

TITLE OF REPORT: Gateshead Community Infrastructure Levy (CIL)

REPORT OF: Paul Dowling, Strategic Director, Communities and Environment

Purpose of the Report

1. This report explains the outcome of the Examiner's report on the Gateshead CIL Draft Charging Schedule, the proposed minor modifications to the final Charging Schedule and associated policies and proposes formal adoption of the Charging Schedule and associated policies with a proposed implementation date of 1st January 2017. The Charging Schedule and policies are attached as appendices.
2. To request Cabinet to recommend Council to
 - i. Note the Report on the Examination of the Gateshead and Newcastle Community Infrastructure Levy (CIL) Draft Charging Schedules (August 2016).
 - ii. Adopt the Gateshead Community Infrastructure Levy Charging Schedule to take effect on 1st January 2017 to help secure a source of funding for infrastructure provision which will enable the growth of Gateshead in accordance with the Planning for the Future Core Strategy and Urban Core Plan for Gateshead and Newcastle (2015) and the Infrastructure Delivery Plan.
 - iii. Agree the CIL Instalments Policy.
 - iv. Note the attached Regulation 123 Infrastructure List which CIL monies will help to fund.

Background

3. Cabinet agreed at its meeting in March 2015 [Minute C184] that the Council would undertake the necessary processes to become a CIL charging authority. Consultation commenced on a Preliminary Draft Charging Schedule in between April and June 2015. Authority was delegated to the Strategic Director, Communities and Environment, and the Strategic Director, Corporate Services and Governance following consultation with the Cabinet Members for Environment and Transport and Economy, to progress the CIL through to submission and independent examination.
4. The CIL is a non-negotiable charge based on floor area of new buildings within the development and a rate per square metre (m²) as set out in the Charging Schedule. In Gateshead there are a range of rates for different types of development in different zones. It is charged on most buildings/extensions over 100m² and dwellings of any size based on a net increase in floorspace. It will not be charged on social housing, charities, self-build or householder extensions. CIL

becomes liable on the grant of planning permission but payment is not due until development commences on site.

5. The Council submitted the CIL Draft Charging Schedule to the Planning Inspectorate in February 2016, following extensive consultation on:
 - Preliminary Draft Charging Schedule (2012 & 2015)
 - Viability Assumptions (2013)
 - Draft Charging Schedule (2015)
6. A joint examination took place between 21-22 April 2016, in respect of separate charging schedules for Newcastle City Council and Gateshead Council and the Examiner's report, attached as Appendix 2 was published on 17 August 2016, concluding that:

“Gateshead and Newcastle Councils have worked constructively together in the production of Charging Schedules for their respective areas, building on the work undertaken on the recently adopted Core Strategy. Both Councils have a positive growth agenda, and in setting the CIL rates have had regard to detailed evidence.... The proposed rates will not put the development of the area at risk, but will help to fund new infrastructure required to support growth. Overall, I conclude that, subject to the modifications, an appropriate balance will be achieved between the desirability of funding infrastructure whilst ensuring that a range of development remains viable across the charging areas.”
7. The Inspector's recommended modifications needed for the Charging Schedule to meet the statutory requirements comprised minor modifications to improve clarity and have been incorporated into the final Charging Schedule and related maps which are attached at Appendix 3.
8. The proposed infrastructure to be funded through CIL, as required to support the growth in the Core Strategy and Urban Core Plan and associated Infrastructure Delivery Plan, is set out in the Regulation 123 Infrastructure List attached at Appendix 5. The broad categories of development which will benefit from CIL are strategic transport infrastructure, primary schools, strategic green infrastructure and at Metrogreen, water and flood alleviation and mitigation, and green infrastructure. The investment in infrastructure will be delivered as part of the Council's Capital Programme.
9. Legislation restricts the use of planning obligations for the CIL funded infrastructure, and the Council is therefore in the process of reviewing and republishing a CIL compliant Planning Obligations Supplementary Planning Document (SPD). Planning obligations (secured by s.106 agreements) will still be required to address site specific issues such as the need for affordable housing, local infrastructure enhancements or site specific issues relating to mitigating the impact of a development. However, regulations restrict the pooling of planning obligations to a maximum of five in respect of any infrastructure project or type of infrastructure.

10. In addition, it is proposed that the Council allow persons liable to pay CIL to do so by instalments and the proposed Instalments Policy is attached at Appendix 4.

