



Mid Devon District Council

Community Infrastructure Levy

Preliminary Draft Charging Schedule

October 2011

Community Infrastructure Levy (CIL) – Preliminary Draft Charging Schedule

Introduction

The Community Infrastructure Levy or CIL (as set out in the Planning Act 2008) is a new system of developer contributions that is intended to supplement other public sector revenue streams to ensure that community infrastructure needed to support development is provided. It will generally replace developer contributions through Section 106 Agreements except in relation to affordable housing and on site infrastructure. The Community Infrastructure regulations were brought into force by the House of Commons on 6 April 2010. The continuation of the implementation of CIL was confirmed by the new Government following the election. Regulations to amend the Community Infrastructure Levy regulations 2010 were laid in parliament the week commencing 7 February 2011. The amendment regulations came into force on 6 April 2011.

CIL will be a payable on all new development subject to the development remaining viable and profitable. It will be imposed when planning permission is granted and will be charged at the commencement of development or by instalments over fixed time periods for larger developments. CIL is not calculated on an individual development basis but will be a standard charge per square metre over the whole of the District with the exception of affordable housing and buildings used by charities. The finance generated will be used to secure strategic infrastructure in the District which is required to accommodate the level of housing and employment growth set out in the adopted Core Strategy and related to the specific allocations in the adopted Allocations and Infrastructure DPD.

Unlike Section 106 Agreements CIL will be

- A modest, fixed charge which will be transparent, predictable and certain,
- Charged on broad classes of development where evidence shows that the CIL can be paid without making development unviable,
- Much less time consuming, as it does not involve extensive local negotiations, so development will happen more quickly,
- Beneficial to local communities as a meaningful proportion of the charge will be passed to them to secure local infrastructure,
- Spent anywhere in the District rather than being restricted to the area close to a development, and
- Pooled together so that small payments can end up financing significant infrastructure.

The purpose of this document is to set out Mid Devon District Council's Preliminary Draft Charging Schedule (PDCS) for CIL so that representations can be made about the proposed charge and its supporting evidence. Once the Council has considered

the representations the charging schedule will be subject to independent examination prior to its implementation.

Evidence to support the Preliminary Draft Charging Schedule

The PDCS must be based on evidence which shows:

- what infrastructure is required to support proposed development,
- how much it will cost to provide that infrastructure,
- what other funding streams are available to pay for the infrastructure, and
- how viable will it be for chargeable development to pay the proposed charge.

The evidence supporting the PDCS includes the following documents:

Mid Devon Local Development Framework

The PDCS has been drawn up on the basis of the Council's adopted Local Development Framework documents. These consist of the Core Strategy 2026 which was adopted in July 2007 and the Allocations and Infrastructure Development Plan Document (AIDPD) which was adopted in October 2010.

The Core Strategy sets out the vision and spatial strategy for Mid Devon from 2006 to 2026 which aims to concentrate major development in the main service centres of Tiverton, Cullompton, Credenon and Bampton with limited development in rural areas. Specific visions for the four service centres are set out in policies in the Core Strategy. In total the Strategy proposes the construction of 6,800 dwellings, with 300,000 sq m of employment and 10,000 sq m retail floorspace.

The AIDPD sets out which areas of land will be developed to meet the District's housing and employment needs. Major allocations of land for mixed housing and employment development have been made to the east of Tiverton and to the north west of Cullompton. Other smaller sites have also been allocated around the four main service centres. Total housing provision was raised by 10% in the AIDPD to 7,500 with contingency housing sites identified to meet any shortfalls.

The AIDPD contains a specific policy AL/IN/1 relating to CIL. This sets out the intention to implement the CIL by April 2011 but this was not possible as: further evidence was required to justify the level of the CIL; the new Government had suggested CIL would be abolished and the CIL Regulations were to be amended. The AIDPD also refers to a Supplementary Planning Document (SPD) on Public Open Space (POS) which will be superseded by a Green Infrastructure Strategy and its provisions will need to be incorporated into the CIL. Similarly the provisions of the Air Quality SPD will need to be taken into account in the implementation of the CIL. The Meeting Housing Needs SPD is also being revised but it will not be incorporated into the CIL as it deals with the provision of affordable housing which is currently excluded from CIL.

The final policy document in the Local Development Framework (LDF) will be the Development Management Development Plan Document (DMDPD) which will set out the detailed planning policies which will be used to determine planning applications. It will replace the remaining parts of the adopted Local Plan for Mid Devon. The Council published and consulted on Issues Options for the DMDPD in early 2011. The DMDPD is not expected to allocate land for development or to have implications for CIL.

