



PART B:	RECOMMENDATIONS TO COUNCIL
REPORT TO:	PLANNING COMMITTEE
DATE:	7 MAY 2014
REPORT OF THE:	HEAD OF PLANNING AND HOUSING GARY HOUSDEN
TITLE OF REPORT:	PUBLICATION OF THE COMMUNITY INFRASTRUCTURE LEVY (CIL) DRAFT CHARGING SCHEDULE
WARDS AFFECTED:	ALL EXCLUDING THE AREA OF WARDS FALLING WITHIN THE NORTH YORK MOORS NATIONAL PARK.

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 To present the outcome of recent consultation on the Community Infrastructure Levy Preliminary Draft Charging Schedule (PDCS) and for Members to consider and agree changes to the Charging Schedule in response to issues raised.
- 1.2 For Members to agree to publish the Draft Charging Schedule (DCS) for formal consultation and subsequent submission to the Secretary of State for Examination in order to progress the introduction of the Community Infrastructure Levy.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members:
- (i) Note the comments received on the Preliminary Draft Charging Schedule and to agree responses to them as outlined in Appendix 1
 - (ii) Approve the Draft Charging Schedule at Appendix 2 for formal public consultation and subsequent submission to the Secretary of State for Examination
 - (iii) Agree in principle, the Draft Regulation 123 list (to follow) as Appendix 3.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 To progress the production of the Draft Charging Schedule and the introduction of the Community Infrastructure Levy (CIL).

4.0 SIGNIFICANT RISKS

- 4.1 There are no significant risks associated with the report. It is considered that greater risks to the delivery of necessary infrastructure are likely to arise if the Community Infrastructure Levy is not progressed to adoption or if the correct process of producing the Draft Charging Schedule is not followed. Delays to the adoption of the levy also present a risk on the basis that from April 2015, additional limitations on the use of Section 106 contributions will come into force which will restrict the Council's ability to collect contributions from developers towards necessary infrastructure, should CIL not be operative in advance of the April 2015 deadline.

5.0 POLICY CONTEXT AND CONSULTATION

- 5.1 Members are aware that the Community Infrastructure Levy is designed to be the main funding source for Ryedale to be able to deliver the strategic infrastructure required to support planned growth established through the Ryedale Plan. The Ryedale Infrastructure Delivery Plan (January 2012), produced to support the Plan sets out the infrastructure requirements that will help to deliver the Plan objectives. This document enabled a funding gap to be calculated, which currently stands at circa. £64 million. The ability to identify an infrastructure funding gap is necessary in order to justify a CIL charge. The Community Infrastructure Levy Regulations 2010 (as amended) set out the regulatory framework which needs to be followed by the Council (the 'charging authority') as it prepares to implement the CIL charge.
- 5.2 CIL charges are outlined in a Charging Schedule and the Regulations establish the procedural requirements for producing this. Following consultation on a Preliminary Draft Charging Schedule, a charging authority is required to produce a Draft Charging Schedule. The latter is the version of the charging schedule which is formally published for consultation and comments received on the Draft Charging Schedule are those that are considered at the CIL Examination.
- 5.3 Regulation 14 of the Regulations provides a central theme that needs be followed when producing a charging schedule. Crucially, it sets out the need to strike a balance between the need to fund infrastructure through the levy whilst also considering the effects the levy may have on constraining development. To this end a charging schedule must have direct regard to the economic viability of development that is likely to take place in Ryedale. Indeed, the viability assessments that are undertaken to support the levy should have regard to all of the policy requirements set out in the Development Plan. This includes developments achieving policy levels of affordable housing.
- 5.4 The Council prepared its Preliminary Draft Charging Schedule in 2013. The document was informed by an economic viability assessment, undertaken by Peter Brett Associates which set out the sources of information and assumptions used to inform the proposed charges. The Preliminary Draft Charging Schedule proposed the following charges:

Use	Proposed CIL charge (per sq.m)
Private market houses:	
<i>Lower Charging Zones</i>	£55
<i>All Other Areas</i>	£70
Supermarkets	£120
Retail Warehouses	£60
Public/Institutional Facilities as follows: education, health, community and emergency services	£0
All other chargeable development	£0

5.5 Members of this Committee agreed the Preliminary Draft Charging Schedule in August 2013 and following subsequent ratification by Council, the Preliminary Draft Charging Schedule and the economic viability study were subject to public consultation in accordance with the regulations. This process concluded on 15 November 2013, during which a total of 16 responses were received. A summary of the comments received together with responses to these are at Appendix 1 of this report.

5.6 In summary the main issues raised are as follows:

Residential

- Queries in relation to the evidential basis for the land value assumptions;
- The assumed sales rates are considered optimistic;
- Underestimation of uplift in costs to achieve Code for Sustainable Homes levels;
- Assumptions used for discounts and affordable housing values are too optimistic;
- External works and contingency percentages should be revised; and
- Specific assessments to cater for retirement accommodation should be undertaken.