The Proposal

11. To ensure that the necessary infrastructure is in place to support and mitigate economic and housing growth within the Borough it is proposed that Cabinet notes the Examiners report on the CIL, including the modifications as incorporated into the charging schedule and maps, and recommends that Council adopts the Charging Schedule and maps to take effect on 1 January 2017. Cabinet is further requested to approve the content of the Regulation 123 List and the Instalments Policy.

Recommendations

12. It is requested that Cabinet recommends that Council:

- I. Notes the Report on the Examination of the Gateshead and Newcastle Community Infrastructure Levy (CIL) Draft Charging Schedules (August 2016).
- II. Approves the content of the CIL Charging Schedule.
- III. Formally adopts the CIL Charging Schedule and approves that it shall take effect from 1st January 2017.

13. It is further recommended that Cabinet:

- IV. Approves the Gateshead CIL Instalments Policy and Regulation 123 Infrastructure List.
- V. Agrees that as required following monitoring, revisions to any of the matters listed in (iv) above going forward can be approved by the Strategic Director, Communities and Environment under delegated authority.
- VI. Agrees that the Service Director, Transport, Development and Public Protection is the officer responsible for CIL implementation.

14. For the following reasons:

- (i) To ensure that sufficient infrastructure is provided at both a local and strategic level to facilitate and accommodate the growth proposed in the Plan.
- (ii) To ensure that Gateshead's CIL is adopted and implemented in accordance with statutory requirements.
- (iii) To facilitate persons liable to pay CIL to make payments by instalments.

Policy Context

1. The timely provision of supporting infrastructure is essential to achieve Gateshead's ambition of delivering sustainable economic and population growth, and to support health and wellbeing, as set out in Vision2030 and the Planning for Future Core Strategy and Urban Core Plan for Gateshead and Newcastle (2015).
2. The CIL was introduced by the Planning Act 2008 and is a charge that Local Authorities in England and Wales can choose to levy on new developments in their area, taking into account viability. The money raised can be used to fund infrastructure that the council, local community and neighbourhoods need. It is the Government's preferred mechanism for collecting contributions from developers to pay for offsite infrastructure needs brought about by their developments.
3. In setting CIL rates the Council needs to ensure an 'appropriate balance' is struck between the desirability/necessity to fund new infrastructure and the need to ensure development remains economically viable. The Council has been working with Newcastle City Council in the development of separate CIL Charging Schedules (the document that sets out the rates), but sharing methodology, approach and appraisal work.
4. CIL takes the form of a charge per m² of additional floorspace of development and is applied to:
 - a. new developments of more than 100m².
 - b. new development of less than 100m² that results in the creation of a new dwelling.
 - c. the conversion of a building that is not in lawful use which results in new dwellings.

Main Issues

5. The CIL Examination report states that the Examiner considers the Council has sufficient evidence to support the CIL Charging Schedule and can show that the levy is set at a level that will not put the overall development of the Borough at risk. The Examiner recommends that the Charging Schedule should be approved in its published form subject to some minor modifications to improve clarity. The Examiner is satisfied that the Council has a positive growth agenda, and in setting the CIL rates has had regard to detailed evidence on infrastructure planning and the economic viability of the development market.
6. The proposed rates will not put the development of the Borough at risk, but will help to fund new infrastructure required to support growth, concluding that, subject to the modifications, an appropriate balance will be achieved between the desirability of funding infrastructure whilst ensuring that a range of development remains viable across the Borough. The Council's Instalments Policy for paying CIL is an additional means by which development proposals can come forward viably.

Final Charging Schedule

7. The Inspector's recommended modifications needed for the Charging Schedule to meet the statutory requirements comprised minor modifications to improve clarity. These have been incorporated into the final Charging Schedule and related maps for adoption which are attached at Appendix 3 (N.B. with additional front cover to be added), and are:
 - a. Insert reference to a Zone C on the residential zones map to clarify the locations in Gateshead where no charges are liable.
 - b. For chargeable retail development include the reference "net floorspace" to clarify how the threshold floorspace size is measured.
 - c. Revision to the residential Zone B boundary to exclude land at Whinfield (due to it being in a mid-value area and not a high value area).
 - d. The addition of clear OS Grid Lines on the charging zone maps.

Regulation 123 List

8. Currently the Council requires many developments to pay contributions towards greenspace, education, open space and play via planning obligations which are pooled to deliver infrastructure. Following the implementation of CIL and infrastructure identified in the Regulation 123 List will no longer be collected via s.106 planning obligations. Therefore the Regulation 123 List sets out those projects and infrastructure types that it intends will be, or may be, wholly or partly funded through CIL.
9. CIL payments will be collected and pooled into a central fund and the Council will publish an annual report setting out how this fund has been utilised. Infrastructure that is required but is not specified on the list will be sought via a planning obligation under S106 of the Town and Country Planning Act 1990 (as amended) or another source of funding may be pursued to deliver the relevant infrastructure item.
10. The Regulation 123 Infrastructure List is attached as Appendix 5.

