

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
1 September 2015

Subject: **COMMUNITY INFRASTRUCTURE LEVY - CONTRIBUTIONS TOWARDS THE NORTH NORTHALLERTON INFRASTRUCTURE SCHEMES**

**All Wards (outside the North York moors National Park)
Portfolio Holder for Environmental and Planning Services: Councillor B Phillips**

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to identify and recommend the amount of CIL receipts to be dedicated towards the prioritised CIL funded infrastructure schemes for North Northallerton as set out in the Regulation 123 List (Annex 'A').
- 1.2 A report was presented to Cabinet in June 2015 (Minute CA.6) seeking approval for the prioritisation of the infrastructure schemes identified as being CIL-funded and therefore appearing on the CIL Regulation 123 List. This identified the North Northallerton Link Road and Bridge, the North Northallerton Primary School and Northallerton Sports Village as priorities for CIL funding. A further report was to be submitted on the amount of CIL funds to be allocated.
- 1.3 To ensure efficient and effective delivery of the North Northallerton development, front-loading of CIL funding will be required. The strategic infrastructure is required at the earliest possible stage in order to:
 - maximise the benefits of the development and ensure that future phases of the scheme will be delivered in a timely and efficient manner;
 - maximise opportunities for housing delivery in the District and its associated benefits.
 - ensure expenditure of the £6million of grant funding from the Local Enterprise Partnership (LEP) towards the bridge and link road;
 - deliver a new primary school to assist with capacity issues of existing schools in the area and meet the increase in demand generated by North Northallerton.
- 1.4 In order to deliver these benefits and in light of the agreed arrangements to prioritise and allocate CIL funding it is proposed to allocate a significant proportion of available CIL receipts to the North Northallerton infrastructure requirements for an initial period of three years (to 31 March 2018). The details and explanation for this are set out below.

2.0 PROPOSED CIL PACKAGE FOR NORTH NORTHALLERTON:

CIL Payment 'in kind'

- 2.1 CIL Regulations 73 and 73A allow for infrastructure and/or land to be provided in lieu of a monetary CIL contribution. The Council is therefore able to accept the construction and delivery of the road and bridge to the required standard in lieu of the financial CIL contribution which would otherwise be sought from the Developer Consortium's overall development of 900 homes provided that the value of the infrastructure is equal to the value

of the CIL requirement. The value of the infrastructure would need to be determined by an independent person.

- 2.2 Subject to the level of affordable housing provision, the overall CIL contribution from the Developer Consortium element of the NNDA (excluding the Church Commissioners land) is estimated to be approximately £4million, though this may change. If the entire CIL funding was put towards the road and bridge the funding package would be as follows:

LEP Grant Funding	=	£6million
Access to Phase I sites +	=	£2.3million
Developer Consortium CIL Contribution*	=	£4million
S106 contributions accrued for scheme	=	£400,000
TOTAL	=	£12.7million

+ standard costs relate to the normal costs anticipated to provide access to the development site

* calculated on 20% affordable housing across the NNDA (exc. Church Commissioners land)

The above build costs of the road and bridge have been provided by the Developer Consortium and assessed and verified by Parsons Brinckerhoff, consultants appointed by the Council.

- 2.3 In view of the importance of the road and bridge in supporting the development of the area it is proposed that the entire CIL from the development to be put to this. It is also proposed that Cabinet agrees to accept the construction and transfer to the Highway Authority of the road and bridge in lieu of the CIL receipts that otherwise would be received from the developers undertaking the overall scheme (excluding the Church Commissioners land east of Stokesley Road). This approach removes the unnecessary transferring of funds between parties and the associated costs of doing this, as well as time factors. The actual costs of the road bridge and the funding gap to be met by CIL would need to be reviewed when the scheme has been out to tender.
- 2.4 If a different level of affordable housing was agreed, the level of CIL contribution from the developers would vary accordingly as the proportion of market housing (and therefore CIL-liable housing) would also change. In these circumstances, the developers would be asked to make the 'in-kind' CIL contribution for the amount which would cover the funding gap for the road and bridge and provide the balance in the form of a financial contribution. It is proposed that such CIL funds above that required for the road and bridge would be pooled towards delivery of the other North Northallerton schemes on the Regulation 123 List. Members are asked to approve this flexibility in the recommended approach set out in this report.

