



REGENERATION AND ENVIRONMENT SCRUTINY COMMITTEE – 18TH SEPTEMBER 2012

**SUBJECT: COMMUNITY INFRASTRUCTURE LEVY (CIL) PROGRESS REPORT
AND PRELIMINARY DRAFT CHARGING SCHEDULE**

REPORT BY: CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To provide Members with an update on the preparation of the Community Infrastructure Levy.
- 1.2 To seek Council approval for the:
 - A) Rates which are to be included in the Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule as a basis for public consultation;
 - B) Draft Infrastructure List as a basis for public consultation.

GLOSSARY OF ACRONYMS, ABBREVIATIONS AND TERMS

CIL	Community Infrastructure Levy
CIL Regulations	The Community Infrastructure (Amendment) Regulations 2011
LDP	Caerphilly County Borough Local Development Plan
S106	Section 106 of the Town and Country Planning Act 1990
DIL	Draft Infrastructure List
DVS	District Valuer Services
IAR	Draft Infrastructure Assessment Report
Schedule	Caerphilly Preliminary Draft Charging Schedule

2. SUMMARY

- 2.1 On the 26th July 2011, the Council resolved to prepare CIL for the County Borough, in accordance with the CIL Regulations. Significant work has now progressed to enable a CIL to be introduced in the County Borough and the report outlines this progress and seeks approval for the proposed CIL Rates and Draft Infrastructure List as a basis for public consultation.

3. LINKS TO STRATEGY

- 3.1 The CIL will directly assist in the delivery of the council's land use objectives as set out in the Caerphilly County Borough Local Development Plan (LDP). CIL will expand upon LDP policy SP7 Planning Obligations, which sets out the strategic policy basis for securing Planning Obligations (S106 Agreements) where they are necessary to remove obstacles to planned development.

- 3.2 CIL will be one of the mechanisms for making direct contributions toward the provision of many of the allocations set out in LDP policies. Overall CIL will be a significant tool for the delivery of the Council's aspirations in terms of infrastructure that cannot be funded through other means and for which no alternative funding mechanisms are available.

4. THE REPORT

- 4.1 In order to introduce the Community Infrastructure Levy (CIL) in Caerphilly the Council must first establish if it is economically viable to introduce a charge, and must also identify the types of infrastructure that the CIL once introduced would be required to fund.

Governance

- 4.2 In line with the Council Approved CIL Delivery Agreement (October 2011), three management groups and a development panel have been established to assist in the preparation of the CIL. These are the CIL Steering Group (consisting of elected members and relevant senior officers), The Valuation and Viability Working Group (professional officers with relevant expertise to undertake the viability work) and the CIL Officer Working Group (officers from across all services areas likely to be effected by the implementation of CIL). These groups have met to take this work forward and the recommendations contained within this report are those arising from work undertaken within these groups. In particular the Valuation and Viability Working Group have progressed work on the Economic Viability Study and the CIL Officer Working Group have progressed work on the Infrastructure Assessment Report. The work of both groups has been considered by the CIL Steering Group in advance of being reported here.

Preparation of CIL

- 4.3 The CIL adoption process is broadly similar to that of the Local Development Plan (LDP). The process requires the completion of the following stages:
- The preparation of a robust evidence base which should include research in respect of the economic viability and infrastructure planning;
 - Preparation of, and public consultation on, a Preliminary CIL Charging Schedule;
 - Preparation of, and public consultation on, a Draft CIL Charging Schedule;
 - An Examination in public to consider the representations received in respect of the Draft CIL Charging Schedule;
 - Implementation of the CIL Charging Schedule; and
 - Preparation and publication of a CIL Annual Monitoring Report.

CIL Evidence Base

Viability Assessment

- 4.4 In order to establish economic viability across the County Borough, the Council in partnership with Rhondda Cynon Taff and Merthyr Tydfil Council, jointly commissioned the District Valuer Services (DVS) to undertake a study, which considered the economic viability of charging CIL in the respective areas. The commission was completed in July 2012.
- 4.5 The objective of the commission was to look at the potential for charging CIL across a range of different uses. In order to do this the study looked at 69 (potential and actual) residential and commercial development sites across the study area. The Study investigated market and development conditions and undertook development viability testing to consider the levels of CIL that various development uses and locations might support.
- 4.6 The findings of the study indicate that levels of viability for residential development vary significantly across the Study Area as a whole and across the County Borough. Based on

current market conditions, the study shows relatively high viability levels exist in the south of the County Borough, medium levels of viability exist around the mid valleys area and low levels of viability exist in the Heads of the Valley and Aber Valley. The Study therefore recommends that differential charging rates for residential development should be applied across the County Borough to reflect the different levels of viability. An A4 plan of Caerphilly, which illustrates the geographical extent of each of the charging areas, is attached to the report and an A2 plan of the whole study area, is available in the Members' Library.

