



PRCC.30 12/13

Prosperous Communities
Committee

12 February 2013

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Subject: INFRASTRUCTURE PLANNING IN CENTRAL LINCOLNSHIRE

Report by:

Director of Regeneration and Planning

Contact Officer:

Nick Ethelstone
Area Team Manager
01427 676629
Nick.ethelstone@west-lindsey.gov.uk

Purpose / Summary:

Councillors will be aware of the infrastructure planning work on-going in Central Lincolnshire. The purpose of this report is to provide an update on this work, particularly around development viability and infrastructure priorities. The infrastructure work is being progressed alongside the Community Infrastructure Levy (CIL), therefore, a refresh on Community Infrastructure Levy (CIL), development viability and related issues is also provided in this report. It should be noted that this report is being presented in advance of further evidence gathering, including identification of infrastructure priorities through the Joint Planning Committee, and proposed committee items on CIL (as indicated below).

RECOMMENDATION(S):

- Note the progress on the development of an IDP and the plan for its future development.
- Agree the general approach set out in this report: a viable balance between affordable housing, on-site infrastructure and strategic infrastructure. Officers will continue to prepare the IDP, based on this approach, in partnership across the four Authorities, in advance of the 11th March CLJSPC meeting.
- Agree the CIL timetable and ensure that appropriate processes are in place,

including resources and political agreements, for the production of CIL Charging Schedules.

- Further briefings and committees will be held with WLDC from April on CIL and related policies at relevant stages (as indicated in the appended timetable).

IMPLICATIONS

Legal:

Before it can be implemented, CIL is subject to independent examination. Once it has been through this process the charging schedule can be adopted. It is expected that this process would be managed by the Central Lincolnshire Joint Planning Unit.

Financial :

Financial implications arising from this report will relate directly to the decisions made on spending priorities. There will be risks of prioritising certain infrastructure items and service requirements. Funding is finite and there is a need to examine whether and how available resources can be utilised to deliver the programmes and projects identified, including wider corporate plans and services, and to ensure that resources are used effectively.

The introduction of CIL would allow the Council to raise funding for infrastructure in a manner that is not possible with Section 106 and other funding streams. These funds would be used by the Council or partner organisations alongside other funding streams such as the New Homes Bonus or Central Government Funding.

There will be direct administrative costs relating to the introduction of CIL in collection, distribution, monitoring and enforcement. The full impact on the Councils accountants at this time is not yet known. Regulations allow for administrative costs to come from CIL, an indication of administrative costs is provided in the report above, as 2.5% of total revenue.

Staffing :

A new position may be required for the monitored, enforcement and collection of CIL.

Equality and Diversity including Human Rights :

This will take place as part of the production of the core strategy.

Risk Assessment :

The risks associated with the development of the IDP and CIL, and prioritising certain items of infrastructure are set out in the report and will need to be considered by the JPC, and the constituent authorities with advice and support from officers.

Climate Related Risks and Opportunities :

Title and Location of any Background Papers used in the preparation of this report:

Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

x

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

x

No

Executive Summary

The report outlines progress on the key work areas undertaken by a working group of officers from the JPU and partner authorities. The work has implications for the Council's growth objectives across the district by 2031. Information in this report will provide an introduction and context for future key decisions required by the council in respect of the Authority's duties and responsibilities as Charging and Collecting Authority in the setting of a District Community Infrastructure Levy as set out in the Community Infrastructure Levy Regulations 2010 (amended by the Community Infrastructure Levy (Amendment) Regulations 2011).

1 Introduction

1.1

Background on Infrastructure Planning

Infrastructure planning is a useful tool to help decision making on, and the alignment of, local authority resources and spending. It is also needed to demonstrate deliverability in plan-making (as required by the National Planning Policy Framework and advised by Planning Inspectorate guidance). The Central Lincolnshire authorities have, therefore, developed an Infrastructure Delivery Plan (IDP). It is important to note that support from different areas of the four authorities will be needed if this is to be successful and in order to provide a coherent message at Examination in Public.

The IDP has been presented to councillors of all four authorities, as well as the Central Lincolnshire Joint Strategic Planning Committee (CLJSPC) meetings and briefings. The CLJSPC is responsible for the development and approval of the IDP for submission alongside the Core Strategy (as part of its evidence base). The draft IDP was approved at the 5th December 2011 Committee for consultation. It included information on infrastructure needs and costs, funding bodies and delivery partners, and links to specific proposed developments. It also set out a proposed approach to infrastructure priorities (which is now under review, within the context of the approach set out below). From before December 2011, information on development viability had indicated a significant funding gap, unless certain requirements were reconsidered. Further analysis (reported to the July Joint Planning Committee briefing) considered specific funding gap information on an example Sustainable Urban Extension (SUE – major development site) and demonstrated that, in the current economic climate, these sites will not deliver all desired infrastructure. In other words, on each site, difficult choices around priorities will be needed.

