

# **Economy and Enterprise Overview and Scrutiny Committee**

**9 December 2013**



## **The County Durham Community Infrastructure Levy (CIL) – Response by Overview and Scrutiny**

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### **Report of Lorraine O'Donnell, Assistant Chief Executive**

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#### **Purpose of the Report**

1. To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with details of the Overview and Scrutiny response in relation to the Community Infrastructure Levy (CIL) Draft Charging Schedule which was out for public consultation (together with the County Durham Plan from October 14 until the 6 December 2013).

#### **Background**

2. Members will recall that when discussing the work programme for the Economy and Enterprise Overview and Scrutiny Committee at the meeting on the 24 June 2013 it was agreed by members that overviews would be provided in relation to the Regeneration Statement, the County Durham Infrastructure Delivery Plan and the CIL 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 held 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 received an overview in relation to the County Durham Infrastructure Delivery Plan and the CIL at the meeting on the 21 October 2013. The presentation focused 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. At the meeting on the 21 October 2013 the Committee was reminded that the CIL Draft Charging Schedule had been widely circulated for public consultation (together with the County Durham Plan from October 14<sup>th</sup> until the 6 December 2013) with the final Charging Schedule to go to Cabinet in April 2014. In addition, the Committee was advised that any comments made by members in relation to the CIL would be fed into the on-going public consultation as the Overview and Scrutiny response.

### **The Community Infrastructure Levy - Purpose**

5. 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 Infrastructure Delivery Plan (IDP).
6. CIL is 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.
7. 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.
8. 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.
9. 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.

10. 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.
11. 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.
12. 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 <sup>2</sup>	£30/m <sup>2</sup>	£15/m <sup>2</sup>	£0
Large retail – 1,000 m <sup>2</sup> or above	£150/m <sup>2</sup>	£150/m <sup>2</sup>	£150/m <sup>2</sup>	£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 <sup>2</sup>	£150/m <sup>2</sup>	£150/m <sup>2</sup>	£0
Sheltered Housing	£15/m <sup>2</sup>	£15/m <sup>2</sup>	£15/m <sup>2</sup>	£0
Extra Care	£15/m <sup>2</sup>	£15/m <sup>2</sup>	£15/m <sup>2</sup>	£0

13. 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.

14. 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.

## **Overview and Scrutiny Response**

15. At the Economy and Enterprise Overview and Scrutiny Committee meeting held on the 21 October 2013 there was broad support by the members of the Committee for the principles of the CIL. The following comments were made by members of the Committee in relation to the general policy and the proposed level of CIL to be charged:

### Comments on general policy

- In relation to non-parished areas thought needs to be given as to how Durham County Council engages with local communities to determine their wishes as to how CIL monies are spent.
- CIL must not make sites unviable and discourage investment within the County.
- There is a need to ensure that dialogue takes place with neighbouring authorities to ensure the charging rates within Durham's CIL reflects those rates in neighbouring local authorities.
- Ensure that we are mindful of the levels of CIL charges compared to neighbouring Local Authorities to alleviate any chance of losing investment opportunities.

### Comments on the level of CIL

- Members of the Committee supported the charge for large scale retail development acknowledging that it was set at a level not to deter development of this type within County Durham.
- It was suggested that the charging rate of levy proposed for student accommodation of £150/m<sup>2</sup> may deter the development of large scale student accommodation.
- In relation to extra care provision it was felt that there should be a £0 charging rate. Concerning sheltered housing the proposed charging rate of levy had to be at a level that would not deter such development.

### Additional comment

- A co-opted member of the committee commented that in relation to Sheltered Housing there should be a £0 charging rate.

16. The above response has been signed off by the Chair and Vice-chair of the Economy and Enterprise Overview and Scrutiny Committee and shared with the members of the Committee to ensure accuracy prior to it being sent to the appropriate officers within the Regeneration and Economic Development Service Grouping as the Overview and Scrutiny response to the CIL draft Charging Schedule.

### **Recommendation**

17. The Economy and Enterprise Overview and Scrutiny Committee are asked to receive the report, note its content and endorse the submission as the formal response of Overview and Scrutiny to the Community Infrastructure Levy.

### **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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<b>Contact:</b>	<b>Stephen Gwilym, Principal Overview and Scrutiny Officer</b>	
<b>Tel:</b>	<b>03000 268 140</b>	<b>E-mail: <a href="mailto:stephen.gwilym@durham.gov.uk">stephen.gwilym@durham.gov.uk</a></b>
<b>Author:</b>	<b>Diane Close, Overview and Scrutiny Officer</b>	
<b>Tel:</b>	<b>03000 268 141</b>	<b>E-mail: <a href="mailto:diane.close@durham.gov.uk">diane.close@durham.gov.uk</a></b>

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## **Appendix 1: Implications**

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**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** – None

**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.