
Cabinet Member for Housing and Communities

09 July 2021

Name of Cabinet Member:

Cabinet Member for Housing and Communities – Councillor D Welsh

Director Approving Submission of the report:

Director of Streetscene and Regulatory Services

Ward(s) affected:

All

Title:

Community Infrastructure Levy (CIL)

Is this a key decision?

No.

Although the matters within the report affect all wards in the city, it is not anticipated that the impact will be significant

Executive Summary:

This report reviews the findings of the Community Infrastructure Levy (CIL) Viability Reports and concludes that there is insufficient viability to take forward a CIL Scheme in Coventry, and proposes that no further work be undertaken on bringing forward a Scheme at this time.

Recommendations:

The Cabinet Member is requested to:

1. Note the work of the CIL Working Group and the findings of the CIL Viability Reports
2. Conclude the work on investigating implementing CIL in Coventry as there is insufficient scope to introduce a changing scheme.

List of Appendices included:

None

Background papers:

CIL Viability Report 2017
CIL Viability Report Addendum 2019

Both Viability Reports can be found here:

https://www.coventry.gov.uk/downloads/download/6842/cil_viability_reports

Other useful documents:

None.

Has it been or will it be considered by Scrutiny?

No.

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No.

Will this report go to Council?

No.

Report title: Community Infrastructure Levy (CIL)

1. Context (or background)

What is CIL?

- 1.1 CIL is a charge that can be made on development in addition to Section 106 developer contributions. All development is potentially liable, with some limited exemptions, and the levy is calculated on a m2 basis, meaning all applicable developments contribute. Once collected the Levy can be spent on infrastructure projects anywhere in the city, and a portion is given to a Parish Council if the development falls within their boundary.
- 1.2 In order to establish a Levy, Councils must first be able to demonstrate that there is sufficient value in development to the extent that the addition of a levy on top of all other costs would not render typical schemes unviable. Should the evidence demonstrate this, then a draft Charging Schedule can be publicly consulted upon, changes made and eventually culminating in an independent Examination in Public.
- 1.3 When considering the implementation of CIL, Councils must also consider the consequences of the introduction of a new charge. Developments previously allocated or expected may not come forward as they are now less attractive to developers, and development patterns may change to avoid higher cost areas.
- 1.4 Once adopted CIL is a non-negotiable Levy that is paid upon commencement of an development, with prescribed phasing for larger payments. This inflexibility means that there is greater certainty of how much Levy each application will contribute. However, it also means that should a scheme be experiencing viability issues then any appropriate renegotiation will focus on Section 106 provisions, such as education, highways or affordable housing contributions.

CIL Evidence Base

- 1.5 As part of the 2017 Local Development Scheme, Coventry City Council committed to investigating the introduction of a Community Infrastructure Levy. A Members Working Group was established to guide the work of officers and, following a tendering process, Dixon Searle Partnership (DSP) were commissioned to produce a viability report which was delivered to the Council in 2017.
- 1.6 The 2017 Viability Report modelled viability in a range of scenarios, looking at costs and value in a variety of locations and with differing development typologies. The Report concluded that there was a viability difference between wards in the West and South compared to the North and East, and that development in the West and South had a greater scope for a Levy being applied. Based on the evidence gathered in 2017 a draft Charging Schedule was proposed.
- 1.7 The Report also concluded that the two Sustainable Urban Extensions (SUEs) brought forward by the Local Plan were unable to provide a Levy due to the on-site infrastructure burden required to bring forward the sites. They were therefore excluded from the draft Charging Schedule. It should be noted that this it is quite common for SUEs to be excluded from Charging Schedules for this reason.
- 1.8 However, changes to the National Planning Policy Framework regarding the provision of Affordable Housing, as well as further work on the average values of Section 106

requests, necessitated an Addendum to the Viability Report to be commissioned from DSP. This was delivered to the Council in 2019. The Addendum reviewed the viability of residential development only and did not consider any other types of development that had been identified in the original report.