In assessing infrastructure need in the draft IDP, the type, scale and distribution of infrastructure items have been informed by assumptions about the level, location and phasing of development in the Core Strategy. The IDP (and the work behind it) will continue to be updated alongside the Core Strategy production. Types of infrastructure needs covered include transport, health, education, utilities and green infrastructure.

The IDP process as well as the CIL preparation is being supported by an officer group comprising of officers from all four authorities, but it is imperative that this support extends beyond this group to maximise developer contributions value and effectiveness of infrastructure spending. The IDP and CIL officer group will continue to report through the Central Lincolnshire Strategic Group, CLJSPC and individual authorities.

Development viability

Assessments of development viability have been undertaken for the Central Lincolnshire Authorities. These assessments have made assumptions about development revenues and development costs (including developer profit) in order to assess viability. Once costs have been subtracted from revenues, private land owners will need a sufficient incentive (residual value) to bring their land forward to market. If the residual value is sufficiently higher than the land's existing use value then the site could be considered viable as a development site. As part of this development viability equation, the assessments have tested potential levels of

affordable housing, strategic (CIL) infrastructure and on-site (s106) infrastructure.

What is clear from the outcomes of this work so far, and as identified above, is that there is a need to prioritise between infrastructure types and with other objectives such as affordable housing to ensure delivery. The relationship between CIL and section 106 needs to be carefully addressed (see below).

As identified above, work is still progressing on finalising the IDP schedule. However, the Authorities have considered an initial (broad) approach for infrastructure provision with the following currently proposed:

- Any items that would be expected to require six or more developer contributions (either for financial or policy reasons) have been classed as strategic infrastructure (this reflects CIL Regulations). This includes secondary schools, major transport infrastructure, off-site sports facilities, strategic parks and open spaces, off-site carbon reduction schemes and off-site health facilities.
- The requirement for schemes considered at this time as immediate priorities (currently categorised as 'high' or 'medium', 1 to 3, in terms of how critical the items are to the Strategy's delivery) is an estimated **£500m**.
- Other schemes considered as longer term priorities amount to **£200m** (currently categorised as 'low', 4 or 5, in terms of how critical the items are to the Strategy's delivery).
- The majority of the **£380m** funding is from local authorities and grants (£280m plus significant land contributions) with estimated CIL revenue at £100m.
- A significant but manageable funding gap of approximately **£120m** persists at this level.
- An average figure per new dwelling of £2,000 (more likely on smaller sites – primary school and open space only) to £4,000 (more likely on larger sites – to also include community facility, transport measures and, where feasible, health care). These would be items feasible to be funded by one to five sites under section 106 agreements (planning obligations).

This is considered a reasonably realistic scenario. It provides a good standard of each type of requirement and ensures a reasonable incentive to both developer and land owner. To achieve even this scenario will require a great deal of effort from the four authorities, particularly in ensuring public sector funding for strategic infrastructure and robust evidence to support developer contributions negotiations.

Sensitivity tests have been undertaken which suggest that house price inflation will have a disproportionately positive effect on the scope of either developer contributions or residual land value. In other words, a small increase in sales values gives a much greater ability to apply higher developer contribution standards. The authorities will need to review viability evidence throughout the life of the Strategy in order to maximise infrastructure and affordable housing contributions.

By the latter stages of the Strategy, it is also expected that there will be a more positive public sector funding environment.

Community Infrastructure Levy

An example CIL schedule can be seen here: www.bassetlaw.gov.uk/PDF/PDCS%20-%20FINAL%201.pdf

CIL was designed to help bridge the gap between infrastructure costs and infrastructure funding. A CIL charging schedule sets out per square metre charges across a charging authority (district) area, with relevant differential charges by proposed use and location of development. Statute requires that differential rates are based on viability evidence (not policy objectives). Once the levy is set, with few exceptions, exemptions and reliefs, all development within that area will become CIL liable once development is commenced. That applies whether development is through planning permission or relevant order, including permitted development. Exceptions, exemptions and reliefs exist and include charitable activities, affordable housing and very minor development.