Mid Devon Infrastructure Plan

A fundamental part of the evidence to support the CIL is a detailed description of the community infrastructure that is needed to support the development set out in the LDF. Alongside the production of the AIDPD the Council therefore developed an Infrastructure Plan (IP) which was published in October 2009. It sets out

- What infrastructure improvements will support the additional development in Mid Devon, when these are likely to be required and who will provide them,
- What resources will be required for these improvements, and whether these are likely to be available to infrastructure providers, and
- The level of resources that will be sought from development.

The plan was prepared by consulting the key infrastructure providers on these points and collating/analysing the responses received. The expected delivery phase for each item of infrastructure is defined (short, medium or long term) together with the gap between the cost and the known funding. The total funding gap that will need to be funded from other sources, including the CIL, was defined as £60m. Based on a study of the viability of housing development carried out by outside consultants it was indicated that a CIL charge of around £10,000 per dwelling would be implemented. This was expected to raise a total of £35m from proposed development which would still leave £25m to be found from other sources.

The IP was considered as part of the Examination of the AIDPD in April 2010. The Inspectors concluded that the AIDPD was sound and in their report they referred to the costs set out in the IP as being “a realistic estimate of the costs of all the items of strategic infrastructure necessary to the developments proposed in the AIDPD”. The original CIL Regulations came into force during the Examination and the AIDPD was amended to take account of them. As a result of the IP the Inspectors stated that the “the DPD is sound in its approach to the funding of essential infrastructure”.

Within the IP there were some types of infrastructure where further information was required before detailed provisions could be made. As set out in paragraph 7.2 of the document the Council is committed to preparing a Green Infrastructure Strategy. As well as public open space the strategy will take into account other facilities such as allotments and cemeteries. Work is underway and the document will be published while the PDCS is being consulted on. Its content will need to be taken into account in the final CIL charging schedule. Action to address the regeneration of Mid Devon’s town centres, which is referred to at paragraph 9.23 of the IP, is also underway and

may be defined sufficiently to be taken into account in the final CIL charging schedule.

Affordable Housing Viability Assessment (April 2009)

This viability study informed the production of the affordable housing policies in the AIDPD. It was prepared by Fordham Research utilising data from autumn 2007 and was published in April 2009. It involved the testing of seven notional sites comprising three greenfield and four brownfield sites ranging in size from one dwelling to 100 dwellings in all four service centres. These were assessed for the impact of three different levels of affordable housing on their viability.

Although the assessment was not specifically intended to ascertain the viability of different levels of CIL charging its assessment methodology set out the costs associated with development to ascertain whether development was likely to occur on a range of sites against alternative use values. The costs included the purchase of land, building costs, interest on loans, legal costs, etc. In the case of greenfield sites the alternative use value was agricultural use so the very significant uplift in value to residential land value meant that development would proceed. In the case of brownfield land which was likely to have employment land value the margin was lower but evidence showed that development would proceed on the basis of the then costs despite the lower margin.

The methodology devised by the consultants was then used by the Council to ascertain what level of CIL could be charged on new dwellings without making development unviable. As set out in Table 11 following paragraph 10.6 six different sites in three different locations were evaluated for their land values against nine different levels of CIL. The Fordham's Assessment showed that a previously developed site would come forward if its value was higher than £470,000 per hectare. The evaluation showed that the land value was higher than this on all six types of site at a per house contribution of £10,000. Above that level the alternative use value was higher and development would not be viable.

Housing Viability Update and CIL Study (May 2011)

As the viability data that the 2009 Fordham Assessment used was for 2007 and would be nearly five years old when a Charging Schedule would be implemented the Council decided to commission an update of the 2009 Assessment to determine whether the charge proposed of £10,000 per dwelling would still be viable. Fordham's utilised the same approach as for the 2009 study to ensure compatibility but updated costs and values. Since 2007 it was found that build costs had risen and sales values had fallen. This means that the margin of extra profit over normal profit which could be used to meet the cost of a CIL charge was reduced. This reflects the more challenging set of economic circumstances in the current downturn in the global economy.

The study found that alternative use values for brownfield land meant that they could not support a CIL charge. However the allocated sites in the AIDPD are greenfield so only a few small or windfall sites would be affected by this inability to support a charge. This means that the charge can be set more towards the levels appropriate

to greenfield sites. Also, the very limited information on the land values for employment development in Mid Devon means that actual alternative use values are likely to be lower than those assumed for the study.

