

CAMBRIDGESHIRE HORIZONS

Agenda Item No: 14

Investment Package Update:

The Variable Tariff/Community Infrastructure Levy, and the Integrated Development Programme

To: **Cambridgeshire Horizons Board**

Date: **24 September 2009**

From: **Chief Executive**

Purpose: **To update Board members on progress with the package of investment measure presented at the March meeting, specifically in relation to the proposed tariff on new development.**

Recommendation: **The Board is invited to:**

- a) Comment on the points raised;**
- b) Agree the approach proposed for progressing these pieces of work.**

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1. INTRODUCTION

1.1 In June of this year, the Cambridgeshire Horizons Board was presented with an update on the package of investment measures, intended to deliver infrastructure during the economic downturn and beyond. This paper sets out progress that has been made on the Variable Rate Tariff and Integrated Development Programme (IDP), with particular emphasis on the implications of the Community Infrastructure Levy regulations being published by the Department of Communities and Local Government (CLG).

2. PROGRESS

2.1 Draft regulations for the Community Infrastructure Levy (CIL) were published by CLG on 30th July 2009. A technical consultation document was provided, with 54 questions to guide responses. The consultation period will run until 23 October 2009. The Community Infrastructure Levy is a new charge, the primary legislation for which was enacted as part of the recent Planning Act. It will empower Local Authorities to impose a mandatory levy on new development, in order to fund local and sub-regional infrastructure. CIL will not wholly replace Section 106 agreements, but the use of Section 106 will be scaled back so that it is only to be used for securing affordable housing and mitigating the immediate site-specific impacts of development.

2.2 In order to set a rate for CIL, local authorities need to have a solid evidence base for the infrastructure needs for their area, which will justify the charge. Part of this evidence base for authorities in Cambridgeshire would be the Integrated Development Programme (IDP), which addresses the key sub-regional elements of infrastructure needed to support growth across the county. Further work on the IDP has taken place over recent months, progressing towards officer agreement of a final draft. Notable updates include setting out the relationship between the various levels of infrastructure planning (local, sub-regional, regional) and removing overlaps with local infrastructure plans. The size of the document has been reduced and repetitions removed. Sections focusing on market towns have been expanded and clarified, in order to ensure that the emphasis of the IDP is not only on the growth of Cambridge.

2.3 The Variable Tariff & IDP steering group has met on several occasions in the past three months to discuss the implications of these developments on the projects.

3. IMPLICATIONS

3.1 The draft CIL regulations set out a new method for collecting contributions towards infrastructure from development. The levy would operate with rather than instead of Section 106, but would replace existing Section 106-based tariff systems. The document makes clear that Local Authorities should prepare for the CIL powers to be introduced, rather than seeking to introduce new tariff systems. The document also makes clear that existing tariff or standard charge systems will need to migrate towards CIL once the regulations are in place.

3.2 As a result, the Variable Tariff & IDP Steering Group has re-assessed the direction of the tariff project and agreed a shift in emphasis. Rather than preparing for a Section 106-based tariff that could be segued into CIL, the intention is now to prepare for CIL implementation, whilst ensuring that a tariff could still be implemented through Section 106 if CIL does not come forward.

3.3 Huntingdonshire District Council (HDC) intends to pilot the Community Infrastructure Levy in Cambridgeshire, with other Local Authorities adopting it when appropriate. HDC have already prepared a Local Infrastructure Framework that, alongside the IDP, forms the key part of the evidence base for either CIL or a Section 106-based tariff.

3.4 East Cambridgeshire District Council are aiming to finish their Infrastructure Investment Study in time to proceed with CIL on the same timescale as Huntingdonshire.

3.5 The CIL will require an even stronger evidence base than for a Section 106-based tariff; therefore work on the IDP and Local Infrastructure Frameworks is of more importance than ever.

3.6 The CIL consultation document states that an adopted Core Strategy and PPS12-compliant infrastructure plans are prerequisites for the adoption of CIL. However rather than a consultation document as envisaged for the variable tariff, a draft CIL Charging Schedule will be needed. This will set out suggested levels of charge and an indicative list of infrastructure projects to be funded. The schedule will require independent examination, in the same manner as a Development Plan Document.

3.7 Cambridgeshire Horizons is leading a joint countywide response to the technical consultation on the detailed CIL regulations, co-ordinated through the Variable Tariff & IDP Steering Group. The agreed response will be sent to CLG by the October 23rd deadline.

