

Wiltshire Council

Environment Select Committee

10 December 2013

Report of the Community Infrastructure Levy (CIL) Task Group

Purpose of report

- 1 To present the final report of the CIL Task Group.

Background

- 2 At present, from April 2014 the use of 'pooled' section 106 obligations will be limited. CIL is a proposed new charge that local authorities can choose to impose on development in their area. It will contribute towards bridging the funding gap between the total cost of infrastructure necessary to deliver new development and the amount of funding available from other sources. Should the Council have chosen not to adopt a CIL charging schedule it would have had significant implications with regard to funding the infrastructure in Wiltshire. A brief overview of CIL is contained in Appendix 1.
- 3 In 2012, the Cabinet and the Corporate Leadership Team identified the introduction of CIL as one of its corporate priorities. The O & S Management Committee agreed to include it in the overall work programme under the Environment Select Committee (the Committee). The CIL Task Group was established by the Committee in August 2012.
- 4 Under the CIL regulations the Council is required to prepare and publish a charging schedule, which sets out the rates of CIL which will apply in Wiltshire. The Task Group was asked to test out the charging proposals for CIL and report on recommendations on the future implementation of CIL.
- 5 The independent examiner will require the following evidence base for the charging schedule for CIL. Overall, the evidence provided should show that the proposed rate(s) would not threaten delivery of the Core Strategy.
 - An up-to-date development plan (Wiltshire Core Strategy)
 - An infrastructure Delivery Plan
 - An economic viability assessment
- 6 The Council employed BNP Paribas (BNPP) to develop the economic viability evidence base and their report was produced in August 2012. This tested the

impact of a range of CIL rates against residential developments and schemes, including affordable housing, and commercial schemes.

- 7 The Government produced guidance on CIL in March 2010, with further guidance in December 2012. The later guidance required local authorities to provide a more extensive evidence base to justify their level of CIL and the Council asked BNPP to undertake this work.
- 8 The Task Group presented a report to the Committee in April 2013, having considered a range of documents, spoken with the Cabinet member and officers, and having sought the views of a number of building developers. It was clear at this time that the Government was planning a consultation on the CIL reforms and the Task Group recommended that further work was undertaken to consider the likely new guidance and other relevant evidence, including the local consultation results.
- 9 Following the Council elections in May 2013, the CIL Task Group continued its work as a legacy topic. With the exception of one member the Task Group membership (shown below) remained the same, providing valuable continuity in the light of continuing changes to CIL guidance from Government.

Cllr Tony Trotman (chairman)

Cllr Jon Hubbard

Cllr George Jeans

Cllr Ian McLennan

Cllr Bridget Wayman.

CIL Task Group activity post May 2013

- 10 On reconvening, the Task Group received an update on the national situation in respect of CIL. The Government had published revised guidance in April 2013 and had undertaken the anticipated consultation in April/May 2013. It is understood that the Government will publish its response to the consultation in November 2013 but it has signalled its intention to move the date from when the current section 106/planning obligations will be limited from April 2014 to April 2015. It also expects to publish new guidance in January 2014.
- 11 Within Wiltshire, BNPP were continuing to compile the new evidence as required by the latest legislation, and had also been asked to take into account the results of the local consultation, the new evidence and respond to the views of the Task Group, when formulating the possible options on CIL rates.
- 12 At this time, the Core Strategy examination was underway and the Council decided to review the timetable for preparation of CIL to address the delay in

receipt of the Inspector's report. The guidance requires a balance to be struck between securing additional investment for infrastructure to support development, and the potential economic effect of imposing CIL on development across Wiltshire.

- 13 The Task Group met on 5 occasions, post election, and received evidence from the Cabinet member and officers who provided briefings on technical issues, matters of policy and statutory responsibilities. The Task Group received a presentation from BNPP on the results of their viability work including four options for setting CIL rates.
- 14 They subsequently received the draft CIL Viability Study from BNPP and reviewed the four options presented for proposed CIL rates (Appendix 2) and supporting evidence.