- 1.9 The 2019 Addendum found that changes since the 2017 Viability Report had rendered residential schemes less viable and that, where the median level of Section 106 was applied, there was now only one development type in the West/South that had sufficient scope for a Levy to be applied, and none in the East/North area. When modelled with the highest level of Section 106 being applied, this remaining typology was also rendered unviable for a Levy.
- 1.10 The 2017 Viability Report also considered other development types and concluded that there was sufficient value in large format retail and Purpose Built Student Accommodation (PBSA) for a charge to be applied to them in a draft Schedule. Given the current retail climate officers no longer consider it prudent to apply a Levy to retail developments based on 2017 evidence.
- 1.11 PBSA development has continued at pace in the city centre, and current Covid-related occupation issues aside, the developments remain attractive to developers and occupiers alike. The 2019 Addendum did not reconsider the viability of such developments as the principle changes to the NPPF related to Affordable Housing, which PBSAs are not obliged to provide under government guidelines.
- 1.12 Whilst we may assume that there remains some residual viability in PBSA developments, probably reduced from 2017 levels due to increasing build costs, we must also consider the possible consequences of such a charge. Every student residing in purpose built accommodation is one less student in a House in Multiple Occupancy (HMO), thereby easing the pressure on the conversion of existing housing stock to HMOs or even allowing for the conversion of HMOs back to family housing. By adding a levy to PBSA we would increase the likelihood of such development not coming forward, and those wider benefits not being felt by residents across the city.

Conclusion

- 1.13 Based on the evidence it is not considered practicable to pursue the introduction of a Levy on residential development in the City due to the lack of sufficient viability to bring forward a comprehensive regime. This has been rendered even more critical given the current pandemic and material shortages, which have slowed development across the country.
- 1.14 Where value has been identified in the 2017 Viability Report for other development types, only Purpose Built Student Accommodation remains a potentially viable opportunity. However, as outlined in paragraphs above, officers do not believe the potential benefits outweigh the potential risks.
- 1.15 It is therefore concluded that the evidence shows that there is insufficient scope to bring forward a draft Charging Schedule and that the investigation into CIL should draw to a close.
- 1.16 Finally, it should be noted that it is the governments current intention to abolish CIL, and Section 106, and replace them with a new mechanism, as yet undefined. This intention was outlined in the "Planning for the Future" White Paper consulted upon at the end of 2020 and was confirmed as part of a Planning Bill in the Queen's Speech that opened Parliament in May 2021.

2. Options considered and recommended proposal

- 2.1 The Council could choose to continue with the charging schedule outlined in the Addendum, the next stage of which would be public consultation. However, given the residential levy recommendation in the most recent Addendum is limited to a single size and broad location of development it is not considered that sufficient value can be raised from a Levy. Furthermore, it is likely to fetter that specific form of development as developers avoid bringing those sites forward in preference to more profitable locations.
- 2.2 The Council could seek to update the Viability Report to assess whether there have been viability changes since the assessment took place. This is not recommended as we know that the current economic climate has driven up the cost of development sufficient for us to have no expectation of greater viability in residential development schemes.
- 2.3 It is therefore recommended to note the work undertaken and conclude that the introduction of CIL charging schedule is not appropriate for Coventry.

3 Results of consultation undertaken

- 3.1 No consultation has been undertaken as part of this report.

4 Timetable for implementing this decision

- 4.1 There is no timetable for implementing this decision as no further actions are recommended.

5 Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial implications

There are no financial implications associated with this report.

5.2 Legal implications

There are no legal implications associated with this report.

6 Other implications

6.1 How will this contribute to achievement of the Council's Plan?

This report itself does not respond to any of the council key priorities or objectives within the One Coventry Corporate Plan.

6.2 How is risk being managed?

There are no risks associated with this report

6.3 What is the impact on the organisation?

No direct impact.

6.4 Equalities / EIA

A full Equality and Impact Assessment (ECA) was undertaken as part of developing the Local Plan. As part of that analysis, the Council had due regard to its public sector equality duty under section 149 of the Equality Act (2010).

6.5 Implications for (or impact on) climate change and the environment

There are no implications identified.

6.6 Implications for partner organisations?

There are no implications identified.

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This report is published on the council's website:

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