



Mid Devon District Council

Community Infrastructure Levy

**Preliminary Draft Charging
Schedule Consultation**

Explanatory Notes

June 2014

Community Infrastructure Levy (CIL) – Explanatory notes

1.0 Introduction

1.1 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 regulations have subsequently been amended four times.

1.2 CIL is payable on all new development subject to the development remaining viable and profitable. It is imposed when planning permission is granted and is 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 is 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 Local Plan. It is also related to the specific development allocations included in the Local Plan.

1.3 Unlike Section 106 Agreements CIL is

- A fixed charge which will be transparent, predictable and certain,
- Charged on types of development where evidence shows that the CIL can be paid without making development unviable,
- Less time consuming, as it does not involve extensive local negotiations, so development can happen more quickly,
- Beneficial to local communities as parish and town councils will receive 15% of CIL (and 25% if an adopted neighbourhood plan is place) to fund local infrastructure,
- The remainder can be 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.

2.0 Unimplemented Existing CIL Charging Schedule

2.1 Mid Devon has an existing CIL Charging Schedule, which was prepared during 2012 and 2013. A preliminary draft Charging Schedule was consulted on with a proposed charge for housing of £113 per sq m and the draft

Charging Schedule then included a revised charge of £90 per sq m for housing. As a result of the Examination in November 2012 the Examiner concluded in his report dated 20th February 2013 that the CIL charge should be lowered for new dwellings to £40 per square metre with no charge for any other form of development. The Council then adopted a CIL Charging Schedule but has subsequently decided not to implement it (as had been expected from June 2014).

2.2 The Council is now preparing a new Charging Schedule alongside the production of the new Local Plan. The purpose of these explanatory notes is to set out the background to Mid Devon District Council's new preliminary draft Charging Schedule for CIL.

3.0 **Background to the new Charging Schedule**

3.1 The Charging Schedule is 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 Charging Schedule includes the following:

Mid Devon Local Plan

3.2 The Charging Schedule has been drawn up on the basis of the Council's Local Plan review. At the time of the preparation of the preliminary draft Charging Schedule (CS) the Council is moving towards the allocation of specific sites which will be contained in the submission Local Plan which will be considered in meetings of the Council's Cabinet in August 2014 and then at a meeting of the full Council in September 2014. The preliminary draft CS is therefore not able to be supported by a finalised submission Local Plan but the draft CS will be produced at the same time that the submission version of the Local Plan is published for consultation.

Mid Devon Infrastructure Plan

3.3 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. The Council has therefore been developing an Infrastructure Plan (IP) alongside the production of the Local Plan which is published in draft alongside the preliminary draft CS. Due to the consultation on the preliminary draft CS taking place prior to the finalisation of the submission Local Plan the IP is only in draft form at present. An updated version of the IP will be published alongside the draft CS and the submission Local Plan. The IP 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 funding will be required for these improvements, and whether these are likely to be available to infrastructure providers, and
 - The level of funding that will be sought from development.
- 3.4 The Local Plan has been prepared by consulting the key infrastructure providers on these points and collating/analysing the responses received. This allows the gap between expected funding sources and the cost of the essential infrastructure to be calculated. Expected income from CIL is then subtracted to give the expected overall gap between all sources of funding and the cost of the essential infrastructure.
- 3.5 The IP will be considered as part of the Examination of the CS and the Local Plan next year. The Council is required to strike a balance between the cost of meeting Mid Devon's essential infrastructure and the impact on the viability of development which will result from the imposition of a CIL charge on development.

Viability Assessment

- 3.6 As part of the preparation of the new Local Plan the Council appointed Dixon Searle Partnership (DSP) to prepare a CIL and Local Plan Viability Assessment. Their report is published as the primary evidence supporting the preliminary draft CS. The aim of the study is to assess all of the costs associated with development including land cost, materials, labour, finance, professional fees, provision of affordable housing and the impact of other Local Plan policies. This is then subtracted from expected income from development to determine whether there are any remaining moneys against which a CIL charge can be levied. Details of the methodology and the extensive information on the large number of assessments can be seen in DSP's viability report.
- 3.7 DSP utilised an accepted methodology to carry out this assessment which took into account local circumstances. This involved assessing a wide range of development sites from small sites to very large ones in a range of locations. This involved a range of land values based on local information, costs derived from industry sources and a range of affordable housing requirements. On the basis of the assessment DSP concluded that a CIL charge for new dwellings was not viable for housing with a 35% affordable housing requirement as set out in the previous Local Plan. Based on slightly different prices for new houses across Mid Devon they have concluded that a £60 per sq m CIL charge is viable if the affordable housing ratio is set at 30% for rural areas and 25% in the towns provided that the current policy for renewable energy on larger sites is not continued into the new Local Plan.
- 3.8 In relation to the large strategic sites suggested for inclusion in the new Local Plan DSP have concluded that because of the significant infrastructure

