Item 5

Development Plan Working Group

15 May 2014

Community Infrastructure Levy

1. **Purpose of the Report**

1.1 To outline recent changes in the CIL Regulations and assess the implications for the National Park.

2. **Introduction**

2.1 Members will be aware of the work that has been undertaken to assess whether the Community Infrastructure Levy should be applied to new development in the National Park. This has included commissioning a Viability Study from Peter Brett Associates. The overall conclusion of that Study was that three types of new development could support the introduction of a levy – new residential development, convenience food retailing and retail warehousing. The Preliminary Draft Charging Schedule recommended in the Viability Study is reproduced in **Appendix 1** to this report. Alongside the viability work, an Infrastructure Delivery Plan is being developed to demonstrate the need for additional funding to support new development in the National Park. Green infrastructure will be an important component of this.

2.2 CIL could be an important additional source of income for the Authority to undertake its purposes in relation to the natural environment and access. In the context of the current financial restrictions being faced by all public sector organisations, even small amounts of money generated from CIL could help contribute towards funding this work.

2.3 At the March 2014 meeting of the Authority, members were advised of changes to the CIL Regulations that came into force in January, having been the subject of consultation during 2013. These Regulations contain significant changes to the operation of CIL that will reduce the level of funding that could be generated from the introduction of the levy. Members agreed that a meeting of the Development Plan Working Group should be convened to assess the impact of the changes on the potential income that could be generated and decide whether CIL should be progressed further in the light of this. In addition, the meeting would consider queries relating to the impact that CIL could have on the delivery of affordable housing.

3. **Changes to Community Infrastructure Regulations**

3.1 The 2014 Regulations introduce a number of changes but those of most relevance to the National Park are as follows:

- Mandatory relief for self build housing and residential annexes and extensions. Self build is defined as private individuals who typically self finance their own projects and who build or commission the construction of their own home, either working on their own or working with builders.
- Allowing authorities to set different rates by reference to the size of the development, or the proposed number of units or dwellings. Previously, differential charging was limited to zones and uses.

- Requiring authorities to strike an appropriate balance between the funding of infrastructure from the CIL and the potential effects of the CIL on the viability of development. Previously, authorities only needed to demonstrate that they **aimed** to strike an appropriate balance – there is now more onus on the charging authority to demonstrate that its proposed charges will not impact on the viability of development across their area.
- Deferring the date on which the restrictions on the use of S106 obligations will be introduced to April 2015 (the previous date was April 2014). Once the Levy is adopted or nationally from April 2015, charging authorities will be more restricted in their use of S106 agreements – the number of obligations that can be pooled to provide an item of infrastructure will be limited to up to five and s106 can only be used for infrastructure which is needed to make the development acceptable in planning terms – for example highway or drainage improvements directly related to the site.

4. **Implications for the National Park**

4.1 The main change to the Regulations that will affect the operation of CIL in the National Park is the exemption of self build housing, residential extensions and annexes from the charge. Since 2008 when the Core Strategy was adopted, the majority of new build completions in the Park have been on single plots for an identified occupier and will fall within the definition of self build. This is evidenced in the table below:

Breakdown of New Build Completions by Size of Site 2008 - 2013

Year	Completions on Single Plots	Completions on Multiple Plots	Total New Build Completions
2008/09	3	2	5
2009/10	5	3	8
2010/11	3	2	15
2011/12	4	0	4
2012/13	8	0	8

4.2 Therefore the projected revenue from CIL that was outlined to Members at the December meeting of the Authority of £124,488 per annum will be reduced and needs to be reviewed in the light of these changes and based on a realistic assessment of the scale of development that could come forward under current policies.

4.3 The majority of new housing development will take place in Helmsley and the Helmsley Plan which is due to be submitted for examination this month allocates two sites of 60 and 35 dwellings respectively within the National Park. Based on the rates proposed in the Viability Study, this could generate approximately £40,000 per anum over the lifetime of the Plan (13 years to 2027). 15% of this (£6000) would have to be passed to the Town Council as the Neighbourhood element. However it is possible that these sites could come forward for development before the adoption of CIL.

4.4 As Members will be aware, Core Policy J of the Core Strategy document supports the development of larger sites for open market housing in the seven Service Villages, provided that up to 40% affordable housing is delivered as part of the scheme. The open market element of any of these larger sites that comes forward in the future would be liable for CIL. However, to date, this policy has only delivered two sites - one site in Sleights of five dwellings which made an off site contribution of £25,000 towards affordable housing. The only other site in Helmsley for 15 dwellings is the subject of a current planning application and includes on site provision for four affordable houses.