Other non-North Northallerton CIL Receipts

- 2.5 CIL receipts pooled by the Council from other developments within the District (i.e. not the current North Northallerton planning application) - including the Church Commissioners land will then be focused on other infrastructure identified on the Regulation 123 List. This should be allocated in accord with the prioritisation agreed by Cabinet on 9 June 2015. Therefore, the priorities for this funding are the primary school and the sports village at North Northallerton. There is an identified funding gap of approximately £3.2million for the total cost of the new primary school. The school has been estimated at £5million and the current funding package is set out below:

NYCC Basic Needs Assessment	=	£995,000
S106 contributions accrued for the school	=	£805,000
<i>Shortfall</i>	=	<u>c.£3.2million</u>
TOTAL	=	<u>c.£5 million</u>

- 2.6 Anticipated net annual CIL receipts (Annex 'B'), over the next three years will realise an estimated CIL pot available of £2.65million (see Annex 'C'). It is suggested that £2million of this be used towards the funding package for the new school, thus reducing the shortfall to approximately £1.2million which would need to be funded from other sources.
- 2.7 Following the criteria approved by Cabinet in June the remaining balance of the projected CIL receipts for the first three years (an estimated £660,000 - Annex 'C') will be available for the remaining schemes identified on the CIL Regulation 123 List as per the prioritisation process, including the sports village at North Northallerton. Following the initial three year period, the allocation of all available CIL funds will be reviewed.
- 2.8 The above figures are conservative estimates which assume a rate of 45% affordable housing being achieved across all developments in the District and do not account for any CIL contributions from windfall development.

Regular Review

- 2.9 The funding arrangements will be reviewed annually in order to ensure that they remain appropriate and relevant. In the event of any cost overruns for the required infrastructure (e.g. the link road and bridge), the Council will review these funding arrangements and amend them as necessary. However, it is anticipated that the developers would meet any cost overruns.

3.0 LINK TO COUNCIL PRIORITIES:

- 3.1 CIL will help fund infrastructure necessary to support economic development and growth and will assist in delivering the Council's Economic Development Strategy and its Investment Plan. The North Northallerton development, supported by the key infrastructure considered in this report, contributes to the Council's priorities of driving economic development and meeting housing needs. Some of the schemes identified on the CIL Regulation 123 List are also identified individually as Council priorities (e.g. the North Northallerton Link Road and Bridge).

4.0 RISK ASSESSMENT:

- 4.1 Key risks associated with the recommendations:

Risk	Implication	Prob*	Imp*	Total	Preventative action
Planning Permission for North Northallerton is significantly delayed.	The development is delayed and without Planning Permission, no CIL receipts will be received ("in kind" or in cash) by the Council to deliver the infrastructure.	3	4	12	The Council has received the Planning Application and is currently working towards determining it in October 2015. A dedicated resource has been brought in to ensure the Council can meet its obligations.

Risk	Implication	Prob*	Imp*	Total	Preventative action
Increase to costs of the infrastructure.	Additional funding from partners would have to be identified.	3	4	12	Fix amount of CIL and require developers / partners to pay any overruns.
Legal Agreements required between the Council and the Developer Consortium are not approved.	The development is delayed.	3	4	12	Discussions are in progress with the Developer Consortium to develop an agreement to deal with these financial arrangements

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

4.2 Key risk in not approving the recommendations:

Risk	Implication	Prob*	Imp*	Total	Preventative action
Insufficient CIL funding available to contribute to the delivery of key infrastructure for NNDA.	Undelivered key infrastructure leads to delays in development of NNDA and associated impacts and loss of LEP Grant Funding	5	5	25	Agree recommendations
NNDA is delayed or stalls completely due to lack of available funding in early stages.	The Council's supply of housing land is adversely affected.	5	5	25	Agree recommendations

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

5.0 FINANCIAL IMPLICATIONS:

5.1 There are no financial implications to the Council of following the recommendations of this report as CIL receipts come from developers.

6.0 LEGAL IMPLICATIONS:

6.1 The Council will need to follow the CIL Regulations 2010 (as amended) to ensure that the proper legal procedures continue to be adhered to in implementing the Charging Schedule.

6.2 Legal agreements will be required for accepting payment 'in-kind' in the form of infrastructure rather than being paid financially. This will be addressed in the planning application process.

7.0 EQUALITY/DIVERSITY ISSUES:

7.1 There are no equality or diversity issues to consider.

8.0 RECOMMENDATIONS:

8.1 It is recommended that:-

- (1) the CIL from the planning application for the North Northallerton Development be made "in kind" through the construction of the Link Road and Bridge up to the value of the shortfall in funding, subject to the Council agreeing to accept "in-kind" contributions;
- (2) any CIL remaining after the contribution to the Link Road and Bridge be paid as a financial contribution and put towards the primary school and sports village;
- (3) a significant proportion of all available CIL receipts (excluding the current North Northallerton application) made to the Council in the period 7 April 2015 - to 31 March 2018 (to a maximum of £2million) be allocated to the North Northallerton Primary School.
- (4) there be an annual review (or as required) of these CIL funding arrangements to ensure that they remain appropriate.