Non-Residential

- Land value assumptions used are not clear;
- Conflicting opinions were received regarding rent and yield assumptions. Some Consultees agreed with the assumptions made, others felt they were too optimistic for the market;
- Build cost data should be reviewed;
- Lack of transparency with some of the viability modelling;
- Retail definitions lack clarity and disagree with the fundamental issue of retail differentiation; and
- Opposition to the level of rate suggested for retail development.

6.0 REPORT

The Draft Charging Schedule

- 6.1 A detailed review of the comments made and evidence provided as part of the consultation process has been undertaken. As a result, it has been necessary to make some minor revisions to some assumptions and to the viability modelling. These changes include:
- A revised approach to calculating developer's profit for residential uses so that profit is calculated as a percentage of the scheme's value, rather than its cost. This results in slightly higher assumed profit levels and commensurately reduces development viability and therefore the scope for CIL;
 - Revision to allowances made for 'residual' Section 106 costs that reflect the restrictions on Section 106 once CIL is in place;
 - Revised threshold land values, reflecting additional research undertaken; and
 - Updates to construction costs to reflect the latest data available.
- 6.2 In addition to the above, some representations sought additional clarity on the types of development tested and the detail of the assumptions applied. To address these comments, the revised assessments apply a newer and more refined model.
- 6.3 The revised viability assessments, along with all of the assumptions which underpin them, are set out in an Addendum Report that will be published as part of the DCS consultation. The effect of some of the changes made was to reduce viability and therefore the scope for CIL, whilst others had a beneficial impact on viability. Taken together however, the changes have a relatively small impact on viability for each use.
- 6.4 In recommending charge rates based on the evidence, the starting point is a calculation of the maximum possible charge for each use that is consistent with maintaining viability. It is then necessary to draw down from these maxima to ensure that the vast majority of development will remain viable. The Council's consultants recommend charges are set at 50% - 75% of the maximum to achieve this, and balance the need to maintain viability, with the need to fund the infrastructure that is required to enable growth. Whilst the maximum rates have changed in respect of many of the uses tested, the rates proposed in the PDCCS continue to be within the 50% - 75% range shown by the revised viability assessments. As such, no changes to the rates are proposed within the DCS.
- 6.5 Officers consider that the charges reflect the need to strike the necessary balance required in the regulations in relation viability and that they are fully supported by robust evidence. The Draft Charging Schedule is at Appendix 2.
- 6.6 It is considered that the Council is now at the stage where the Draft Charging can be taken through the final formal stages of production. This process involves an additional six week consultation period, following which, any additional comments will be reviewed. Subject to the outcomes of this consultation, the Draft Charging Schedule will then be submitted for Examination along with all of the representations received.

- 6.7 The Regulations prescribe the procedural requirements for the formal publication and submission of the Draft Charging Schedule.
- 6.8 All of the evidence used to support the proposed charge and the evidence used to justify an infrastructure funding gap will be submitted to the examination. This will also include a draft 'Regulation 123' list as required by recent changes to the Regulations. The regulation 123 list is the list of infrastructure projects that CIL will be used to fund over time. The current draft version of this list will form Appendix 3 to this report. It will be included in a table form and circulated with the late papers. Members are asked to agree this list in principle as part of this report, bearing in mind that it is a list that the Council can review and update over time as necessary.

Other Procedural Matters

- 6.8 An important procedural requirement particularly at the formal stages of the preparation of a DCS is that it is taken forward in accordance with a timeframe achievable for adoption. Officers consider the following milestones should now be used for the next stages of the process:

Publication – June 2014
Submission – August 2014
Adoption – December 2014

7.0 IMPLICATIONS

- 7.1 The following implications have been identified:
- a) Financial
A budget has been set aside for the preparation of the Draft Charging Schedule and the costs of an Examination. Once CIL is in place, it will generate revenue to the Council, although this revenue is ring-fenced for spending on a list of infrastructure items that the Council must produce to accompany the charging schedule and update regularly.
 - b) Legal
Preparation of the charging schedule is be subject to the requirements of the The Community Infrastructure Regulations 2010 (as amended). On adoption, CIL will become a mandatory charge for development listed in the charging schedule.

8.0 NEXT STEPS

- 8.1 Officers will complete the administrative arrangements which are required to ensure that the draft charging schedule is published in accordance with statutory requirements. All those individuals or organisations who have previously submitted comments on the charging schedule will be notified, alongside the statutory consultees listed in the Regulations. A copy of the charging schedule will also be made available at Ryedale House and on the Council's web-site.

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Background Papers:

RDC CIL Preliminary Draft Charging Schedule. Consultation Document. September 2013

Ryedale Community Infrastructure Levy Viability Assessment. August 2013

Background Papers are available for inspection at:

www.ryedale.gov.uk