Instalments Policy

11. In accordance with CIL Regulations, the Council, in line with the approach of many other charging authorities, can set out a policy to allow CIL to be paid by instalments, which helps viability, especially for larger developments. The proposed Instalments Policy was submitted as a supporting document at the examination, and is attached at Appendix 4.

Spending and Apportionment

12. Decisions on spending and priorities are not the subject of this report. There are various options available to the Council in deciding such matters which will be the subject of further discussions with stakeholders. The investment in infrastructure will be delivered as part of the Council's Capital Programme. However, in relation to a Parish Council the CIL Regulations require that 15% of CIL receipts for chargeable development within the parish boundary are passed on to the parish

council (capped at £100 per existing council tax dwelling in each financial year). This will therefore apply to Lamesley Parish.

13. The CIL Regulations require local authorities to comply with statutory procedures prior to adoption of the CIL Charging Schedules. At the time the Council adopts a charging schedule the date it will take effect must also be specified so that developers and applicants seeking planning permission are clear when charges will commence.
14. CIL will apply to certain types of development within the charging zones identified on the maps attached at Appendix 3, and when it comes into effect any planning permission granted in respect of chargeable development will attract the levy.

Alternative Options

15. Although adoption of CIL is not a mandatory requirement, authorities without a charging schedule from April 2015 are severely restricted in pooling planning obligation contributions towards new infrastructure. Therefore, there are limited genuine alternative options to adopting the CIL charging schedule. The charging zones and rates set out have been informed by government guidance, evidence (including on viability) and extensive consultation, and further to the examination has been concluded to be appropriate and balanced.

Implications of the recommended option

16. Resources:

- a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that any costs of CIL implementation will be met from existing budgets. The adoption of the CIL Charging Schedule will provide a capital income stream to contribute towards the delivery of infrastructure to support growth in Gateshead as part of the Council's Capital Programme. CIL Regulations allow the Council to use up to 5% of funds from CIL to recover the costs of its administration.

The proposed arrangements will allow developers to pay CIL in instalments to reduce the potential impact upon scheme viability. This may mean that it could take up to two years following the commencement of the relevant phase of development activity to receive the final instalment as set out within the proposed CIL Instalment Policy.

- b) **Human Resources Implications** – There are no human resource implications arising from this report.
- c) **Property Implications** - There are no direct property implications arising from this report. However the implementation of the CIL Charging Regime may have an impact on a limited number of Council owned sites when brought to the market for sale. The direct implications of which will be highlighted in the Cabinet report relating to that disposal.

- 17. Risk Management Implication** – Since 6 April 2015, the Council has been restricted in the types of infrastructure monies it can collect via s.106 planning obligations. Adopting CIL in Gateshead will provide an opportunity to receive monies in respect of infrastructure which would otherwise not be available. This will maximize the Council's ability to support growth across the borough without placing a strain on existing infrastructure, whilst the Instalments Policy will facilitate the payment of CIL and therefore site development.
- 18. Equality and Diversity Implications** – There are no equality and diversity implications arising from this report.
- 19. Crime and Disorder Implications** – There are no crime and disorder implications arising from this report.
- 20. Health Implications** – There are no health implications arising from the report
- 21. Sustainability Implications** – The provision of strategic infrastructure is essential in ensuring that development and growth in Gateshead, as set out in the Plan, is sustainable, and the adoption of CIL will contribute to this goal.
- 22. Human Rights Implications** - There are no human rights implications arising from this report.
- 23. Area and Ward Implications - All**

Appendix

Appendix 2: Report on the Examination of the Gateshead and Newcastle Community Infrastructure Levy (CIL) Draft Charging Schedules (August 2016)

Appendix 3: Gateshead Charging Schedule and Maps (November 2016)

Appendix 4: Gateshead Instalments Policy (November 2016)

Appendix 5: Regulation 123 - List of Recipient Infrastructure (November 2016)

Background papers

CIL Background Paper (February 2016)

<http://www.gateshead.gov.uk/DocumentLibrary/Building/PlanningPolicy/CIL/Evidence/P01-CIL-BKD-PAPER-Feb-2016.pdf>

National Planning Practice Guidance (Beta, DCLG)

<http://planningguidance.communities.gov.uk/blog/guidance/community-infrastructure-levy/>