4. SUMMARY OF CIL REGULATIONS CONSULTATION

4.1 The consultation is a matter of detailed technical specification rather than questions of principle (the principle of CIL has already been set in primary legislation). The Variable Tariff & IDP Steering group broadly welcomes the content of the draft regulations, as the Community Infrastructure Levy would allow a variable tariff to be placed on a much stronger legal footing, and in particular would support the use of variable rates of charge and of collecting contributions from developments to meet strategic infrastructure needs that may be less directly related to the development in question.

4.2 Notable elements of the regulations include:

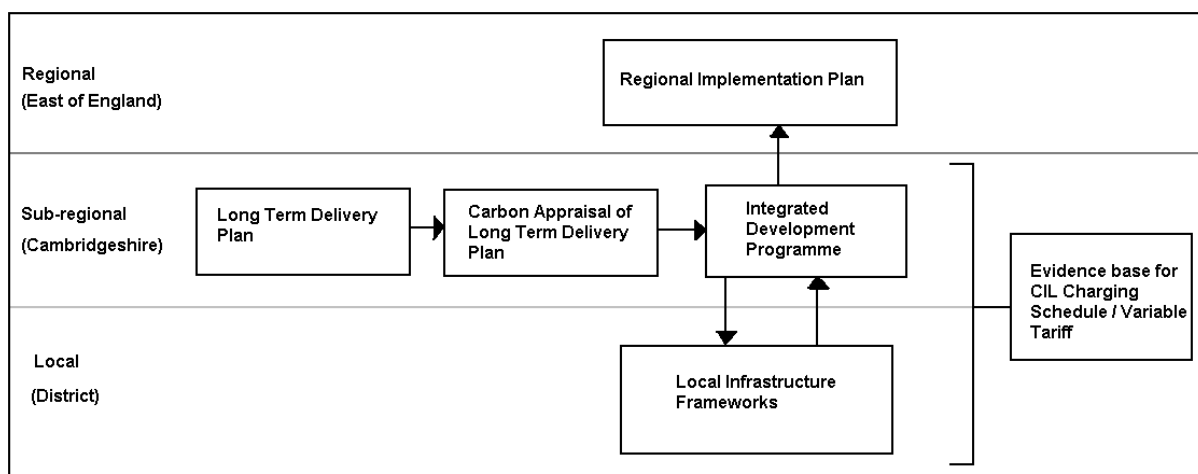
- The introduction of a CIL is optional; Local Authorities are empowered but not required to use it. However, the scope of Section 106 agreements will be curtailed, whether LAs choose to introduce CIL or not. This will provide a strong incentive to introduce the Levy.
- Infrastructure planning that complies with Planning Policy Statement 12 is required to introduce the levy, in addition to an adopted Core Strategy. The CIL charging schedule will also be subject to an examination in public by an Inspector.

- CIL will be chargeable on all buildings, according to gross internal floorspace.
- The regulations allow for differential rates to be used, varying by geographical area or by use class. This means that the charge will apply to domestic and commercial developments. A zero rate can be set if required. These provisions would allow varying rates to be set across the county, as suggested by the tariff work to date.
- Affordable housing will not be delivered through CIL, but will continue to be secured through Section 106, as will site-specific infrastructure required to mitigate the direct impacts of a development. In order to thus scale back the use of Section 106 agreements, the five policy tests of Circular 05/2005 on Planning Obligations will be made statutory.
- In order to set the rate or rates of CIL, district-wide viability testing will be required (along the lines of the market testing we carried out when scoping the tariff and as previously presented to the Board).
- Cross-border co-operation is encouraged, to enable the collection of CIL to fund necessary sub-regional infrastructure projects.

5. PROGRESS WITH THE INTEGRATED DEVELOPMENT PROGRAMME

5.1 A further round of consultation on the IDP has taken place, with a view to preparing it for endorsement by the Steering Group later in the year. Areas that have been updated include:

- A diagram showing levels of infrastructure planning that are complete or in progress for Cambridgeshire. These plans include the IDP and are critical to support the introduction of the Community Infrastructure Levy or a Section 106-based variable tariff. The diagram is shown below:



- Overlaps between the IDP and Local Infrastructure Frameworks have been removed, in order to clarify the difference between local and strategic infrastructure. For example, schools and local community facilities are no longer listed in the IDP spatial packages.

