

Cabinet Meeting

29 June 2016

Report title	Community Infrastructure Levy Update	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor John Reynolds City Economy	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Keren Jones, Service Director City Economy	
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	Planning for Growth Board	14 April 2016
	Place Leadership Team	23 May 2016
	Strategic Executive Board	7 June 2016

The Cabinet is recommended to:

1. Approve the commissioning of a viability study to consider the deliverability of CIL in Wolverhampton at a cost of £20,000 to be met from the regeneration reserve;
2. Receive a further report on the completed viability study in October 2016 and, subject to the findings, move forward to introduce a Community Infrastructure Levy (CIL) for Wolverhampton.

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 viability evidence, and to recommend a way forward.

2.0 Background

- 2.1 Community Infrastructure Levy (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 agreed that this position should be reviewed in 2013 in the light of up-to-date market evidence. Cabinet of 25 February 2014 subsequently received a report reviewing the Council's position on CIL, and again agreed not to pursue introduction of CIL, subject to a review in 2016. 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. A range of infrastructure is required to support development allocations in the Bilston Corridor, Stafford Road and City Centre Area Action Plans (AAPs) and Heathfield Park Neighbourhood Plan. In particular, there are also a number of key transport schemes which do not currently have secured funding. There is also an identified need to address a projected shortfall in school places across the City, and this shortfall will be exacerbated by new housing development.

3.3 Crucially, given the constraints affecting development sites in Wolverhampton, funding infrastructure through CIL is limited by viability. The CIL Regulations place emphasis on viability as a key consideration when setting CIL charges, and a viability study is the key piece of evidence underpinning any CIL.

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 to assess the deliverability of proposals in the Area Action Plan and Neighbourhood Plan areas support this conclusion.

4.2 However, there is some potential to charge CIL on the limited number of housing developments which take place in higher housing value areas in the west of the City and from supermarket developments, which are likely to take place infrequently but could generate a high level of income given their viability. The potential to collect CIL from other types of commercial development, where this would not constrain development from coming forward, could also be explored.

4.3 If Wolverhampton started work on a CIL in late 2016 it would be adopted in late 2018 and revenues would start to be collected in late 2020. It is estimated that given current market conditions and taking into account likely staff and budget costs, a small net annual revenue return of approximately £100,000 could be generated from 2021/22 onwards.

4.4 As development viability is key to determining if CIL is deliverable in Wolverhampton it is proposed to commission a viability study and to consider the findings before deciding whether to progress with a CIL in Wolverhampton. If a decision is taken to progress CIL, the viability study would form key evidence to inform the CIL.

4.5 15% of CIL collected (or 25% in a Neighbourhood Plan area) must be allocated to local priority projects determined in consultation with the local community. The remainder can be allocated to infrastructure needed to support development, as identified in a local "Regulation 123 list" prepared to accompany the CIL. This list could include education and transport infrastructure, both capital and revenue.

5.0 Recommended Way Forward

5.1 Given the potential future revenue which could now be generated through CIL it is recommended that the Council should commission a viability study and, depending on the results of this study, move forward to prepare a Community Infrastructure Levy (CIL) for Wolverhampton and programme this in the Local Development Scheme, aiming for adoption by 2018.

6.0 Financial Implications

- 6.1 The cost of the proposed viability study is estimated at £20,000 and can be funded through the Regeneration Reserve for 2016/17.
- 6.2 There is some potential to charge CIL on the limited number of housing developments which take place in higher housing value areas in the west of the City. The initial estimate of costs and income are set out in the table below based on adoption of the CIL in late 2018.

	2018/19	2019/20	2020/21	2021/22 and future years	Total
Set up costs	£75,000	-	-	-	£75,000
Administration	£12,500	£25,000	£25,000	£25,000	£87,500
Total Costs	£87,500	£25,000	£25,000	£25,000	£162,500
Income from CIL	-	-	£80,000	£160,000	£240,000
Net Cost (Income)	£87,500	£25,000	(£55,000)	(£135,000)	(£77,500)

- 6.3 There is also potential to collect CIL from supermarket developments, which are likely to take place infrequently but could generate a high level of income given their viability. The potential to collect CIL from other types of commercial development, where this would not constrain development from coming forward, could also be explored. Further financial issues will be addressed in the update report in October. [MF/29042016/M]

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. [RB/07062016/X]

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 Human resources implications

10.1 The introduction of CIL may have human resource implications, which will be addressed in future reports.

11.0 Corporate Landlord Implications

11.1 It should be noted that Community Infrastructure Levy will also apply to Council land and disposal sites subject to development.

12.0 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
4. Community Infrastructure Levy Update – Report to Cabinet 25 February 2014