

Economy and Enterprise Overview and Scrutiny Committee

21 October 2013



The County Durham Infrastructure Delivery Plan and the Community Infrastructure Levy

Joint Report of Lorraine O'Donnell, Assistant Chief Executive and Ian Thompson, Corporate Director, Regeneration and Economic Development

Purpose of the Report

1. To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with background information in relation to the County Durham Infrastructure Delivery Plan and the Community Infrastructure Levy (in the context of the County Durham Plan) prior to receiving an overview presentation.

Background

2. Members will recall that at the meeting of the Economy and Enterprise Overview and Scrutiny Committee on the 24 June 2013, when the work programme was discussed, it was agreed that overviews would be provided in relation to the Regeneration Statement, the County Durham Infrastructure Delivery Plan and the Community Infrastructure Levy at future meetings of the Committee. It was considered that overviews would be particularly useful for new members of the Committee.
3. At the special meeting of the Economy and Enterprise Overview and Scrutiny Committee on the 10 September 2013 members received an overview of the Regeneration Statement and the approach to regeneration adopted in County Durham. It was therefore considered timely that the Committee receives an overview in relation to the County Durham Infrastructure Delivery Plan and the Community Infrastructure Levy at the meeting on the 21 October 2013. The presentation will focus on the following:
 - Types of infrastructure considered within the IDP.
 - Partners involved in the IDP process.
 - Funding Gap.
 - CIL Rationale and Proposed Charging Zones.
 - The Role of Parish Councils or Neighbourhood Forums.

4. In addition, Overview and Scrutiny has provided a response to each stage of consultation in relation to the County Durham Plan via a series of workshops. Members will have received a letter inviting them to an Overview and Scrutiny workshop on the 4 November 2013 which will allow the opportunity to participate in the final stage of consultation.
5. The County Durham Plan is now at the Pre-Submission Stage and with extensive public consultation being undertaken from the 14 October to 6 December 2013. The Pre-Submission Draft of the Plan is the final stage in the development of the County Durham Plan before Submission to the Secretary of State and Examination in Public.
6. It is the document, shaped by consultation and robust evidence, which sets out the strategic spatial approach for County Durham including the quantity and location of development as well as the policies which will shape development. The plan seeks to guide the future development of County Durham to improve the lives of its existing and future residents.
7. This report is about identifying the infrastructure required in County Durham to facilitate the plan and how we and our partners fund the required infrastructure. This report also sets out some of the detail regarding a new charge on development – the Community Infrastructure Levy (CIL)

County Durham Infrastructure Delivery Plan

8. The County Durham Infrastructure Delivery Plan (IDP) identifies existing and future infrastructure deficiencies that need to be addressed if the County Durham Plan's vision for growth is to be achieved. It also shows how, when and where the Council and its partners will address these deficiencies. The IDP is based on the most up to date information (October 2013), including committed sources of funding from internal and external partners, in a financial schedule which reflects continuous dialogue between the Council and infrastructure providers. The financial schedule will be reviewed when required to reflect changing economic circumstances and priorities.

The types of infrastructure included in the Infrastructure Delivery Plan (IDP) include:

- Physical infrastructure such as highway improvements, sewage treatment works or broadband;
 - Social infrastructure such as schools, medical, doctor's surgeries or emergency services buildings; and
 - Green Infrastructure such as play areas, public open space or rights of way
9. The structure and content of the first IDP was agreed by Members in July 2012. As it is a 'living' document that is continually being updated it is proposed that it does not go to Cabinet every time it is altered but only when new major infrastructure of County wide importance is added. The IDP is structured in a spatial format so it lists and maps infrastructure requirements depending on which planning delivery area it is located.

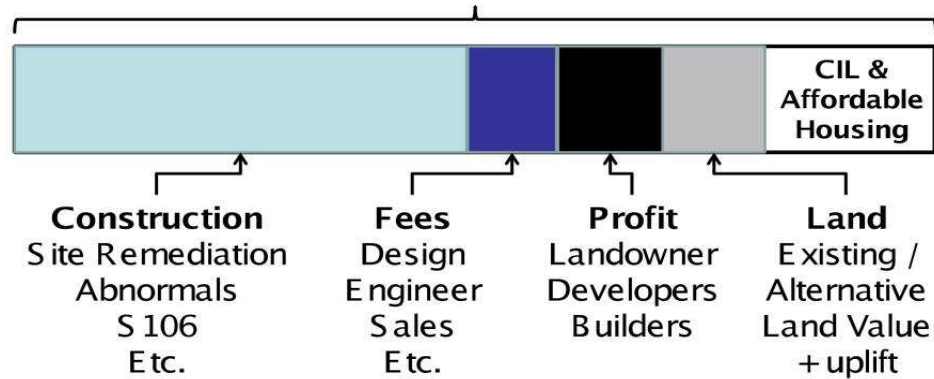
10. The partnerships and relationships that have formed during the preparation of the IDP ensure it is as accurate as possible and mean the ambitions and site allocations included in the County Durham Plan influence partner's future investment programmes.
11. The IDP identifies a gap between the actual planned investment in infrastructure and the total amount needed to deliver the County Durham Plan. This funding gap then justifies the introduction of a Community Infrastructure Levy (CIL).