Task Group conclusions

- 15 Taking into account the evidence it had gathered the Task Group considered that, of the four options presented by BNPP, Option 3 provided the best proposed levels of CIL. However, it has suggested several amendments, shown underlined below. The Task Group notes that the guidance requires the Council to use viability evidence to *inform* the draft charging schedule, but there is no requirement for the proposed rate to mirror it. Option C proposes different rates of CIL for different development types and different areas.
- 16 Option 3

Development type	CIL Charge £/sq m			
	Settlement category 1 - Marlborough & surrounding area, including Pewsey	Settlement category 2 - Bradford upon Avon, Salisbury, rural villages south of Salisbury, Wilton and Chippenham	Settlement category 3 - Corsham, Amesbury, Devizes and surrounding villages	Settlement category 4 - Melksham, Trowbridge, Westbury, Dilton Marsh, Calne and Warminster
Residential <u>and</u> <u>student</u> <u>housing</u>	£140	£110	<u>£75</u>	<u>£55</u>

Residential (Strategic sites)	<u>£70</u>	<u>£55</u>	<u>£40</u>	<u>£30</u>
High street and covered shopping centre retail in Chippenham, Salisbury, Trowbridge, Marlborough and Bradford upon Avon	£70			
Retail warehouse ¹ and superstore ² development across the County	£175			
Hotels	£70			
All other uses	£0			

Residential development

- 17 The level of contributions that can be collected via section 106 will be significantly restricted under the CIL regulations. In terms of funding from developments, the Task Group is keen to see that the Council is in no worse a position post-CIL than it is pre-CIL. Therefore, it believes that the Council should benefit as much as possible from CIL to ensure that it can deliver the infrastructure laid out in its plans, whilst acknowledging that a balance is required to be struck between securing additional investment for infrastructure to support development, and the potential economic effect of imposing CIL on development across Wiltshire.
- 18 It believes that those areas which can support a higher level of CIL should be required to do so and so supports the concept of different CIL rates for different areas, noting also that the guidance suggests differential rates are more flexible to local conditions. It agrees with the levels proposed in Option 3 for settlement categories 1 and 2, £140 and £110 respectively. These

¹ Retail warehouses: large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering for mainly car-borne customers.

² Superstores/supermarkets are shopping destinations in their own right selling mainly food and non-food goods, which have a dedicated car park.

levels are well below the maximum level of CIL for these categories suggested by BNPP (£200 and £160 respectively), taking into account the discount the guidance requires, the level of which is not prescribed.

- 19 The Task Group considers that the levels of CIL proposed for settlement categories 3 and 4 are disproportionately high relative to the maximum CIL rates for those categories, and compared to the discounts offered to categories 1 and 2. It would like to see incentives and more support for developments in these categories and is recommending a reduction of the levels suggested by BNPP. In category 3 this would be from £85 to £75 and in category 4 from £70 to £55.
- 20 The Task Group noted that in the Service Director's report to Cabinet on the proposed rate for CIL in September 2012, a single rate was favoured for residential areas. The reason being that the areas to which the rates apply are based on an examination of the house values within settlements, which are not necessarily adjacent to one another and do not relate to easy recognisable boundaries, requiring arbitrary ones to be established. This report also suggested that the greater the complexity of rate, the more likely it was to require greater justification.
- 21 The latest guidance required the Council to provide a more extensive evidence base to justify its level of CIL and this evidence has been provided in the most recent draft BNPP report. The rates recommended by the Task Group fall within ranges considered viable by BNPP and therefore it trusts that they would hold up to examination.
- 22 The Task Group acknowledges that the initial exercise of defining the boundaries of the four charging zones may be complex but considers that, apart from possible adjustments that may arise from future reviews of the CIL rate, this would be a one-off exercise after which administration would be straightforward.