requirements of such sites, such as new major road junctions, extensive areas of green space and new schools, that they will not be viable if any CIL charge is made on them. The intention is therefore to exclude these areas from the area of Mid Devon where the £60 per sq m CIL charge will apply by mapping their areas as a zero CIL charge areas for all development. Maps showing the proposed areas for zero CIL charging are included in the Charging Schedule. These areas are likely to be subject to change as the Local Plan preparation continues, as not all of the strategic sites are likely to be proposed for allocation.

4.0 CIL Charging Schedule

- 4.1 The costs of development in Mid Devon have been assessed by DSP and they have suggested that, with a reduction of the affordable housing requirements in the Local Plan to 30% for rural areas and 25% in the towns, a CIL charge of £60 per sq m is viable for the majority of developments provided that the current Local Plan policy in relation to renewable energy is not carried forward to the new plan. The Council is therefore consulting on this as the proposed CIL charge for new housing development on non-strategic sites. DSP concluded that a CIL charge was not viable however on the strategic sites. These will not be required to pay a CIL charge and are shown as separate areas on maps where a zero CIL charge will apply.
- 4.2 DSP also concluded that were the Government to introduce the 10 house threshold for affordable housing that it has recently consulted on such developments would be able to pay £80 per sq m. The Council is therefore consulting on the merits of including this provision in the Charging Schedule should the threshold be introduced.
- 4.3 For commercial development DSP concluded that the only form of such development that would be viable enough to pay a CIL charge is retail warehouses and superstores with a charge of £100 per sq m. The Council is therefore consulting on the inclusion of such a charge in the preliminary draft Charging Schedule. No other form of commercial development is proposed to be the subject of a CIL charge.
- 4.4 A draft Regulation 123 List has also been produced for consultation. This sets out the infrastructure that CIL income will be spent on. It specifically excludes infrastructure associated with the strategic housing sites. Such infrastructure will be funded directly from other sources including Section 106 agreements and not from CIL funds. The list will be amended to be more specific in conjunction with the more detailed Infrastructure Plan which will be published alongside the draft Charging Schedule.
- 4.5 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 Council will monitor the implementation of the CIL and will

re-assess its viability to reflect significant changes in economic circumstances.

- 4.6 The CIL regulations provide for full relief from the CIL charge for any part of a development which is social housing. Also, charity landowners benefit from full relief where a development will be used for charitable purposes. Extensions, some conversions and self-build properties are also exempt from paying CIL charges.
- 4.7 The CIL charge can also be paid in instalments through the Council's instalment policy. A body has also been created to govern the use of income from CIL. The Council's proposed instalment policy is published for consultation alongside the preliminary draft Charging Schedule. Comments will be taken into account prior to the publication of the policy alongside the draft Charging Schedule.
- 4.8 For development in their area, 15% of the CIL will be directed to parish and town councils (25% where a neighbourhood plan is in force) and 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.
- 4.9 When the CIL is implemented the Council will no longer be able to operate contribution arrangements for Public Open Space or Air Quality because the pooling of Section 106 funds is restricted by the CIL Regulations. However the money already collected will remain available to be spent in the relevant catchments and the 15% or 25% of CIL incomes will be available to spend locally in place of the current arrangements.

5.0 **Next Steps**

- 5.1 Following this initial four week public consultation on the preliminary draft Charging Schedule the Council will take into account any comments made and produce a draft Charging Schedule for further consultation alongside consultation on the submission Local Plan. The supporting documentation of the Infrastructure Plan, the Regulation 123 list and the Instalments Policy will also be updated to include the latest information. Formal representations made at this stage will then be considered by an independent Examiner who will determine what the appropriate CIL Charging Schedule for Mid Devon should contain. The Council will then implement CIL provided that the Examiner finds that a CIL charge is viable.