The Community Infrastructure Levy (CIL)

12. The CIL Regulations came into force on the 6 May 2010 and give local authorities the option of charging a levy on new development. The CIL ensures that most new development makes a proportionate and reasonable financial contribution to delivering the infrastructure identified in the IDP.
13. CIL is also a mechanism which can be used to supplement other funding streams which will deliver strategic infrastructure over a Plan period. A key benefit of CIL is that it can raise finance to enable the timely delivery of the infrastructure required to support growth, which in turn creates an environment that will encourage investment. Other advantages of CIL include:
 - CIL is a standard, fixed charge giving certainty to the development industry;
 - Smaller developments will make a fair and proportionate contribution to the incremental impact they have on local infrastructure;
 - It is non-negotiable so will be quicker to process than Section 106 Agreements; and
 - A proportion of CIL will be passed to local communities so they can share in the benefit from development in their area.
14. It should be noted that the CIL is not a direct replacement for Section 106 Agreements. Section 106 will continue to be used for site specific infrastructure, such as access roads, securing affordable housing or funding for education provision.
15. The amount of CIL that is charged must be justified by viability evidence, principally using financial site appraisals for different types of development such as housing and retail. This evidence must show that the level of CIL being charged is not so high that it would prevent a site from being developed.
16. The viability analysis is based on a residual land valuation methodology that is commonly used by developers to work out how much they can afford to pay for a plot of land before developing the land. Once the land value is calculated, the Local Plan & CIL Viability Study sets out how much 'Additional (or super) Profit' is left over once land price, construction, fees, finance and developers profit have been deducted from the Gross Development Value of the site. This is illustrated in the figure below.

Additional Profit

Gross Development Value
All income from a Scheme



17. The detailed evidence in the Local Plan & CIL Viability Study shows that there is sufficient Additional Profit in the test sites for different affordable housing targets across the County. The viability evidence also indicates that there is enough additional profit to justify a CIL charge.
18. Due to different land values and market conditions across the County the viability evidence indicates that different levels of CIL can be charged in 3 different areas of the County. The three areas that have been identified for a CIL charge are a zone for the Durham City & Chester-le-Street, a zone for West Durham and a lower charge for development around the rest of the County.

19. The different charging rates for each type of development in each zone are shown in the table below.

Type of Development	Durham and Chester-le-Street	West Durham	Rest of County Durham	Housing Market Renewal Areas
Residential Development	£60/m ²	£30/m ²	£15/m ²	£0
Large retail – 1,000 m ² or above	£150/m ²	£150/m ²	£150/m ²	£0
All other A class development (shops and similar establishments; financial and professional services; food and drink (classes A3-5))	£0	£0	£0	£0
All B class development (business, industry, storage and distribution)	£0	£0	£0	£0
Student Accommodation	£150/m ²	£150/m ²	£150/m ²	£0
Sheltered Housing	£15/m ²	£15/m ²	£15/m ²	£0
Extra Care	£15/m ²	£15/m ²	£15/m ²	£0

20. The CIL will be used to fund items of infrastructure that are important for the delivery of the proposals in the County Durham Plan and be set out in what is known as a '123' list. The 123 list will usually be made up of items that are set out in the Infrastructure Delivery Plan. The mechanisms for how the money is to be spent will need to be agreed before the Charging Schedule is finally adopted.

21. As part of the CIL Regulations, a proportion of CIL monies will go directly to the local community to spend in their area. Parish Councils will receive 15% of CIL monies collected within their area to spend on improvements and local infrastructure projects. Where an adopted Neighbourhood Plan is in place this will increase to 25%. In both instances this is subject to a cap of £100 per household in the Parish Council area per year. Monies for non-parished areas will be retained by the Council but spent in accordance with the wishes of the community.

22. The CIL Draft Charging Schedule will be widely circulated for public consultation (together with the County Durham Plan) from October 14 until the 6 December 2013 with the final Charging Schedule to go to Cabinet in April 2013. A public examination will follow in summer 2014 with final adoption in Autumn 2014.

Recommendations

23. Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note the information provided during the presentation and comment upon the Infrastructure Delivery Plan and the proposed Community Infrastructure Levy (CIL).
24. That the comments made by the Economy and Enterprise Overview and Scrutiny Committee members are fed into the ongoing consultation process on the Pre-Submission stage of the County Durham Plan as the response from Overview and Scrutiny.

Background Papers

- Cabinet Report – 18 September 2013 – The County Durham Plan Pre-Submission Draft (including supporting evidence and documents).
- Infrastructure Delivery Plan 2013.
- Local Plan & CIL Viability Study 2013.

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Appendix 1: Implications

Finance -

The IDP contains a financial schedule for projects listed within the document; the financial information contained within the document has been developed by the internal and external stakeholders.

The Council will need to introduce an appropriate mechanism for collecting and spending CIL funds.

Staffing -

Existing staff will need to administer and enforce the collection of CIL payments.

Risk – Opposition to the alterations to the Green Belt, setting the most appropriate CIL rate that does not prevent development but still contributes to community infrastructure, the Council does not comply with the duty to co-operate with neighbouring local authorities and statutory consultees, inability to prove that proposed development sites are economically viable and attractive to investors.

Equality and Diversity - Equality and diversity principles have been an integral of policy development in relation to the Regeneration Statement. Detailed Equality Impact assessments have been and will be carried out for individual strategies or projects.

In relation to the IDP detailed Equality Impact assessments will be carried out for individual projects.

Accommodation - None

Crime and Disorder - None

Human Rights - None

Consultation -

The IDP has been prepared in conjunction with the internal and external stakeholders and will be part of the wider public consultation exercise in relation to the County Durham Plan.

The CIL charge setting process has been informed by extensive consultation with stakeholders and will be part of the wider public consultation exercise for the County Durham Plan.

Procurement - None

Disability Discrimination Act - None

Legal Implications - There will be legal implications with the setting, collection and enforcement of CIL receipts.