Residential development - strategic sites

- 23 The results of the draft BNPP report provide no conclusive evidence that levying a CIL would threaten the viability of strategic sites, and in options 1 - 3, they suggest a range of £0 - £70. This is not to suggest a flexible rate of CIL, but that any value within the range would not impact on viability. The Task Group acknowledges that strategic sites contribute significantly to on-site infrastructure, schools and strategic transport through section 106, and so believe that a lower rate of CIL is appropriate. It also acknowledges that the ability of individual sites to absorb CIL will vary across the county and therefore recommends that the CIL rate for strategic sites should be linked to

each settlement category and charged at approximately 50% of the standard residential rates they have suggested. Adopting different rates for each settlement category will also help to maximise the ability of sites to provide affordable housing.

High streets and covered shopping centre retail development

- 24 The Task Group agrees with the proposed rate of £70. However, it expressed concern that a charge of £70 on retail development on the high street within the named towns could be problematic if it was applied to 'neighbourhood shopping zones' ie out of centre developments within those towns.
- 25 The Task Group does not wish to see development impeded in Wiltshire's small market towns and supports the application of the charge of £70 solely in the towns named, ie Chippenham, Salisbury, Trowbridge, Marlborough and Bradford on Avon.

Retail warehouse and superstore development

- 26 The Task Group supports the proposed rate of £175, agreeing that such developments are viable throughout the county and could absorb a CIL contribution.

Student housing and hotel development

- 27 The Task Group believes that the student housing market is lucrative and that if university provision were to be established in the county, student housing development could flourish. It believes that this should be reflected in the level of CIL contribution and recommends that student housing is included in standard residential development. BNPP suggests that student housing could absorb a maximum level of £142. With allowance for a discount, the Task Group believes that the levels it is recommending would not negatively impact on viability, bearing in mind that most development is likely in categories 2 – 4.
- 28 Although BNPP suggests that hotel development could absorb a high level of CIL (£253), the Task Group believes that the level should remain at £70 across the county as suggested to encourage hotel development.

All other uses

- 29 The Task Group agrees that a nil rate of CIL should be applied to 'all other uses'.

Task Group concerns

- 30 The Task Group shared a concern over the impact on social housing on small sites following the introduction of CIL and suggests that the Committee may wish to monitor this.
- 31 Under the regulations, communities with a neighbourhood plan are entitled to 25% of CIL receipts in their area (15% for those communities without a plan). Strategic sites are not likely to yield high levels of CIL as they will make significant contributions via section 106. Although this suggests that communities may not get such a large sum from CIL as they had anticipated, the Task Group noted that, by having a plan, the community can indicate what development it would like to see and this can be included in the negotiations around section 106 obligations.
- 32 The Task Group noted that the list of strategic sites in draft BNPP report was not a comprehensive list and believed that this should be made clear.

Recommendations

- 33 **The Task Group recommends that:**
- a) In drawing up the Preliminary Draft Charging Schedule for consultation, the Council adopts the CIL charges outlined in paragraph 16;**
 - b) The CIL Task Group stands down after the presentation of the report to the Environment Select Committee (and Cabinet, if the Committee endorses the report), but could re-start if required by the Committee to consider any further guidance from central Government.**

Next steps

- 34 The final report will be considered by the Environment Select Committee on 10 December. Subject to endorsement by the Committee, the recommendations will be submitted to Cabinet at its meeting on 17 December when it receives the report on the preferred option.

Cllr Tony Trotman - Chairman, CIL Task Group

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Appendices

Appendix 1 Overview of the Community Infrastructure Levy (CIL)

Appendix 2 Options on proposed CIL rates for consideration by the Council provided by BNP Paribas

Background documents

Community Infrastructure Levy: Viability Study, November 2013. Draft report prepared by BNP Paribas for Wiltshire Council

Community Infrastructure Levy, April 2013. Guidance from the Department for Communities and Local Government

Wiltshire Community Infrastructure Levy – Preliminary Draft Charging Schedule, 10 September 2012. Report to Cabinet by Alistair Cunningham, Service Director for Economy and Regeneration