- 4.7 The study indicates that the rates that could be applied for residential development differ significantly depending on whether affordable housing is provided through CIL or through S106 obligations. Both options needed to be considered in the study, as there is a prospect that the CIL Regulations might change to include affordable housing within CIL.
- 4.8 The study also looked at a range of different commercial uses including retail (food and non food), employment (B1, B2 and B8), health care provision, care and nursing homes, hotels and cinemas. Whilst the findings of the study indicated that there is no significant variation in the viability of commercial development across the County Borough, it does show significant variation in viability levels between uses. The study indicates that uses such as retail, restaurants and primary health care provision are viable whilst general employment; care and nursing homes, hotels and cinema uses are not viable for CIL purposes. However unlike residential development the study does not recommend any differential charging rates for commercial development based on different geographical areas, but considers the Study Area as one commercial market area.
- 4.9 The study recommends that the following charges could be applied in Caerphilly County Borough:

Table 1: DVS Recommended Ranges for CIL Rates

Ref.	Charging Zone – Residential (Affordable Housing delivered by S.106)	DVS Suggested Range of CIL charge (Per square m)	
		From:	To:
A	Higher Viability Zone	£25	£125
B	Mid Viability Zone	£10	£60
C	Lower Viability Zone	n/a	n/a
Ref.	Charging Zone – Residential (Affordable Housing funded by CIL)	DVS Suggested Range of CIL charge (Per square m)	
		From:	To:
D	Higher Viability Zone	£150	£250
E	Mid Viability Zone	£75	£125
F	Lower Viability Zone	£0	£75
Ref.	Charging Zone – Non-Residential	DVS Suggested Range of CIL charge (Per square m)	
		From:	To:
G	A1 Retail Development	£50	£300
H	B1 Office Development	n/a	n/a
I	B2 - B8 Industrial Development	n/a	n/a
J	Care and Nursing Home Development	n/a	n/a
K	D1 (Primary Healthcare Development)	£0	£125
L	D2 Hotel Development	n/a	n/a
M	D2 Cinema Development	n/a	n/a
N	A3 Restaurants, Cafes and Drinking Establishments	£10	£40

**Chargeable amount based on measurement to Gross Internal Area (GIA), as per RI*

- 4.10 In recommending the ranges of CIL, the DVS has taken account of the additional costs that may affect a development site, planning obligations required in addition to the CIL charge, the potential for abnormal site development costs and additional costs arising from increasing building regulations and weighed these with possible future changes.
- 4.11 A copy of the Economic Viability Study is available in the Members Library.

Infrastructure Assessment Report

- 4.12 In order to set an appropriate rate for the Community Infrastructure Levy (CIL), the Council needs to identify the total cost of the infrastructure it wishes to fund from CIL and identify what sources of funding are available for its provision. The *Draft Infrastructure Assessment Report - June 2012* (IAR) seeks to fulfil this function and is available in the Members Library.
- 4.13 As part of the LDP process, an evidence base was developed that looked specifically at the infrastructure requirements of the County Borough as a result of LDP growth. The infrastructure requirements identified in the LDP include the provision of new schools, roads, cycle routes and public transport.
- 4.14 The IAR builds on the information already contained in the LDP evidence base. In doing so the IAR provides detailed information in respect of the cost of new infrastructure; the phasing of development; funding sources, and responsibility for delivery.
- 4.15 The IAR identifies an infrastructure requirement of £158m (estimated) with an estimated shortfall in the funding of this infrastructure of £92m in the period up to 2021. CIL funding is not intended to fill the funding gap in its entirety but is one of a number of possible funding sources.
- 4.16 The IAR has been the subject of internal discussion and consultation through the CIL Officer Working Group. The recommendations contained in the report reflect the debate that has been undertaken within the group and represents the recommendations of the group as a whole. The IAR recommends that the pieces of infrastructure identified in Appendix 2 attached, should be considered for funding from CIL in the future, and should form the **Draft Infrastructure List** which will need to be published on the Council's website alongside the proposed Caerphilly Preliminary Draft Charging Schedule in due course. The CIL Steering Group have considered and endorsed these recommendations.

Caerphilly Preliminary Draft Charging Schedule

- 4.17 The Caerphilly Preliminary Draft Charging Schedule (Schedule) sets out proposals for the implementation of CIL in Caerphilly County Borough.
- 4.18 The Schedule outlined below which has been agreed by the CIL Steering Group, proposes the following differential rates for residential development where affordable housing continues to be provided through S.106 Obligations:

Schedule 1 (Part 1): Recommended CIL Rates

CHARGING ZONE - RESIDENTIAL <i>(Affordable Housing funded by S106)</i>	
Geographical Area	CIL Rate per Sqm
Lower Viability Area (HOVRA)	£0
Mid-Range Viability Area (Mid Valleys)	£25
Higher Viability Area (M4 Corridor)	£40

- 4.19 The Alternative Schedule (Part 1) outlined below (also agreed by the CIL Steering Group) proposes the following differential rates for residential development if the UK Government decides that affordable housing should be provided through CIL.

