

**CAMBRIDGESHIRE HORIZONS**

**Agenda Item No: 8**

**VARIABLE TARIFF**

*To:* **Cambridgeshire Horizons Board**  
*Date:* **11<sup>th</sup> June 2008**  
*From:* **Chief Executive, Cambridgeshire Horizons**

*Purpose:* **To present the findings of the option study undertaken by Cambridgeshire Horizons into a Variable Tariff on development in the sub-region.**

*Recommendation:* **The Board is invited to comment on the presentation and Executive Summary of the study, and take a view on whether work on a Variable Tariff on development in the sub-region should be taken forward to the implementation phase.**

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## **1.0 Variable Tariff Study**

- 1.1 As discussed at the Joint Strategic Implementation Committee in February, Cambridgeshire Horizons (on behalf of the local authorities in Cambridgeshire) have appointed PricewaterhouseCoopers (PWC) and DentonWildeSapte (DWS) to examine implementation options for a variable tariff or 'roof tax' on development in the Cambridgeshire sub-region.
- 1.2 The draft report builds on the Deloitte Long Term Delivery Plan and work by Roger Tym and Partners examining a flat rate tariff for the sub-region. The Deloitte report calculated the total cost of infrastructure required by the sub-regional growth agenda, and identified a considerable shortfall in conventional public and s106 funding to meet these requirements. In addition, work currently being carried out on our behalf by ESD to reappraise the Long Term Delivery Plan, to take account of the need to build for a low carbon future, suggests that this shortfall may have been significantly underestimated.
- 1.3 The variable tariff study forms an important part of Cambridgeshire Horizons' exploration of innovative methods for funding infrastructure and dealing with the front funding gap. A variable level of tariff contribution across the county is proposed in response to the wide range of land prices, which identified by the earlier work as the key barrier in Cambridgeshire to a flat rate tariff, such as that used in Milton Keynes.

## **2.0 Study Conclusions**

- 2.1 The Board will receive a detailed presentation from Cambridgeshire Horizons and our partners on this project, Ray Mills from PWC and Stephen Ashworth from DWS. The draft executive summary of the report is attached in Appendix 1.
- 2.2 The study concludes that a variable rate tariff offers potential advantages in terms of additionality, certainty for planners and developers, clarity and saved time, flexibility, equity, and effectiveness. In the longer term, the guaranteed revenue stream the tariff creates could be borrowed against to facilitate the front-funding of infrastructure.
- 2.3 Perhaps the core attraction of a variable tariff would be the capture of contributions from homes that are not currently subject to a section 106 agreement, and so do not contribute to the cumulative infrastructure requirements of growth.

## **3.0 Next Steps**

3.1 The decision now needed is whether this work should be taken forward to the implementation phase.