/2

4.5 The reason for the lack of these larger sites coming forward in the Service Villages is assumed to be the affordable housing requirement in the context of a prolonged period of economic recession even though the position is that the level of affordable housing will be negotiated on a case by case basis taking into account the viability of the development. It is likely that the improving economic situation and rising house prices may make the development of these sites more attractive to developers in the future, however it would be difficult to rely on these as a supply which could be incorporated into reliable income projections over the long term.

5. Charging for Other Uses

5.1 At the previous Authority meetings when CIL has been discussed, Members have queried whether other types of development could be subject to the levy, in particular more intensive forms of agricultural development and minerals and gas related development.

5.2 The Viability Study includes an assessment of the potential to apply the levy to agricultural development and an extract is included as **Appendix 2** to this report. As explained in the report, there is little data on which to base viability assessments and as a result of the relatively low build cost of such development, even a small charge would represent a significantly higher proportion of overall development costs compared with commercial development. This proportion might well be lower, however, on the larger more intensive units that are discouraged under the Local Development Framework policies. Members will also be aware that consultation on the Hambleton Preliminary Draft Charging Schedule included a 'base charge' which would have been levied on agricultural development and this attracted a number of adverse comments as part of the consultation on the Preliminary Draft Charging Schedule. Concentration on larger units only might, however be viewed differently.

5.3 If the Authority wished to pursue the possibility of including agricultural development within the charging schedule the consultant can be commissioned to investigate more sales data for such development together with its viability. There would be a further cost to the Authority to undertake this work.

5.4 Members have also queried at previous meetings whether oil and gas related developments should be included in the charging schedule. Although these generally comprise large areas of surface works rather than 'buildings people normally go into', some proposals have included proposals for new buildings. The difficulty is that such uses fall within the B2 use class (use for industrial process other than one falling within class B1) and in the Viability Study these have been shown to be not sufficiently viable to support any level of charge. Again if the Authority wished to pursue the possibility of including minerals and gas related development as a specific use within the charging schedule it would be necessary to commission further work to investigate its viability. Members might see this as an urgent priority.

5.5 An alternative to levying charges on the specific uses discussed above would be to include a 'base charge' for all other development not listed in the charging schedule which would include employment and agriculture related development. The Viability Study did suggest that a base charge could be pegged at a ceiling of 1% of the lowest cost development – industrial – which equates to approximately £10 per square metre. It would be necessary to undertake a 'refresh' of the Viability Study to include this option. The latest version of the Hambleton Draft Charging Schedule (January 2014) does include a 'base rate' charge of £10 per square metre for all other chargeable development.

6. Impact on the Delivery of Affordable Housing

6.1 Members have previously raised concerns that if CIL is introduced it will adversely affect the delivery of affordable housing because this is the biggest cost to developers and the one that is likely to be 'squeezed' where the viability of a development is an issue. It is important to note that the Viability Study done by Peter Brett Associates assumes a 'policy on' scenario of delivering 40% affordable housing when calculating developer costs and development has still been found to be viable with this requirement. The difficulty is landowner aspirations and the fact that many developers are 'locked into' land deals based on pre recession development values.

6.2 The consultant's response to the above issue is that it is generally land value that should be affected if policy costs increase, rather than affordable housing provision. He suggests that because the Authority does not have a long track record of negotiating s106 agreements on the quota sites in Helmsley and the seven Service Villages, landowners in particular, but also developers, have been getting a very good deal. CIL would simply bring policy costs in the National Park into line with other authorities, whilst also giving the Authority some funding to deliver necessary infrastructure.

6.3 Members will also be aware from the report to April Planning Committee of the recent Government consultation relating to the proposed exemption of developments of ten or less units from the delivery of affordable housing. The Authority has objected to this proposal because of the adverse impact it will have on the delivery of affordable housing. However, one positive consequence if the proposal does go ahead is that it will improve the overall viability of housing development on larger sites because of the removal of the affordable housing cost. It is possible that a higher CIL charge could be supported but this would require a 'refresh' of the Viability Study incorporating the zero affordable housing requirement.

7. Infrastructure Delivery Plan

7.1 An updated Infrastructure Delivery Plan will be presented to Members at the Working Group meeting. It is worth noting that the South Downs National Park Authority which is the only other National Park progressing CIL has not produced an Infrastructure Delivery Plan to accompany the consultation on its Preliminary Draft Charging Schedule.

8. Points for Discussion

- The potential income that could be generated from development in Helmsley and whether this should be recouped using CIL or negotiating a section 106 agreement for contributions to infrastructure improvements in the town.
- Whether it is worthwhile to pursue CIL for the National Park given the lack of alternative means of funding the necessary infrastructure.
- Changes in the viability of large housing sites in the Service Villages arising from changes to the affordable housing requirement proposed by the Government.
- The value of 'future proofing', in that whilst the current policy background may not be ideal for the introduction of CIL, any changes to the level of development in National Parks generally or through the production of a new Local Plan for the North York Moors may improve the potential for CIL and the Authority will be in a better position to capture this if CIL is already in place.
- Whether to commission further viability work in relation to agricultural and minerals and gas related development or alternatively commission a refresh of the Viability Study to investigate the impact of a base rate charge on the viability of the

remaining types of development that have not been included in the Preliminary Draft Charging Schedule.