Alternative Schedule 1 (Part 1): Recommended CIL Rates

CHARGING ZONE - RESIDENTIAL <i>(Affordable Housing funded by CIL)</i>	
Geographical Area	CIL Rate per Sqm
Lower viability Area (HOVRA)	£0
Mid-Range Viability Area (Mid Valleys)	£125
Higher Viability Area (M4 Corridor)	£250

- 4.20 Part 2 of the proposed Schedule outlines the rates for commercial development across the County Borough as a whole.

Schedule 1 (Part 2): Recommended CIL Rates

PROPOSED COMMERCIAL CIL RATES	
Type of Development	CIL Rate per Sqm
A1 Retail Development	£100
B1 Office Development	£0
B2 - B8 Industrial Development	£0
Care & Nursing Home Development	£0
D1 (Primary Healthcare Development) *	£60
D2 Hotel Development	£0
D2 Cinema Development	£0
A3 Restaurants, Cafes & Drinking Establishments	£25

**Excludes all other uses within Class D1 of the Town and County Planning (Use Class) Order 1987.*

- 4.21 It should be noted that the Map illustrating the geographical extent of the Residential Viability Areas, would be attached to the Caerphilly Preliminary Draft Charging Schedule when it is made available for public consultation.
- 4.22 In recommending the Draft CIL Rates in Schedule 1, the CIL Steering Group have taken account of the additional costs that may affect a development site, planning obligations required in addition to the CIL charge, the potential for abnormal site development costs and additional costs arising from increasing building regulations and weighed these with possible future changes within both the construction and property markets. Further the CIL Steering Group has proposed two sets of residential rates in anticipation of any future change in the CIL Regulations concerning the use of CIL for the provision of affordable housing.
- 4.23 It should be noted that the Draft CIL Rates set out in the Schedule are made on the basis that a review of CIL charging will be undertaken within 2 to 5 years of implementation.

5. EQUALITIES IMPLICATIONS

- 5.1 An Eqla is not needed because the issues covered in the report do not address changes to council service provision or its policies and strategies.

6. FINANCIAL IMPLICATIONS

- 6.1 The preparation of a CIL charging schedule is an invest to save scheme which Council has previously resolved to fund from balances

7. PERSONNEL IMPLICATIONS

- 7.1 The preparation of the CIL to date has had implications in terms of officer time and commitment across the council to produce the necessary evidence base to underpin CIL. This work will require ongoing corporate commitment to resource the preparation of CIL. Additional personnel will not be required as a result of the process, although it has been necessary to commission the District Valuer Services to prepare critical evidence in the form of the Economic Viability Study.

8. CONSULTATIONS

- 8.1 All comments have been taken into account in the Committee Report.

9. RECOMMENDATIONS

- 9.1 That the Scrutiny Committee notes the findings and recommendations of the CIL Steering Group.
- 9.2 That the Scrutiny Committee recommends the CIL Rates contained within Schedule 1 for inclusion within the Caerphilly Preliminary Draft Charging Schedule as a basis for public consultation.
- 9.3 That the Scrutiny Committee recommends the CIL Rates contained in the Alternative Schedule (Part 1) for inclusion within the Caerphilly Preliminary Draft Charging Schedule as a basis for public consultation.
- 9.4 That the Scrutiny Committee notes the recommendations contained within the *Draft Infrastructure Assessment Report - June 2012* and recommends the Draft Infrastructure List be published as a basis for public consultation.
- 9.5 That the Report be referred to Cabinet and Council for consideration and approval.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To meet the requirements of the CIL Delivery Agreement.
- 10.2 In order to progress the preparation of the CIL for Caerphilly County Borough.
- 10.3 In order to progress the preparation of the CIL for Caerphilly County Borough in light of any changes to the CIL Regulations in terms of affordable housing delivery.
- 10.4 In order to provide transparency in terms of schemes to be funded through CIL once implemented.
- 10.5 In order to comply with the CIL Delivery Agreement and statutory procedures.

11. STATUTORY POWER

- 11.1 The council, as local planning authority, is empowered under the provisions of Part 11 of the Planning Act 2008 to undertake preparation of CIL.

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Background Papers:

Economic Viability Study – District Valuer Services – July 2012
 Draft Infrastructure Assessment Report - June 2012

Appendices:

Appendix 1 Charging Areas within Caerphilly
 Appendix 2 Draft Infrastructure List