In relation to greenfield sites the study found that a possible schedule level of £156 per sq m would be viable. With the average house floorspace amounting to 88 sq m on actual developments in Mid Devon this could mean a charge of £13,728 per dwelling. The proposed charge of £10,000 per dwelling or £113 per sq m is therefore well within the bounds of viability for greenfield sites.

Non Residential Viability Study

Originally the Council indicated that non residential development including industrial and retail development would not be subject to a charge. However this position was not supported by evidence. The Council therefore commissioned Roger Tym & Partners to carry out a study of non-residential viability in Mid Devon. The methodology used was similar to the Fordham study in that it assessed likely land values combined with other costs against likely sale values to determine whether development would be viable if it were subject to a CIL charge. The study used published information as well as information from a local developer and evaluated development in the district.

The study found that all forms of non-residential development apart from major retail would not be viable if a CIL charge of any level was implemented. Even in relation to major retail the study indicates that any contribution should be capped at 50% of the theoretical maximum. This is broadly in line with the Council's previous position apart from major retail development. It should be noted that the level of retail development expected in Mid Devon up to 2026 has already occurred so it is unlikely that further major retail development will take place.

Proposed CIL Rate

It is proposed that the CIL for Mid Devon will be £113 per sq m for new dwellings and £250 per sq m for large supermarkets (retail developments of over 500 sq m). All other forms of development will not be charged CIL. The rate will apply to all new dwellings whether created by new build or conversion and will apply to any floorspace expansion of a large retail enterprise. The table below provides an illustration of the proposed CIL charge by use class:

Use	Proposed CIL/m ²
Large Scale Retail	£250
All other retail	£0
Business (B1)	£0
General Industrial (B2)	£0
Storage or Distribution (B8)	£0
Hotels (C1)	£0
Residential Institutions (C2)	£0
Dwelling houses (C3)	£113

Houses in Multiple Occupation (C4)	£0
Non-residential institutions (D1)	£0
Assembly & Leisure (D2)	£0
Sui generis (SG)	£0

CIL can be charged on a variable basis across an area provided there is significant variation in the characteristics of the market for a particular type of development. In relation to housing development the Council's Housing Needs Assessment 2011 indicates that Mid Devon is a fairly homogenous market without a large town resulting in no great variation in house sale prices across the district. There is therefore no basis for the charge being varied between locations in Mid Devon. A uniform charge will also be simpler to understand and administer.

As set out above a recent study shows that a CIL charge of up to £156 per sq m would be viable for greenfield housing development even in the current depressed market. The setting of the charge at £113 or 72% of the maximum allows a level of flexibility which will allow schemes with higher costs than expected to pay the CIL charge and still remain viable. However the Regulations themselves recognise that the CIL charge will make some developments unviable. As the housing market recovers however the charge will be a decreasing percentage of the surplus of income over costs for developers. Developers will also no longer have to go through complex and lengthy negotiations on every development site thus reducing costs below what they are at present and accelerating the pace of development.

As required by the regulations the charge will be updated annually to take account of changes in build costs which are a major component in an assessment of viability. This will use a nationally accepted index so that changes are on a uniform basis across councils. Changes to the schedule for other reasons would need it to be re-consulted on and submitted for examination.

The CIL regulations provide for full relief from the CIL charge for any part of a development which is social housing. Also, charity landowners will benefit from full relief where a development will be used for charitable purposes. Relief can also be made available in exceptional circumstances for other development but only where a Section 106 agreement that has costs greater than the chargeable amount is in place and imposing CIL would render the development unviable.

Next Steps

The CIL regulations require the Council to carry out consultation on the proposed CIL charge but apart from a minimum four week period prior to submission do not specify how the consultation should be undertaken. The Council will use the consultation period to engage with local communities and other stakeholders about the CIL but will also use the consultation to engage over the content of the infrastructure plan to determine whether the information within it is still correct. The business community will be a particular focus of the consultation to ensure that its views inform the CIL charge.

As a meaningful proportion of the CIL will be directed to communities via the Localism Bill the Council will also consult with communities to determine what their

priorities are for infrastructure expenditure with the aim of dovetailing them with the Council's priorities to ensure that essential infrastructure is delivered. It is not yet known what proportion of the CIL will be transferrable to communities or how it will be organised.

Following the consultation on the PDCS the Council will fully consider all responses prior to the publication of a final draft charging schedule which will then be submitted for independent Examination. The Council is aiming to achieve implementation of the CIL by April 2012.