

Report of the Director of City Development

Report to: Development Plan Panel

Date: 11th September 2012

Subject: Leeds Community Infrastructure Levy – Update on progress and the commissioning of the Leeds Economic Viability Study

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of Main Issues

- Members have previously been given an overview of the Community Infrastructure Levy (CIL), and will be aware that in Leeds we are working towards a target of having an adopted CIL by April 2014 at the latest. Consultants GVA have been appointed to undertake the key piece of evidence to inform the CIL, an Economic Viability Study, which is needed in order to help set the CIL Charging Schedule. This is currently underway with the final report due by the beginning of October.

Recommendations

Development Plan Panel is requested to:

- Note the information relating to the Community Infrastructure Levy for Leeds, especially the current work on the Economic Viability Study, and the future actions to develop the Leeds CIL.

1.0 Purpose of this Report

- 1.1 This report gives a short update on the progress made with the Leeds CIL, and the Economic Viability Study currently being undertaken by consultants GVA.

2.0 Background Information

- 2.1 The Community Infrastructure Levy Regulations (2010 and amended 2011, final Regulations expected early 2013) set out that a charging authority can choose to charge the CIL on new development in its area. The charges must be set out in a Charging Schedule, and must be based only on viability evidence. The CIL Regulations have also changed the use of S106 planning obligations. From April 2014 it will no longer be possible to secure S106s for District wide requirements such as greenspace, transport schemes and education facilities.
- 2.2 In December 2011 the Executive Board agreed to progress work on developing a CIL for Leeds.

3.0 Main Issues

- 3.1 Consultants GVA have been appointed to undertake the key piece of evidence to inform the CIL, an Economic Viability Study. This is currently underway with the final report due by the beginning of October.
- 3.2 GVA have agreed with a range of Council officers the various assumptions and inputs to be used in the Study. They will test a range of uses across the District using a residual appraisals methodology. This will take into account the Council's current and potential future policy requirements, such as for affordable housing, greenspace, Code for Sustainable Homes, and other relevant assumptions. This includes the policy requirements for new development in the emerging Core Strategy.
- 3.3 A development industry workshop is scheduled for the 14th September, where interested parties will be able to comment on the assumptions in the Viability Study and on its initial findings. Where possible, the comments and opinions will be incorporated into GVA's analysis and final report, and where this is not possible or not deemed appropriate, justification will be given. This 'frontloading' therefore aims to understand developers' concerns at an early stage and aims to reduce subsequent objections.
- 3.4 Dale Robinson from GVA will be attending Development Plan Panel to answer any detailed questions on the viability work.
- 3.5 The final report will use the evidence to recommend a range of viable rates within which the CIL could be set for each of the different uses (and varied by location across the District as necessary). As a theoretical example, the report might set out that new development would still be generally viable if the CIL were set anywhere up to £150 per square meter for residential development in a certain zone. However, choices and options will then need to be balanced in setting the final rate to form the Council's Preliminary Draft Charging Schedule. This includes

considering aspects such as setting the £150 highest rate in order to gain the maximum funding for infrastructure, versus setting a rate £50 or £100 lower in order to encourage economic growth and housebuilding. The CIL Regulations state that the CIL rates must not put at serious risk the overall development of the area, and that an appropriate balance must be struck. The impact on affordable housing also needs to be considered, as once adopted the CIL will not be negotiable, whereas affordable housing will remain negotiable and therefore there will be pressure to reduce provision where schemes are not viable.

- 3.6 The final Economic Viability Study will be brought back to Development Plan Panel for Members to consider these options and recommend the final rates to be used, prior to taking a report to Executive Board. It is anticipated that the formal consultation period on the Preliminary Draft Charging Schedule will be in early 2013.

4.0 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 As yet there has been no formal consultation stages of the CIL. The first formal consultation will be on the Preliminary Draft Charging Schedule, currently anticipated in early 2013. The current work on the Economic Viability Study as the key piece of evidence to inform the CIL includes informal consultation with the development industry by holding a stakeholder workshop in mid-September, and with neighbouring authorities through informal discussions. Executive Board agreed to implement a CIL for Leeds in December 2011, and Members have been kept aware of ongoing work since then. Following the completion of the Viability Study, Development Plan Panel will make recommendations to Executive Board on the final CIL rates to be set out in the Preliminary Draft Charging Schedule. The findings of the Viability Study are also to be presented to Scrutiny Board on 25th September.

