

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
14 February 2012

Subject: COMMUNITY INFRASTRUCTURE LEVY – WORK PROGRAMME AND APPROACH

**All Wards outside NYMNP
Scrutiny Committees**

Cabinet Member for Housing & Planning: Councillor Mark Robson

1.0 PURPOSE AND BACKGROUNDPurpose

- 1.1 The purpose of the report is to agree an approach and programme for the introduction of the Community Infrastructure Levy (CIL) in Hambleton.

Background

- 1.2 CIL is a levy that local planning authorities can choose to charge on new developments. The money raised is used to support development by funding infrastructure that the Council, local community and neighbourhoods have identified as required for it to proceed – such as new roads and transport, local amenities such as a park, community centre, a new health centre and education provision. The provision of affordable housing is currently not included under CIL as the Government considers the planning obligations (S106) remain the best way of delivering this. However, there is clearly a relationship between the provisions of CIL and affordable housing in terms of development viability which will need to be assessed.
- 1.3 With the adoption of the Hambleton LDF Allocations, developments are now starting to come forward. Mechanisms for calculating some infrastructure requirements have been put in place to secure contributions in the short term (such as contributions towards the North Northallerton Link Road; additional primary school places and the Bedale Footpath and Cycleway Scheme). These are interim measures which will ultimately feed into and inform an overall CIL tariff to be levied on developers through a charging schedule.
- 1.4 There is a requirement for local authorities choosing the CIL approach to have a Charging Schedule in place by April 2014. From this date, the scope for using Section 106 Agreements will be scaled back and CIL will be the main means of obtaining contributions. The benefits of CIL as opposed to Section 106 agreements are that it increases the scope for combined contributions from a large number of related developments to deliver strategic infrastructure; it provides a more objective and fair way of identifying contributions through the setting of a tariff and also offers some certainty to developers in their expectation of what contributions will be sought. After April 2014, Section 106 agreements will only be able to require contributions from a maximum of five related developments and is therefore likely to be quite restrictive for local authorities in seeking contributions.
- 1.5 A similar report on the proposed CIL work programme and approach, including potential joint-working arrangements between RDC and HDC and possibly others has also been presented to RDC Strategy Board to consider.

Work Required

- 1.6 The following elements of work will be required. Much of the work involved in developing a CIL Charging Schedule is technical and specialised:
- a) **Identify eligible infrastructure projects and schemes to be funded through CIL**
This has been done to an extent through the LDF. However, it would benefit from a refresh, particularly in terms of funding sources and estimated costs.
 - b) **Up-to-date evidence base required for CIL Charging Schedule**
This comprises the following:
 - identification of total funding gap that CIL will support
 - assessment of the economic viability of development being charged CIL
 - identification of construction cost rates
 - survey of land and property values of all development types
 - prioritisation of infrastructure requirements
 - c) **Setting of the Draft CIL Charging Schedule**
This work will need to strike a balance between the viability of development and the delivery of infrastructure. The process also requires public consultation and a public examination.
 - d) **Adoption of CIL Charging Schedule**
This comprises the following:
 - final schedule adopted by Council
 - monitoring and review, annual reporting through AMR
 - future revisions and updates to the Charging Schedule.
 - administration / set up / ongoing management costs - (paid for through recouped CIL charges)

Three Approaches

- 1.7 Broadly, there are three approaches to delivering a CIL Charging Schedule which are summarised below:
- Option 1: 'In-house' Officer-led development of CIL**
- 1.8 There are not the skills 'in house' to be able to deliver this project by April 2014 and to the quality needed to guarantee success at examination. Such an approach would also draw away resources from delivering other priorities.
- Option 2: External expert consultants and 'in-house' Officer development of CIL**
- 1.9 This option involves joint-working arrangements between officers and expert consultants who would be commissioned to deliver specific elements of the CIL evidence based for which there is little expertise 'in-house'. This would achieve the introduction of CIL within the required time period but it would still require a significant amount of officer time which would impact on other priorities.
- Option 3: 'One Stop Shop' external consultant 'all inclusive' delivery of CIL**
- 1.10 This option would utilise the expertise and experience of consultants from the CIL 'frontrunners' programme and deliver a CIL Charging Schedule effectively and efficiently with an estimated timescale of 12–15 months, depending upon examination scheduling. This should guarantee quality and robustness. Officer time would be utilised on other priority work areas, with a watching brief and liaison role with the consultants to ensure an appropriate understanding and compatibility with Council requirements.