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Background papers: None
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CIL Regulation 123 List - Prioritised Infrastructure Schemes for CIL Funding

Infrastructure Requirement	Location	Priority Score
North Northallerton Link Road (inc. Bridge)	Northallerton	8
Provision of new primary school in North Northallerton	Northallerton	8
Northallerton Sports Village	Northallerton	8
Provision of additional school places required as a result of new development	District Wide	6
Junction improvements required to mitigate the cumulative impact of housing and employment allocations	District Wide	5
Northallerton Public Transport Interchange	Northallerton	5
Thirsk Public Transport Interchange	Thirsk	5
Easingwold Footpath and Cycleway Network	Easingwold Sub Area	5
Stokesley Footpath and Cycleway Network	Stokesley Sub Area	5
Northallerton Town Park	Northallerton	4
Healthcare Facilities – Additional GPs	District Wide	4

The assessment identifies the priority schemes (on the CIL Regulation 123 List) for CIL monies – shown in bold text in the Schedule above.

CIL Revenue Projections (2014-2026) and the Meaningful Proportion (to Local Councils)

	CIL Charge per sq.m	No. units in plan period (note 1a)	Market Units (note 1b)	Unit floorspace (note 2)	Gross floorspace (note 3)	Estimated net additional proportion	Estimated net additional floorspace	Estimated CIL revenue in plan period	Estimated annual CIL revenue (2014-2026) (12 years)
Residential									
Houses	55	3,480	1,914	130	248,820	95%	236,379	13,000,845	1,083,404
Non-Residential									
Retail warehouses	40				3,000	90%	2,700	108,000	9,000
Supermarkets	90				3,000	90%	2,700	243,000	20,250
Offices & Industrial (50%) - (see note 5)	0				195,000	90%	175,500	0	0
Other Chargeable Development	0				10,000	90%	9,000	0	0
Total								13,351,845	1,112,654
Less following costs									
5% Admin fee									
5% Admin fee + meaningful proportion (see notes 6 and 7)									
								12,684,253	1,057,021
								10,614,717	884,560

Notes:

- 1a. taken from the Local Development Framework Site Allocations (2014-2026)
- 1b. affordable housing is not liable for CIL. We assume that an average of 45% affordable is achieved
2. the average unit size is based on assumptions applied in the viability assessments
3. office and industrial floorspace relates to the 75ha sought in the Core Strategy, converted to floorspace based on the 85:15 split between industrial and offices. 40% site coverage is assumed for both uses, with industrial assumed to be single storey and offices three storey on average. Retail floorspace is an estimate based on one new supermarket and one new retail park being permitted over the plan period
4. CIL is levied on net additional floorspace, so an allowance is made for existing buildings demolished to make way for new development
5. assumption that 50% of allocated employment land is developed
6. the meaningful proportion is limited to the value of £100 per existing dwelling in the identified local area each financial year
7. 15% calculated against 95% of overall market dwelling provision and 25% against 5% of overall market dwelling provision. This takes account of any higher proportion being passed to local areas where Neighbourhood Plans are emerging.

ESTIMATED NET ANNUAL CIL RECEIPTS WITH INDICATED PROPORTIONS (2015-2018)

	Annual CIL (Net) Estimated Receipts (as shown in Annex B)	NNDA	Non - NNDA
2015/16	£884,560	£663,420	£221,140
2016/17	£884,560	£663,420	£221,140
2017/18	£884,560	£663,420	£221,140
TOTAL	£2,653,680	£1,990,260	£663,420

Notes:

1. CIL (Net) Estimated Receipts means CIL funds available once HDC Admin (5%) and local contributions (15% and 25% where a neighbourhood Plan is adopted) have been accounted for.
2. The £1,990,260 identified under the NNDA proportion is identified to be available to contribute towards the new primary school and Sports Village at North Northallerton and is additional to the £4million 'in kind' contribution to be made by the North Northallerton Developer Consortium for delivery of the link road and bridge.
3. The Non-NNDA proportion identified should be spent on other ongoing contributions (as identified on the CIL Regulation 123 List, where required, during the identified three year period to 31 March 2018 (e.g. additional primary school places required elsewhere in the District).
4. These figures are considered to be conservative estimates as they assume 45% affordable housing (policy target levels) being achieved and do not take account of any CIL receipts for windfall developments.