Work so far has suggested that residential CIL rates up to £70/sqm could be charged in the very highest value parts of Central Lincolnshire, whilst £20/sqm is more viable in lower value locations. However, this needs constant review and careful consideration as on-going study moves forward. The Authorities will be required to robustly evidence viability as the aligned CIL schedules progress to examination.

It is charging authorities (in Central Lincolnshire, it is three District Authorities only) that are responsible for distributing or spending CIL. It must be spent on infrastructure (as broadly defined in the Planning Act 2008) to support the development of the charging authority's area. This can include infrastructure outside its area. CIL cannot currently be spent on affordable housing. Should the authority wish to continue using section 106 for some infrastructure, it must publish a "Regulation 123 list" on its website, listing items to be CIL funded (leaving all other items open for section 106 agreements). The indicative list provided at the time that CIL charges are examined can be different to the list which is published on the Authority's website.

The JSPC and constituent authorities have all agreed to separate but aligned CIL charging schedules, with joint evidence and a joint examination. There is currently no statutory CIL responsibility for the JSPC. The Planning Act 2008 gives a mechanism for it to become a charging authority, subject to further secondary legislation (statutory instrument).

The only current statutory responsibility for LCC is as collecting authority on county matter applications, where it is required to pass the relevant amount to the charging (district) authority. Again, the Act allows, subject to further secondary legislation, for county councils to become charging authorities.

Subject to local policies, land payments and instalments can be taken by the collecting authority. Relevant enforcement procedures are in place which can result in imprisonment, significant fines and/or significant surcharges. A Central Lincolnshire approach on these issues is also recommended.

The relationship of infrastructure and development viability across Central

Lincolnshire would strongly suggest a very close partnership approach on CIL setting and CIL distribution as has been pursued to date. Proposed major developments and major infrastructure cross the relevant district boundaries and there are close relationships in terms of development viability.

At the September JSPC briefing, members discussed the potential break-down of CIL for the Central Lincolnshire (which needs further discussion and monitoring/ review as the Core Strategy is implemented):

- % contribution for secondary education and major transport (Lincoln Eastern Bypass firstly) – these projects account for approximately 70% of the costs of stated requirements
- % off-site sports facilities, strategic parks and open spaces, off-site carbon reduction schemes and off-site health facilities – these projects account for approximately 30% of the costs of stated requirements;
- 5% contribution to parishes and neighbourhoods (yet to be confirmed but understood this will become a statutory minimum); and,
- 2.5 % for administration costs (the Regulations allow 5% but 2.5% is considered sufficient).

The draft Infrastructure Delivery Plan identifies infrastructure costs and funding availability. This allows for the authorities to determine what infrastructure to prioritise for CIL funding, within the context of the requirements identified above.

The process for the development of CIL includes a number of stages. The district authorities must first publish – and consult on – a Preliminary Draft Charging Schedule (PDCS). This is followed by the publication of – and consultation on – a Draft Charging Schedule (which must take into account comments made on the PDCS). The revised Draft Charging Schedule (DCS) is then submitted to the Secretary of State, after which an Examination in Public will take place. Following successful scrutiny through examination in public the CIL Charging Schedule is formally adopted by Council and made publically accessible.

Proposed timetable

The proposed timetable for the production of CIL charging schedules is appended. Key milestones include:–

- March 2013 CL JSPC – draft PDCS for information; draft IDP to be agreed
- April-June 2013 – key decision for District committees to agree PDCS, ready to consult
- July 2013 – PDCS to be consulted upon (6 weeks) alongside Core Strategy
- September 2013 – officers produce DCS, considering consultation comments
- October to November 2013 – DCS consultation (5 weeks)
- Nov 2013 – submission document prepared
- December 2013 onwards – key decision on submission schedule by District committees
- January/ February 2014 – submission of schedule to Secretary of State

- Spring/ Summer 2014 – CIL examination in public
- Autumn 2014 – key decision to agree Regulation 123 list and adopt CIL by Full Councils.
- Adopt CILs, publish Regulation 123 lists, publish instalment and in-kind payments policies

The requirement to report through three sets of committees (within the three authorities) has put significant pressure on the proposed timescale. Where opportunities can be identified to expedite these processes then there is potential for timely introduction and levy of CIL. It must be recognised, however, that ensuring consistency across the Central Lincolnshire Districts could be challenging and will take a concerted effort from the four Authorities.

