



Cabinet Meeting

25 February 2014

Report title	Community Infrastructure Levy Update	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Peter Bilson Economic Regeneration and Prosperity	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Tim Johnson, Education and Enterprise	
Originating service	Planning	
Accountable employee(s)	Michèle Ross	Senior Planning Officer
	Tel	01902 554038
	Email	Michele.ross@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendation(s) for action or decision:

1. That the Council not pursue the introduction of a Community Infrastructure Levy (CIL) for Wolverhampton at the present time.
2. That, unless there is a significant change in circumstances beforehand, the Council's position regarding CIL be reviewed again in 2016.

1.0 Purpose

- 1.1 To set out a consideration of the costs and benefits of implementing a Community Infrastructure Levy (CIL) in Wolverhampton, in light of current market conditions and up-to-date viability evidence prepared to support Area Action Plans and Neighbourhood Plans, and to recommend a way forward.

2.0 Background

- 2.1 Cabinet of 24 March 2010 received a report on the introduction of the Community Infrastructure Levy (CIL) Regulations and requested a further report to consider Wolverhampton's position. CIL is a standard charge which local planning authorities are empowered, but not required, to charge on many types of new development to pay for a range of infrastructure. CIL charges are based on formulae linking the size of the charge to the floorspace, type and location of development. Planning obligations secured through Section 106 agreements can still be used to provide affordable housing and site specific infrastructure required to mitigate the direct impacts of a development, such as highway works and local training and recruitment.
- 2.2 On 25 July 2012, Cabinet decided that, given the high estimated cost of implementing CIL and the low level of anticipated revenue, the Council should not pursue the introduction of a CIL for Wolverhampton at the current time. As the development market was recovering from an unprecedented dip in land values, it was recommended that this position should be reviewed in 2013 in the light of up-to-date market evidence. This report reviews the position on CIL, as requested by Cabinet.

3.0 Implications for Wolverhampton

- 3.1 The Council has a well-established framework for planning obligations as set out in the adopted Unitary Development Plan (UDP) and relevant Supplementary Planning Documents. The approach taken by the Council to planning obligations is consistent with the National Planning Policy Framework and the CIL Regulations, and also allows flexibility based on scheme viability and encourages early commencement of schemes. Policy DEL1: Infrastructure Provision of the Black Country Core Strategy refers to the use of CIL as one of a number of potential mechanisms to secure new infrastructure alongside planning obligations or other relevant funding streams.
- 3.2 In the long term CIL could offer an opportunity to broaden the scope of developer contributions secured in Wolverhampton. No strategic infrastructure is required to support development allocations in the Bilston Corridor and Stafford Road Area Action Plans (AAPs) (now at examination stage) and the Neighbourhood Plans (at an advanced stage), which could be funded by CIL. However, CIL could provide the opportunity to part fund infrastructure to support development in the city centre, where an AAP is at an early stage of development.

3.3 Crucially, given the current economic climate, funding infrastructure through CIL is limited by viability. It is important to ensure that the Council does not adopt a CIL which deters new investment in the city because the same development in a neighbouring area would be less expensive. Changes to the CIL Regulations due to be brought in by February 2014 will put more emphasis on viability as a consideration when setting CIL charges.

4.0 Costs and Benefits of Implementing CIL in Wolverhampton

4.1 The previous Cabinet report detailed the estimated costs of implementing a CIL in Wolverhampton and the revenue which could be generated from housing development. The majority of housing growth in the City up to 2026 will be on sites with planning permission where CIL cannot now be charged and on sites in lower housing value areas with constraints, where it would not be viable to charge CIL. Viability studies carried out during 2013 to assess the deliverability of proposals in the Stafford Road and Bilston Corridor AAP areas and the Heathfield Neighbourhood Plan area support this conclusion. These studies conclude that securing the full 25% affordable housing requirement on larger housing developments will often not be viable. As affordable housing is a Council priority and the most expensive obligation placed on housing development, this is a clear indication that CIL would not be viable in these areas.

4.2 There is some potential to charge CIL on the very limited number of housing developments which take place in higher housing value areas in the west of the city. A viability study carried out in 2013 on the draft Tettenhall Neighbourhood Plan proposals showed that, on a sample of sites, not all of these could viably provide policy compliant schemes. However, the Plan does not allocate any sites of over ten homes, and the sites expected to come forward in the west of the city are generally small, with no affordable housing or other planning requirements. If historic trends (of approx. 20 new homes each year) were to continue, and a standard residential CIL charge of £70 per sqm were adopted (as proposed in similar parts of neighbouring areas), housing in the west of the City would generate a revenue of £112,000 each year.

4.3 If Wolverhampton started work on a CIL in 2014 it would be adopted in late 2016 and revenues would start to be collected in late 2018. The estimated staff and budget costs up to March 2020 would total £250,000 (based on £75,000 set up costs and 3.5 years administration costs at £50,000 per year). The estimated revenue over this period would total £168,000 (based on 1.5 years income). This represents an overall cost to the Council of £82,000 up to 2020. It is likely that a small net revenue would be generated each year after 2020.

5.0 Recommended Way Forward

5.1 Given the high estimated cost of implementing CIL and the low level of anticipated revenue, it is recommended that the Council should not pursue the introduction of a Community Infrastructure Levy (CIL) for Wolverhampton at the present time. As the development market is currently recovering from an unprecedented dip in land values, it is recommended that this position should be reviewed in 2016 in the light of up-to-date market evidence, unless there is a significant change in circumstances beforehand.

6.0 Financial Implications

- 6.1 At present, the introduction of a CIL scheme is unlikely to be cost effective for Wolverhampton City Council, given the low likely revenues from the scheme up to 2020. Based on current information, it is likely that the Council would have to subsidise the scheme to a value of around £82,000 in total up to this date and any annual surpluses beyond this point are currently forecast to be small.
- 6.2 CIL is only one of many strategic options (such as Business Rate Supplements, Tax Increment Financing and Enterprise Zones) available to the Council to fund long term investment in infrastructure to support development. CIL will therefore be carefully considered alongside these other options. [RT/04022014/A]

7.0 Legal Implications

- 7.1 The existing planning obligations system is covered by Section 106 of the Town and Country Planning Act 1990 as amended. The policy basis is now set out in paragraphs 203 to 206 of the National Planning Policy Framework. The legislative basis for CIL is contained in Part 11 of the Planning Act 2008 as amended by the Localism Act 2011, and the Community Infrastructure Levy Regulations 2010 as amended. [LD/04022014/A]

8.0 Equalities Implications

- 8.1 A screening has been carried out for equalities implications and this concluded that a full Equality Analysis was not required for the recommendations of this report, as they do not involve a change to Council services, functions, policies or procedures.

9.0 Environmental Implications

- 9.1 There are no direct environmental implications arising from this report.

10.0 Schedule of Background Papers

1. Community Infrastructure Levy Regulations 2010
2. Community Infrastructure Levy Regulations - Report to Cabinet 24 March 2010
3. Community Infrastructure Levy (CIL) – Report to Cabinet 25 July 2012