- Sections of the IDP focussing on Market Towns have been enhanced, in discussion with the appropriate Local Authorities, in order to ensure that the emphasis of the IDP is Countywide.
- Recognition of the interdependencies between packages of investments has been added.

6. ISSUES LOG

6.1 The issues log, capturing concerns raised by a range of partners and stakeholders, and previously presented to the Board in June 2009, has been updated and is attached as an appendix to this paper. The column to the right of the table sets out progress made to resolve issues since the June.

7. NEXT STEPS

7.1 The IDP is presented to the Board as an updated draft. Between the 24th September and the next Board meeting on 9th December, it will be considered by each Local Authority at Cabinet or equivalent level. This will provide Local Authority members the chance to comment on the document, before being brought back to the Horizons Board for formal sign-off on 9th December.

7.2 At the December meeting, the Board will be asked to sign off the IDP as a fit-for-purpose element of the infrastructure evidence base for Cambridgeshire. This will allow it to support the Community Infrastructure Levy or Variable Tariff in due course (and most immediately to be used for the planned Huntingdonshire consultation exercise), as well as informing regional and national funding discussions. The Variable Tariff and IDP Steering Group will continue to oversee the development of the IDP. The next meeting of this group is scheduled for the 15th October (to be confirmed).

7.3 A suggested work programme for progression of the CIL and Variable Tariff is set out below. The first column indicates the process for introducing CIL within Huntingdonshire district, and potentially East Cambridgeshire, as a pilot. The last column details the fallback position should CIL not be progressed into law; i.e. progressing with a Section 106-based variable tariff as previously envisioned.

Date	CIL	S106 Tariff
September 2009	<ul style="list-style-type: none"> • Cambridgeshire Horizons Board (23rd) • Work on joint response draft regulations 	HDC commence work to update LIF
October 2009	<ul style="list-style-type: none"> • Send joint consultation response to CLG • Commence preparation of HDC 	

	charging schedule	
November 2009	Preparation of HDC charging schedule	
December 2009	Preparation of HDC charging schedule	Cabinet to approve consultation document
January 2010	Draft HDC Schedule to Cabinet	Consultation period to begin
February 2010	Consultation on HDC Schedule to begin	Consultation period to conclude
March 2010	Consultation on HDC Schedule to conclude	HDC Cabinet and O&S to adopt Tariff
April 2010	<ul style="list-style-type: none"> • Parliamentary approval of regulations, CIL powers come into force • HDC Cabinet and O&S to approve Charging Schedule 	Full HDC Council to adopt Tariff
May 2010	Date by which a General Election will be called	
June 2010	<ul style="list-style-type: none"> • HDC to publish Charging Schedule • HDC to publish updated LIF 	
July 2010	Formal Objections to HDC Charging Schedule	
August 2010		
September 2010	Independent examination of HDC charging schedule	
October 2010		
November 2010		
December 2010	Inspectors Report on HDC charging schedule	
January 2011	Full Council adopt HDC charging schedule, CIL collection begins	

Cambridgeshire Horizons will continue to support Local Authority infrastructure planning, in preparation for CIL or a Section 106-based tariff.

8. SUMMARY

8.1 The Community Infrastructure Levy offers an excellent opportunity for Cambridgeshire's Variable Tariff to operate within a stronger legal framework. It would offer all the advantages of a tariff; clarity, predictability, speed, additionality, equity, leverage, accountability and partnership. However it would also be stronger and more legally defensible than a Section 106-based tariff. Section 106 agreements are always subject to negotiation, therefore their use to collect standard charges will be inherently limited.

8.2 The Community Infrastructure Levy is designed to be a predictable charge, levied on all development, which will not (except in exceptional circumstances) be subject to negotiation and will have very limited exceptions. It is also designed to facilitate the collection of funds to address the cumulative and sub-regional infrastructure impacts of development. Under Section 106, proving a sufficiently strong link between a development and an infrastructure project is challenging, with the result that some infrastructure contributions will be foregone.

8.3 As the Community Infrastructure Levy regulations are still in draft, and are subject to consultation and discussion by the House of Commons before becoming law, there is still a chance that they will not be passed. For instance, a general election might cause them to be delayed, changed or even abandoned. Given this uncertainty, the option of a Section 106-based tariff should continue to be kept in play as an alternative.