4.2 Equality and Diversity / Cohesion and Integration

- 4.2.1 An Equality Impact Assessment Screening was undertaken on the Executive Board report in December 2011. This concluded that equality, diversity, cohesion and integration issues were being considered as part of the preparation of the CIL although it was too early to be able to have any meaningful consideration of specific effects. Within this overall context, it will therefore be necessary to continue to have regard to equality and diversity issues as part of the ongoing process of developing a CIL for Leeds, including arranging appropriate consultation stages and proper consideration of representations. Another screening assessment will be required at the point of bringing forwards specific recommendations on the CIL rates and options.

4.3 Council Policies and City Priorities

- 4.3.1 The CIL is already a process which local authorities can use, as supported by the CIL April 2010 and 2011 Regulations. The CIL will be a document within the Local Development Framework. The intention to develop the CIL broadly reflects Council

policies and city priorities in that it emphasises incentivising growth, both to the development industry and local communities.

4.4 Resources and value for money

4.4.1 Executive Board gave agreement in December 2011 to progress work on the CIL, including the release of the necessary funds. The Government recognises that costs will be incurred and so the Regulations allow set up and administration costs to be reclaimed from future CIL receipts. The implementation of the CIL in Leeds is expected to result in increased funding for strategic infrastructure across the District. The impetus to deliver the CIL as early as possible would therefore provide the most value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The Community Infrastructure Levy Regulations (2010 and amended 2011, final Regulations expected early 2013) set out that a charging authority can choose to charge the CIL on new development in its area. The charges must be set out in a Charging Schedule, and must be based only on viability evidence. The CIL Regulations have also changed the use of S106 planning obligations. From April 2014 it will no longer be possible to secure S106s for District wide requirements such as greenspace, transport schemes and education facilities

4.5.2 As this report is for information only, it is not subject to call-in, however future Key Decisions on the CIL will be subject to call-in.

4.6 Risk Management

4.6.1 If the Community Infrastructure Levy is not brought forward in Leeds, then the Council is at risk of losing out on monies which under the present system are gained through the S106 mechanism, as this system will no longer be available. In addition, the introduction of the CIL is intended to bring in a greater amount of infrastructure funding than at present, alongside wider benefits to incentivise development such as more certainty to developers, and more acceptance by local communities. In order to manage this risk it is recommended that Officers continue to work on the development of the CIL, including inputting into the current Economic Viability Study as outlined in this report. The preparation of the CIL is a challenging process within the context of ongoing national changes to the Regulations, limited precedents nationally, and in responding to local issues and priorities. Consequently, at the appropriate time advice is sought from a number of sources, including legal advice and that from the Planning Advisory Service, Planning Officers Society, and neighbouring authorities as a method to help manage risk and to keep the process moving forward.

5. Conclusions

5.1 This report aims to update Development Plan Panel on the progress made with the Leeds CIL, and in particular the Economic Viability Study. It has set out that the Study is currently underway, with consultants GVA undertaking a range of residual appraisals to inform their final report, which will give recommendations on the possible range of CIL rates which could be charged across the District. As part of

this, a developer workshop is programmed for 14th September which will allow 'frontloading' of the process with the development industry. The final Study will be presented to Members to recommend the final rates to go into the Preliminary Draft Charging Schedule, anticipated to go out for formal consultation in early 2013.

6. Recommendations

6.1 Development Plan Panel is requested to:

i) Note the information relating to the CIL for Leeds, especially the current work on the Economic Viability Study, and the future actions to develop the Leeds CIL.

7. Background documents¹

7.1 Relevant background documents are the Executive Board report 14th December 2011, the Economic Viability Study Brief for Consultants, and the draft Infrastructure Delivery Plan (February 2012). These documents can be obtained from Lora Hughes on 0113 39 50714.

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.