom up' approach based on an update of the 2010 Fordham Affordable Housing Viability Study that underpins the Council's current "Developer Contributions to off-site Affordable Housing Supplementary Planning Document" (SPD). This work further helps pave the way for setting CIL at £100 per m2 whilst introducing a reduced rate of commuted sum for small sites which could, on average, raise £17,000 per open market property. A separate report (no. 72/2013) on this is being considered by the Places Scrutiny Panel and then Cabinet for approval at the same time as approval is being sought for the PDCS subject of this report.
- 5.8 There are other considerations to be taken into account in setting CIL for residential development. These are explained in the PDCS Supplementary Paper attached at Appendix B. From the evidence presented in this work based on the consultants advice, it is proposed that the rate of £100 per m2 be confirmed as the Rutland CIL rate for residential development.
- 5.9 The non residential CIL rates being proposed are those that have been recommended by URS/HDH based on the viability study. All other categories of development (ie not referred to in the PDCS) would not be charged a CIL rate.

6. FINANCIAL IMPLICATIONS

- 6.1 The Council already has in place a clear, tariff based approach to planning obligations and developer contributions through its Planning Obligations and Developer Contributions SPD and Developer Contributions to Off-site Affordable Housing SPD. The changing regulations, including the scaling back of S106 Agreements to restrict the pooling of contributions for infrastructure to no more than 5 planning agreements within the local authority area, means that it is financially imperative the Council moves forward to implementing CIL if it is to be able to deliver essential community infrastructure.
- 6.2 The CIL work provides a basis for a re-evaluation of the Council's priorities in respect of funding infrastructure. The summary estimate of infrastructure requirements shows that the total cost of projects is £22.7m with £9.7m committed or projected leaving a CIL funding gap of £13.1m. In other words, about 58% of the total infrastructure cost is dependent on CIL funding.
- 6.3 Applying a rate of CIL for new residential development of £100 per m² might generate between £5.3m and £8.3m towards meeting the IPL funding gap of approx £13.1m (ie between approx. 40% and 63% of the overall cost). This implies unidentified funding for possibly between £4.8m and £7.8m over the period to 2026. The final prioritisation and delivery of projects will form part of the Council's capital investment strategy.
- 6.4 The purpose at this stage in identifying the costs to delivering the estimated infrastructure required is not to commit at this early stage to a programme of its delivery but to demonstrate the need for CIL and to set a context for future prioritisation of how CIL receipts might be invested. As well as a published Rutland Infrastructure Project List, a "Section 123" list is needed (a more refined shorter term list required under section 123 of the CIL Regulations). This will make it clear what the Council expects to be funded from CIL receipts and will be drawn up following this preliminary draft consultation stage. It will therefore be available for the CIL Examination, in accordance with government guidelines, as evidence of what infrastructure the Council will manage the delivery of to support the developments being planned for.
- 6.5 A further consideration to introducing a Draft Charging Schedule is applying a payment policy. The CIL regulations establish a modest instalment policy for developments as follows;

Equal to or greater than £40,000	Four equal instalments at the end of the periods of 60, 120, 180 and 240 days from commencement
£20,000 and less than £40,000	Three equal instalments at the end of the periods of 60, 120 and 180 days from commencement
£10,000 and less than £20,000	Two equal instalments at the end of the periods of 60 and 120 days from commencement
Less than £10,000	In full at the end of the period of 60 days from commencement

- 6.6 Many Council's simply rely on application of the above. By giving further extended periods for CIL payment, the viability of projects can be increased. The ability to pay over extended periods might be a policy the Council wishes to implement. The implications of setting an instalment policy giving extended periods can be

considered in developing the final draft Charging Schedule should Members be minded to further support development in this way.

- 6.7 Funding for the cost of setting up CIL, including work drawing up the PDCS and taking it through examination to adoption, and then administering it, can be charged to CIL subject to a 5% limit.

7. THE NEXT STEPS

- 7.1 Following consideration by the Places Scrutiny Panel, the PDCS together with any comments raised will be considered by Cabinet on the 19th March 2013.
- 7.2 The PDCS will go out to 6 weeks public consultation in March-May 2013. A final draft Charging Schedule will then come back to elected Members for consideration in June/July 2013. Consultation on the final draft Charging Schedule would then take place in August/September 2013 proceeding to public examination in December/January 2014 and adoption by May 2014.
- 7.3 Adopted planning policy in the 'Planning Obligations and Developer Contributions SPD' will need to be revised from the point at which CIL is implemented. Government guidance requires that the revised approach to applying the scaled back provisions for S106 should be available at the time of the formal Examination into the proposed CIL so the balance in terms of developer impact on viability can be taken into account. A review and revision to this SPD that incorporates the 'Developer Contributions to Off-Site Affordable Housing SPD' will be presented to future meetings to achieve this required alignment. In the interim a reassessed developer contribution to off-site affordable housing is being proposed, as set out in report 72/2013 to the Places Scrutiny Panel.

8. RISK MANAGEMENT

RISK	IMPACT	COMMENTS
Time	Medium	It is important that CIL is delivered to the agreed programme to minimise the impact on developer contributions after Section 106 provisions are scaled down.
Viability	Medium	Adequate resources to deliver a well evidenced CIL will increase the viability of future infrastructure provision.
Finance	Low	The preparation of CIL is covered by existing mainstream budgets. Implementation of CIL is broadly self financing through the funding provisions to cover its administration etc.
Profile	Medium	The PDCS will be subject to widespread consultation and is likely to be of interest to both local communities and landowner/developer stakeholders.
Equality and Diversity	Low	An EIA screening assessment suggests that the PDCS has no direct adverse impact on any equality group, but that further screening will be needed as expenditure is prioritised within the funding actually available.

Background Papers

Community Infrastructure Levy Regulations 2010
National Planning Policy Framework 2012
Community Infrastructure Levy Guidance December 2012
Rutland Core Strategy DPD
Planning Obligations and Developer Contributions SPD
Developer Contributions to Off-site Affordable Housing SPD
Rutland Statement of Community Involvement (June 2006)
Leicester, Leicestershire and Rutland CIL Viability Study
January 2013 (HDH Planning and Development)
HDH Planning and Development report on CIL and
Affordable Housing Commuted Sums (December 2012)

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