

Task & Finish Group Report

Community Infrastructure Levy

1. Chairman's foreword

- 1.1 This Task & Finish Group on Community Infrastructure Levy (CIL) has been possibly the longest running piece of policy shaping scrutiny work undertaken on this council in living memory. The work originally commenced in 2012 and to-date has delivered 3 scrutiny reports (reference these and include hyperlinks to the documents on the website).
- 1.2 During that time there has been considerable input from a variety of officers in planning and other departments and from the council's longstanding consultants on the matter, Three Dragons. The work has been decoupled from the delivery of the Core Strategy and has gone through two very different rounds of public consultation.
- 1.3 The idea behind this new local tax on development is sound. Developments do have a strategic impact on infrastructure beyond their immediate locality to which they should contribute. Central government and EU funding is still necessary for the kind of infrastructure investments which are significant beyond a purely local context. That said, taxing the windfall capital gains enjoyed by landowners and developers as the result of securing planning permissions is a way to raise the money towards significant county-level infrastructure investment. The success of CIL will be down to how this 'tax' is implemented, how it is then managed and how the county infrastructure investments are properly prioritised.
- 1.4 This latest report concentrates on the testing, setting and most recent consultation on revised preliminary draft charging rates for CIL throughout Herefordshire.
- 1.5 The work has been challenging throughout, and I would like to offer my personal thanks to all those who have engaged with the task and who have provided advice, comment, criticism and support. I would also like to thank the many stakeholders, interested parties and members of the public who have taken the trouble to comment during the rounds of consultation and who have contributed to industry workshops.
- 1.6 During this most recent phase of the CIL TFG I would like to thank Cllr Hardwick for sticking with the project from the original 2012 TFG and to Cllrs Johnson & Bartlett for agreeing to get to grips with this complex subject from a standing start.
- 1.7 My thanks also to Peter Clasby and his colleagues in the Planning Department for their assistance, advice and good humour. This phase of the project has again been working to a tight and ever tightening timetable with which we have endeavoured to comply. Also grateful thanks to Sam Tweedale and the team in Governance Services for their skilled support throughout, and to the team at Three Dragons for their expert input.
- 1.8 Much has changed in terms of what is proposed for CIL in Herefordshire during the time the TFG has been in existence and I believe the rates now being proposed are a better fit for the county as the result of the work that scrutiny has done to walk alongside this policy as it has developed.

- 1.9 Work remains to be done on preparing to monitor and manage CIL in operation, and careful thought needs to be given to its governance and to the support provided to the county's many parishes who will have a material and ongoing interest in its successful implementation. Hopefully this work on Governance can complete the project and scrutiny can make some useful contribution to this final piece of the 'jigsaw'.
- 1.10 For now, I commend this report to the committee and welcome councillors' comments in due course.

Councillor Liz Harvey, May 2016
Chairman of the Task and Finish Group

2. Executive summary

- 2.1 The task and finish group have reviewed the proposed CIL charging rates (Appendix B, by focusing their deliberations around the five questions set out in the scoping statement (appendix A).
- 2.2 Having considered the evidence before them, the group are satisfied that the CIL charging schedule now being proposed is more flexible than the rates consulted upon in 2013. The principal recommendation is that the charging schedule is carried forward unchanged, on the understanding that the council is able and willing to undertake an early review of the schedule, should this be advisable.
- 2.3 Noting that the management of the CIL post adoption was not within the scope of their brief, the group nevertheless consider that the governance of CIL is a very important matter which could have great impact on the community in terms of how the impact of development is mitigated. Therefore the group have made 2 further recommendations dealing with those issues of concern

3. Composition of the Task and Finish Group

- 3.1 Members of the task and finish Group were:

Councillor Liz Harvey (Chairman)

Councillor Jenny Bartlett

Councillor John Hardwick

Councillor Jon Johnson

- 3.1 Lead officer: Richard Gabb (Programme Director Housing and Growth)
- 3.2 Secretarial support: Sam Tweedale (Democratic Services Officer)

4. Context

Why did we set up the group?

- 4.1 In view of the importance of making sure that the objectives of the Core Strategy were achieved, the general overview and scrutiny committee commissioned this task and finish group:

'To assist in the formulation of the Community Infrastructure Levy (CIL)

What were we looking at?

- 4.2 The general overview and scrutiny committee considered and adopted a scoping statement for the task and finish group at its meeting on 11 January June 2016. The scoping statement is attached as Appendix A.

Who did we speak to?