- 1.11 The relatively quick provision of the CIL Charging Schedule with this option provides the benefit of realising CIL contributions earlier than with other options, maximising funding contributions for infrastructure and the potential for earlier delivery.

Recommended Approach

- 1.12 Option 3 is the recommended approach to the CIL work programme. It presents the greatest benefit in terms of efficient use of officer time, expertise and experience of consultants in the process, speed of delivery and the quality of the product. It also maximises the potential opportunities for collecting contributions earlier than the other approaches and minimises the impact on other priority work areas.

Joint Commission with Richmondshire District Council

- 1.13 All aspects of the planning function are delivered through shared services and so, similarly, the CIL project should be a jointly commissioned, shared project. This offers substantial financial savings and efficiencies. The opportunity to include other authorities in the project to improve the savings is also being explored. Most of the District Councils, the National Parks and City of York have expressed interest in looking at a shared approach and North Yorkshire County Council appear willing to make a contribution.

Priorities

- 1.14 Council priorities, in terms of infrastructure delivery, will be reflected in the CIL work programme. The identification of the priorities by Members will be an integral part of the CIL programme and the outcome will be set out in the final CIL Charging Schedule. This prioritisation will also form part of the key tasks identified in the commissioning brief to be issued to prospective consultancies.

Monitoring and Review

- 1.15 To prevent a shortfall in developer contributions for delivering identified infrastructure, a contingency percentage will be factored into all contributions. Also, regular monitoring and annual reporting will be undertaken as well as regular reviews of the CIL Charging Schedule as developments occur and infrastructure is provided. Through these reviews, necessary changes to the CIL tariff, if required, will be undertaken.

2.0 DECISION SOUGHT

- 2.1 Members to approve the recommended approach to deliver the CIL Charging Schedule and make available the identified funds to enable the engagement of suitable consultants.

3.0 LINK TO CORPORATE PRIORITIES

- 3.1 This report relates to the Council's corporate priority for Housing and Planning. The CIL Charging Schedule and the updated LDF Infrastructure Delivery Plan will help to provide developer funding for key infrastructure, necessary to deliver the required level of development set out and planned for in the Local Development Framework. Without proper infrastructure development could be stifled.

4.0 RISK ASSESSMENT

- 4.1 There are no major risks in approving the recommendations.

4.2 Risks in not approving the recommendations:

Risk	Implication	Prob*	Imp*	Total	Preventative action
Delay in the delivery and adoption of the CIL Charging Schedule beyond April 2014	Longer timescale for delivery and adoption of CIL will result in loss of earlier developer contributions and a delay in the payback of initial costs. Development stifled as applications may be refused because of a lack of capacity of existing infrastructure.	4	5	20	Agree recommendation

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

4.3 Overall the risks of not agreeing to the recommendations of this report are greater than the risks of agreeing to them.

5.0 SUSTAINABILITY IMPLICATIONS

5.1 There are no sustainability issues directly related to the recommendations of this report.

6.0 FINANCIAL IMPLICATIONS AND EFFICIENCIES

6.1 There will be some financial implications relating to administering the contributions made through the CIL Charging Schedule. It has yet to be determined how this would operate and where funds will be held (e.g. NYCC or HDC). However, as the charging authority, Hambleton would be the likely authority to hold these contributions.

6.2 A summary of indicative costs for key elements within Option 3 is provided below for a single authority approach and a joint-commission with RDC. If other partners were involved the costs may be reduced.

CIL Element	HDC	HDC / RDC
Identify eligible projects and schemes to be funded through CIL	£5,000	£10,000
Up-to-date evidence base required for CIL Charging Schedule	£25,000	£35,000
Setting of the Draft CIL Charging Schedule	£10,000	£15,000
Examination and adoption of CIL Charging Schedule	£40,000	£40,000
TOTAL	£80,000	£100,000

6.3 If the Council undertakes the work alone, the recommended approach requires 'upfront' investment of approximately £80,000 to deliver a CIL Charging Schedule, an examination in public and adoption. However, there is provision in the CIL Regulations to recoup the costs incurred in producing, maintaining and managing the CIL Charging Schedule through charging an administration fee (up to 5%) to developers as part of their contributions.

