REPORT TO	DATE OF MEETING
Cabinet	16 November 2011

Report template revised June 2008

SOUTH RIBBLE BOROUGH COUNCIL

forward with South Ribble

SUBJECT	PORTFOLIO	AUTHOR	ITEM
Community Infrastructure Levy Preliminary Draft Charging Schedule	Planning and Housing	Helen Hockenhull	7

SUMMARY AND LINK TO CORPORATE PRIORITIES

As Members are aware, the three Central Lancashire Authorities have been working together to produce a Community Infrastructure Levy (CIL) charging schedule. The levy will be used as the mechanism for pooling contributions from a variety of new developments to contribute to future infrastructure needs.

The Authorities have appointed consultants to assist with this work in particular to look at the viability issues which will inform a possible charging option.

This report discusses the consultant's findings and recommends a draft charging schedule for consultation.

This document complies with the Council's Corporate Priorities to achieve a clean, green and safe borough, a strong South Ribble in the heart of a prosperous Central Lancashire and strong and healthy communities.

RECOMMENDATIONS

That the Cabinet approves the attached preliminary draft charging schedule for consultation.

DETAILS AND REASONING

BACKGROUND

The Planning Act 2008 introduced powers to charge a Community Infrastructure Levy (CIL) and details of setting the charge are set out in CIL Regulations and guidance. The role of Section 106 provisions for funding off site infrastructure are also being reduced through this legislation.

The new Community Infrastructure Levy can be applied to a wider range of developments and the monies collected can be spent more freely. Adopting CIL is not mandatory but councils will almost certainly lose out on infrastructure funding if they do not.

The individual Borough Councils will have the role of collecting the CIL monies and have full control on how they are spent. It will be important for the three Central Lancashire authorities to collaborate on setting charge rates so that these are complementary rather than conflicting otherwise developers' location choices could be inappropriately skewed by CIL charge rates.

As the three Councils will be separate CIL Charging Authorities each will need to adopt separate schedules of charge rates. Despite this a joint examination of two or more Charging Schedules is permitted under the CIL Regulations.

The Council, as the charging authority, must produce a charging schedule which sets out the rate for their CIL. A pre requisite of a charging schedule is an infrastructure funding gap. There is however not a requirement for expected CIL revenues to make up all of the funding gap in a District. It is appropriate to assume that some other funding streams will arise over the next 15 years or so that cannot be quantified in advance. It should be noted that CIL monies are not necessarily additional monies to fund infrastructure, as in the past these would have been collected through S.106 agreements or other agreements under the Highways Act.

The charging schedule must be supported by economic viability evidence, so that the rates imposed are not so high as to put development at serious risk. In order to assist in putting together this viability evidence, the Central Lancashire Authorities have appointed consultants.

The consultants have researched the viability of residential and non residential uses. To assess the overall economic viability of all types of developments the consultants have taken account of all the costs involved in implementing schemes including costs of construction, financing, affordable housing and any other likely residual (eg site specific) S.106 contributions.

At the present time the economic viability of all forms of development is depressed by the wider state of the economy and this impacts on the current viability of different uses. The consultants have found broadly similar extents of economic viability across Central Lancashire bearing in mind the main locations envisaged for development in the Core Strategy.

In looking at market housing developments a key issue is the effect of affordable housing contributions, secured through a separate S106 agreement, on the rate of CIL that can be charged. Affordable housing at present is not classed as infrastructure for CIL purposes although the Government is currently consulting on funding the provision of affordable housing through CIL. The present position is that not only are the two aspects funded separately but the proportion of affordable housing actually achieved on a site is subject to negotiation (the starting point being the policy target) whereas the CIL charge is fixed from the outset. Our consultants have taken full account of the proportions of affordable housing sought from market residential development required to meet the relevant Core Strategy policy. High CIL charges for residential development may impact on affordable housing delivery.

The profitability of the various non-residential uses varies widely. This is especially true of retail schemes – large food based superstores which tend to be located in edge of centre sites are the most profitable/viable and hence have the greatest ability to pay CIL charges.