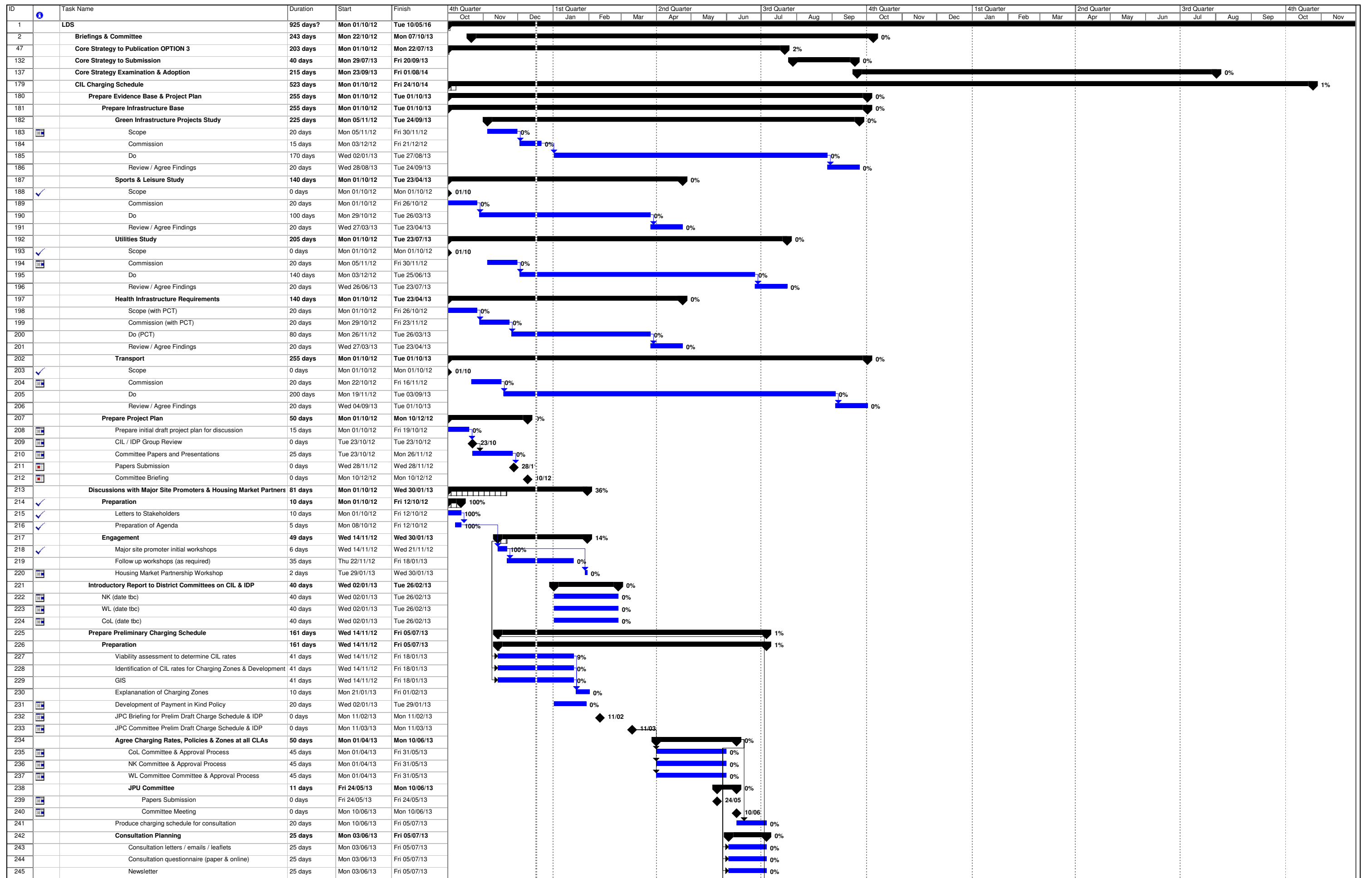
Conclusions and implications for the Authorities

The approach proposed should ensure a balance between affordable housing, on-site and strategic infrastructure, while maintaining development viability. The approach is not without challenges and will require significant input from each authority in managing relevant procedures, for example, ensuring up-to-date evidence.

The evidence and analysis to date demonstrates the importance of ensuring that all sites, including small sites, contribute to the overall supply of affordable housing and infrastructure.

As Central Lincolnshire partner authorities, the district councils will need to support infrastructure delivery in many ways: securing project funds, allocation of officer time to project development and use of development management and CIL powers.

During the life of the Plan, all viability testing will need to be regularly reviewed to ensure infrastructure investment is relative to changing market conditions and development values. This will need to be aligned on a Central Lincolnshire partnership basis and requires resources from each authority.



Project: Ids Core strategy to submission
Date: Mon 17/12/12