6.4 It is anticipated that the recoup of these set up costs could take up to three years (£1.6 million in CIL receipts required from developments at a rate of 5% administrative fee). This assessment is based on the anticipated development of allocations within the LDF. It is important to stress that this is an indicative timescale and will be dependent, amongst other things, upon the rate of development proposals coming forward through planning applications.

6.5 There are substantial cost savings in joint-commissioning the CIL Work Programme between HDC and RDC. Any joint-commission should be split 50/50 (e.g. £50,000 each) as although each authority is at different stages in its LDF, the work required to adopt a CIL Charging Schedule will be broadly the same. A joint-commission is estimated to cost £100,000. For Hambleton, it is anticipated that funding would be made available through the Service Improvement Fund. It may be that Richmondshire could contribute under a similar arrangement. Failing this, one possibility would be for Hambleton funding the CIL work in its entirety and to recoup the RDC contribution payment in full (including any interest) through the RDC CIL administration charge, once in place as there are financial benefits to this Council in a joint approach.

7.0 LEGAL IMPLICATIONS

7.1 Without the CIL Charging Schedule in place, the Council will find it difficult to defend a refusal of a planning application at appeal on the grounds of a developers' reluctance to pay a financial contribution. This could potentially lead to the risk of costs being awarded against the Council following an appeal.

7.2 The arrangements for receiving and managing contributions may require legal mechanisms between the Council and delivery partners such as NYCC. This should not be difficult to accomplish but will need to be agreed and in place prior to the CIL Charging Schedule being adopted.

8.0 SECTION 17 CRIME AND DISORDER ACT 1998

8.1 There are no issues to raise in relation to the content or recommendations of this report.

9.0 EQUALITY/DIVERSITY ISSUES

9.1 There are no equality/diversity issues arising from the content or recommendations of this report.

10.0 RECOMMENDATIONS

10.1 It is recommended that:

- (1) Option 3 (all inclusive consultancy support) is approved for the delivery of the CIL Charging Schedule;
- (2) a joint-commission for the work with Richmondshire be approved with the arrangements as described in this report; and
- (3) other collaborations be investigated subject to achieving the efficient and timely delivery of a CIL Charging Schedule.

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Background Documents: None
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ANNEX A - Indicative Timescale of CIL Charging Schedule – Recommended Approach (Option 3)

Stage	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUN				
													2012					2013					2014														
EVIDENCE BASE																																					
Cabinet Report for Commissioning																																					
Tender Process for Commissioning																																					
Appointment of Consultant																																					
Infrastructure Planning / Refresh LDF IDP etc																																					
Identification of Funding Gaps																																					
Land Value & Construction Costs and Rates Study																																					
Formation of Charging Zones																																					
Viability Testing																																					
Viability Model																																					
Table of Maximum CIL Rates																																					
CIL Revenue Projection & CIL Rate Testing and Setting																																					
DRAFTING CHARGING SCHEDULE																																					
Preliminary Draft Charging Schedule																																					
Cabinet Report for Consultation on Prelim. Schedule																																					
Public Consultation (six weeks)																																					
Responses to Consultation																																					
Draft Charging Schedule																																					
SUBMISSION OF DRAFT CHARGING SCHEDULE																																					
Produce CIL Guide/Methodology																																					
CIL Regulation Compliance																																					
Amendments to Draft Schedule																																					
Cabinet Report																																					
Submission of CIL Schedule for Examination																																					
EXAMINATION OF DRAFT CHARGING SCHEDULE																																					
Pre Exam Preparation																																					
Hearing Sessions																																					
Inspectors Report																																					
ADOPTION OF CIL CHARGING SCHEDULE																																					
Amendments (if required)																																					
Cabinet Report																																					
Adoption by Council																																					
Notice of Adoption																																					
Monitoring and Review																																					

NB: Timescale based on an officer-led 'in-house approach to delivery of CIL Charging Schedule. Shorter timescales could be achieved with greater external expert input.