- 4.3 Between January and April 2016 the group held regular meetings,
- 4.4 Had a detailed technical meeting with the Councils consultants - Three Dragons.
- 4.5 The group hosted a Members briefing supported by the consultants, with a view to making sure Members were best able to support their communities during the consultation process
- 4.6 The group were particularly concerned to understand the linkages between the proposed housing growth and education estate as this was considered as being a key piece of infrastructure. In researching this, the group spoke to:
- Andy Hough, Head of Educational Development

What did we read?

- 4.7 The group was provided background information to undertake this review. The principal documents included:
- Task & Finish Group Report – Community Infrastructure Levy (CIL) Review, Dated 10 December 2012
 - Executive response to the Overview and Scrutiny Task and Finish Group on Community Infrastructure Levy, Dated 4 March 2013
 - Task & Finish Group Report – Community Infrastructure Levy (CIL), Dated 16 July 2013
 - Executive response to the Overview and Scrutiny Task and Finish Group on Community Infrastructure Levy (CIL), Dated 11 November 2013

5. Key themes

- 5.1 As part of the development of the Core Strategy the Council have been supported by Three Dragons, a consultancy with a well-established track record in development economics and policy-making. Notable they provided the whole plan viability assessment, and they also did the earlier work for the CIL in 2012/13.

- 5.2 As to the evidence base (Appendix C), the group are happy to see that lessons have been learned from the earlier 2013 exercise, and that the current charging schedule has taken proper account of the peculiarities of the local property market. Specifically they welcome that current rates are at a level, whereby on balance, the introduction of CIL is less likely to have an adverse impact on overall delivery of the growth envisaged by the Core Strategy than was previously the case.
- 5.3 The group are happy that the viability evidence has evaluated in more detail the ability of the various types of development to bear a CIL charge, and that where a rate is proposed they are set at an initial level which the market can bear.
- 5.4 The group recognises that development values within the County vary considerably for a variety of reasons (location, transport links, proximity to large centres/settlements) and that the viability evidence which underpins the charging rates has struck a balance between not being overly complicated (by the use of too many areas) and the need to ensure that there is a reasonable commonality of conditions with a charging area so as to not encourage undesirable behaviours in the local market. The group are supportive of the higher levels proposed for developments of 11 and under, as this recognises that developments of this scale don't have to bear the cost of providing affordable housing
- 5.5 The group support the precautionary approach to the Strategic Urban Expansions, whereby the proposed level of CIL is set having regard to the known site specific issues which need to be addressed through other means (planning obligations of highways S278 agreements) meaning that overall their viability is not compromised. This has been done by use of a buffer ranging between 30 to 64% of the potential maximum each site could bear.
- 5.6 The group is, however, disappointed that the council has not been able to incentivise the development of energy efficient housing through the CIL charging framework – as per the recommendation in paragraph 50 of the earlier Task & Finish Group Report – Community Infrastructure Levy (CIL) Review, Dated 10 December 2012 (Appendix E). The group is also disappointed that CIL as a local development tax is only configured to recognise growth in capital value within its viability modelling. It therefore does not appear to allow the revenue generation enabled by business use benefiting from the planning permission to be 'taxed' in a way which addresses the impact on local infrastructure of the through-life operation of industrial forms of agriculture.
- 5.7 Sounding a note of caution, the group would like to highlight the importance of parishes and Neighbourhood Development Plan groups identifying clearly the future infrastructure requirements of their communities. This planning and forethought will be necessary in order for planners to take such needs into account in considering S106 and other forms of developer contributions at the earliest stages of discussions with developers and land owners. Additionally, there will be an ongoing requirement for other strategic plans and planning policy documents to be considered holistically with regard to both CIL and potential S106 contributions in order to balance the capacity for local and county level contributions to infrastructure investment. These plans/policies

include, but are not limited to: The Schools Capital Strategy and any subsequent implementation plan/s; the Local Transport Plan; the as yet unwritten minerals and waste management policies; the Older Persons' Housing Strategy; the as yet unwritten Economic Masterplan;

6. Recommendations

Recommendation 1:

The 'Preliminary Draft Charging Schedule' be carried forward unchanged as the 'Draft Charging Schedule'

Recommendation 2:

Urgent consideration is given to the need for a robust governance structure to be developed for the administration of CIL in advance of CIL being adopted

Recommendation 3:

Parish Councils be supported in terms of how they need to manage the meaningful proportion which they will receive

7. Appendices

Appendix A	Scoping statement for Task and Finish Group – January 2016
Appendix B	Herefordshire Council, Residential and Non-Residential Infrastructure Levy Viability report – March 2016
Appendix C	Consultation Questions
Appendix D	Summary of consultation responses
Appendix E	Task & Finish Group Report – Community Infrastructure Levy (CIL) Review, Dated 10 December 2012