9. Financial and Staffing Implications

9.1 Adopting CIL will have workload implications in several areas of the Authority although this is true of almost all income generating schemes. Taking CIL through to an examination will require a dedicated staff resource in the Policy team and once adopted, the Development Management team will implement its provisions. Although up to 5% of CIL receipts can be recouped by the Authority to cover the administrative costs of implementing the levy, given the exemptions that have been introduced in the new Regulations a fresh calculation will be required to weigh up the costs and benefits to the National Park.

9.2 Financial costs will include:

1. The cost of refreshing the Viability Study to take account of any Government imposed changes to affordable housing requirements.
2. The cost of additional work to investigate the viability of specific uses such as agriculture, and minerals and gas related development.
3. The cost of consultation at two stages – the Preliminary Draft Charging Schedule and Draft Charging Schedule together with the cost of an examination.

10. **Contribution to National Park Management Plan**

10.1 Although CIL is not specifically mentioned in the Management Plan, income from the levy could assist with the delivery of the habitat connectivity aims in Policies E11 and E12 and associated targets in the Plan. These are likely to be an important component of the 'green infrastructure' element of the National Park Infrastructure Delivery Plan. Funding for local infrastructure and community projects from the Neighbourhood Funding element will also contribute to Policies C3 and C7 in the Communities chapter. More detailed estimates of potential income and costs will be presented to the meeting of the Development Plan Working Group.

11. **Legal Implications**

11.1 The process for adopting CIL must comply with the Community Infrastructure Levy Regulations 2010 and the Community Infrastructure Levy (Amendment) Regulations from 2011, 2012, 2013 and 2014.

12. **Recommendation**

12.1 That Members note the changes to the CIL Regulations, consider the implications for the National Park and assess the points raised in paragraph 8 of the report and commission further work on the Viability Study which will be reported to Planning Committee.

Contact Officer

Tel No 01439 772700

Background papers to this Report	**File ref**
1. Community Infrastructure Levy	3052/4

The Proposed preliminary draft charging schedule recommended in the Viability Study is as follows:

Use	Proposed CIL charge (per sq. m)
Private market houses	£70*
Supermarkets**	£135
Retail Warehouses**	£70
Public/Institutional Facilities as follows: education, health, community and emergency services	£0
All other chargeable development	£0

Appendix 2

Extract from CIL Viability Study

9.1.1 We have sought to determine whether there is any scope for CIL with respect to agricultural development. Agricultural developments can cover a vast range of development product, from low value open sided hay barns to higher-value (and income generating) products such as chicken sheds. These higher value developments, it could be argued, will have greater impacts on the local infrastructure by the nature of their use, and would also have a greater scope to accommodate the base charge.
9.1.2 However, there is very limited availability of data on which to base viability assessments of agricultural developments in all of its diverse guises. Set out below is the information on build costs for all of the forms of agricultural development for which BCIS carries data. It is clear from the final column that the number of schemes on which the data is based is very low. It is also clear that, with the exception of stud farms, the build costs for agricultural development are relatively low – between £275 per sq. m and £469 per sq. m. For comparison, the cheapest form of commercial development (industrial) has a typical build cost of c £570 per sq. m, whilst retail and office development will often cost between £800 and £1,200 per sq. m

Table 6.1 Agricultural Development Build Cost Data

Table 6.1 Agricultural Development Build Cost Data

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Livestock buildings - farms (pig pens, milking parlours, etc) (30)	275	187	-	-	-	364	2
Stud farms, stables and the like (25)	972	661	-	891	-	1,444	4
Agricultural storage buildings (35)	476	185	-	469	-	780	4
Agricultural storage with non thrust resistant walls (35)	389	-	-	-	-	-	1

9.1.3 As a result of this relatively low build cost, it is clear that even a small charge of say £10 per sq. m would represent a significantly higher proportion of overall development costs than in respect of commercial development. As such, the potential for a charge at that level to materially impact on the viability of development is significantly greater for agricultural development than for development of commercial floorspace.

9.1.4 Very little information is available on the value of agricultural buildings. Where such buildings are transacted, it is as part of the sale of a wider agricultural holdings and it is not possible to identify the value of the buildings in isolation from the transactional data available. In any case, such buildings tend to have a value only to the owner/operator of the farm on which they are located and would have very limited value to anyone else.