Nil CIL charges for community uses are likely to be appropriate as of course the profitability/viability of these developments is very low and many such schemes amount to infrastructure in their own right. However a nil charge for some commercial types of development (such as industrial and warehouse uses) could also be justifiable, especially at the present time as their economic viability is typically marginal. However a modest CIL charge would make little difference to the economic prospects of individual schemes and given the large number of business developments envisaged over the next 15 years in the Borough at Samlesbury and Cuerden, a modest charge could raise a significant amount of money.

Clearly there are choices to be made in setting CIL charges. How close to the point of viability should charges be set bearing in mind the risk in discouraging development altogether? What overall proportion of the infrastructure funding gap should CIL be expected to meet? At the initial (Preliminary Draft Charging Schedule) consultation stage these sorts of issues can be considered as part of the engagement process. At the following stage (Publication) a further draft Schedule is produced with any appropriate revisions reflecting the earlier consultation. At the Publication stage formal representations can be made and those received are submitted to an examining Inspector for consideration alongside the Schedule.

At this initial preparatory stage, a recommended draft preliminary charging schedule is attached at Appendix 1. This reflects the similar economic conditions elsewhere in Central Lancashire and the same rates are proposed in Preston and Chorley. The draft schedule recommends a charge of £70 per square metre for a residential use. This equates to approximately £6650 for an average 3 bed house (95 sq m floor area)

For comparison, Members may be interested to note the proposed charges endorsed by examining Inspectors for the first three authorities to pursue CIL, summarised below:

- Newark and Sherwood – residential £0-75, business £0-20, retail £100-125
- Shropshire – residential £40-80, all other uses nil
- London Borough of Redbridge – all uses £70

In the future although the charge rates levied will be annually linked to a build cost index the viability of developments locally may change significantly over time. In which case a new Charging Schedule will need to be produced. The first authority nationally to adopt CIL charges envisages a review will be necessary after two or three years of operating the rates.

THE WAY FORWARD

Once approved by all three Central Lancashire authorities, it is proposed to carry out a joint consultation for 6 weeks. The envisaged timetable is below:

Consultation – 6 weeks	Dec '11 – Jan '12
Publication – 4 weeks	March '12
Submission	May '12
Joint Examination	June '12
Examiner's Report	August '12
Adoption	October '12

The timetable deliberately follows the envisaged adoption of the Core Strategy. An up to date development plan is required to inform the broad location of development which is itself informed by infrastructure planning.

WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these. The risk assessment which has been carried out forms part of the background papers to the report.

FINANCIAL	Document preparation costs are allowed for in estimates. The preparation of a joint viability evidence base has been more cost effective then acting alone. Not pursuing CIL could potentially result in reduced funding for infrastructure as legislation being introduced will significantly reduce the role of Section 106 agreements.
LEGAL	The preparation of the document has complied with the relevant legislation.
RISK	The preparation of the LDF (including the CIL) has been risk assessed as part of the Local Development Scheme and is subject to annual review.
CORPORATE PLANS AND POLICIES	CIL cannot be levied without an up to date development plan to inform the broad location of development and infrastructure needs i.e. the Core Strategy
SUSTAINABILITY	A separate sustainability appraisal has been produced for the Core Strategy.

Asset Management	*Corporate Plans and Policies*	*Crime and Disorder*	*Efficiency Savings/Value for Money*
Equality, Diversity and Community Cohesion	*Freedom of Information/ Data Protection*	*Health and Safety*	*Health Inequalities*
Human Rights Act 1998	*Implementing Electronic Government*	*Staffing, Training and Development*	*Sustainability*

BACKGROUND DOCUMENTS

Central Lancashire Core Strategy Submission Version – March 2011
CIL Viability Evidence Study Final Report - Roger Tym and Partners - Oct 2011.

Appendix 1

COMMUNITY INFRASTRUCTURE LEVY

RECOMMENDED PRELIMINARY DRAFT CHARGE RATES FOR CONSULTATION

Development Type	CIL Charge
Residential (dwellings)	£70 Sq m
Convenience retail	£160 Sq m
Retail warehouse	£40 Sq m
All other uses	£0 - £10 Sq m
D1 Non-residential institutional uses	£0 Sq m