

Community Infrastructure Levy

Draft Charging Schedule

Summary of Evidence



July 2017



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Section 1: Introduction

1.1: Government legislation and guidance on CIL states that local authorities wishing to adopt and subsequently implement a CIL charge anywhere in their area should be able to justify a need to levy a CIL charge and to demonstrate that the CIL charge is informed by viability evidence.

1.2: This supporting evidence note provides background to Poole's CIL Draft Charging Schedule to show that the requirements of the CIL Regulations and statutory guidance have been met.

About Poole's CIL:

1.3: The Community Infrastructure Levy (CIL) Regulations first came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to pay for infrastructure such as education, health and community facilities that is needed as a result of development.

1.4: In April 2014, CIL replaced Section 106 agreements as the principal means by which developer contributions towards providing the necessary infrastructure to support new development is collected, though affordable housing is still secured through S106 obligations.

1.5: Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their area, which are to be expressed as pounds sterling per square metres ('£ per sqm'). The draft charging schedule should be presented for public consultation at least twice (including consultation on the preliminary draft) before being approved by an independent examiner and finally adopted by the Council. The Borough of Poole completed its first stage of consultation in preparing Poole's CIL – Poole's Preliminary Charging Schedule in 2015.

1.6: Once CIL is adopted and implemented, it becomes a statutory land charge and therefore is non-negotiable unless exempt through the CIL regulations from paying CIL or exceptional circumstances being made available.

1.7: Poole adopted its first CIL Charge in 2013, which placed a CIL charge on new residential development across the borough. The current rates for development in the Borough of Poole are:

Table 1: Poole CIL Charge 2013

Development Type	CIL Rate
Residential dwellings - Zone A	£150 per sqm
Residential dwellings – Zone B	£100 per sqm
Residential dwellings – Zone C	£75 per sqm
All other development	£0

1.8: In conjunction with updating the Council's Local Plan, it was decided to review Poole's CIL Charging Schedule. Once the updated CIL Charge is adopted, the Council will publish the new Charge on the Council's website alongside a revised Regulation 123 List.

1.9: Monies collected from CIL have been spent on strategic infrastructure requirements, including funding the Twin Sails Bridge, which will enable the development of key regeneration sites in Poole in the future.

Benefits of continuing with CIL:

1.10: The Council intends to update its CIL charge for Poole for the following key reasons:

- CIL will help fund the infrastructure needed in Poole to support development over the lifetime of Poole's emerging Local Plan (2017 – 2033);
- Almost all development has some impact on infrastructure, services and amenities from them – CIL requires a contribution towards the additional infrastructure needed; and
- CIL is a fixed and transparent charge which means developers have certainty regarding what they have to contribute through the development process.

Section 2: What has happened so far ?

2.1: Between 16 February and 31 March 2015, Poole consulted on its CIL Preliminary Draft Charging Schedule. This is the first consultation local authorities have to undertake before moving forward with consulting upon Poole's Draft Charging Schedule.

2.2: Over this 7-week consultation period, the Council received representations from community groups, business groups, developers and consultancies, statutory bodies and local residents. As a response to our first CIL consultation – the CIL Preliminary Draft Charging Schedule, the Council produced a Statement of consultation. Please use the following link to access this document: <http://www.poole.gov.uk/planning-and-buildings/planning/ldp/cil/>

2.3: The draft Preliminary Charging Schedule – Consultation Statement, provides a summary of representations received during the consultation, the Council's responses to these representations and actions taken that by the Council towards setting an updated CIL Charging Schedule for Poole.

2.4: Following the comments concerning the potential impact of the proposed updated CIL charge on development in the borough received during the CIL Preliminary Draft Charging Schedule consultation, the Council decided to undertake further viability evidence to ensure:

- That the Council's CIL charge and associated evidence takes the latest government guidance into account and current market conditions (impacts of Brexit and changes to stamp duty for the purchase of second homes),
- That the Council's proposed CIL charge will not have a significant impact on the viability of the overall majority development expected to come forward in Poole's emerging Local Plan, and,
- That the Council's proposed CIL rates are appropriately pitched.

2.5: The Council's current intention is to review CIL every five years to examine whether or not the CIL charge needs to be revised. Poole's current CIL was adopted in 2013, and it will be updated in 2018. The next review is likely to be in 2023. The Council is committed to ensure that the use of the CIL fund is open and transparent. Monitoring on Poole's CIL income and expenditure is set out in the CIL Monitoring Reports, which are published annually.

2.6: As detailed in the CIL regulations and guidance, relief from CIL in Poole is in line with those that are statutorily excluded from CIL. The Council also offers exceptional circumstances relief.

2.7: Poole's proposed updated CIL is a modest amount. Once Poole's updated CIL is implemented, should monitoring information show that by Poole levying the update CIL Charge is having a significant adverse impact on the sites coming forward for development in the borough, the Council would review the CIL Charge earlier than planned.

Section 3: Evidence

3.1: In order for a local authority to impose a CIL Charge in '£ per sqm' on CIL liable development, the authority has to justify the need to levy a CIL charge and clearly show that the CIL charge will not significantly impact on the delivery of the overall development in the emerging Local Plan.

Evidence from Poole's emerging Local Plan:

3.2: Poole's Local Plan consists of the Core Strategy (2009), the Site Specific Allocations and Development Management Policies (2012), Delivering Poole's Infrastructure (2012), Proposals Map (2012), Minerals Strategy (2014), Bournemouth, Dorset & Poole Waste Plan (2006), 'saved' policies of the Dorset Minerals and Waste Plan (1999) and 'saved' policies of the Poole Local Plan First Alteration (2004).

3.3: The Council is currently reviewing the Local Plan. It is intended for the pre-submission of the draft Local Plan to be published in the summer of 2017, with the view to it being submitted to the Secretary of State in Summer 2017. Currently, it is expected for the Examination in Public (EiP) to take place in Autumn/ Winter 2017 with adoption likely to occur in Spring 2018.

Evidence on Poole's Infrastructure needs:

3.4: Preparation of Poole's Draft Charging Schedule has been undertaken in the context of the planning policies and proposed levels of growth and development set out in the emerging Local Plan, including policies on:

- **Policy PP1:** Presumption in favour of sustainable development
- **Policy PP2:** Amount and broad location of development
- **Policy PP3:** Poole town centre strategy
- **Policy PP4:** Town Centre North Regeneration Area
- **Policy PP5:** Twin Sails Regeneration area
- **Policy PP6:** Higher Street, Quay and Old Town
- **Policy PP7:** Facilitating a step change in Housing Delivery
- **Policy PP8:** Type and mix of housing
- **Policy PP9:** Urban allocations outside of the town centre
- **Policy PP10:** Strategic Urban Extensions
- **Policy PP11:** Affordable Housing
- **Policy PP12:** Housing for an ageing population
- **Policy PP13:** Housing for multi-generational and extended families
- **Policy PP14:** Talbot Village houses in multiple occupation
- **Policy PP15:** Meeting the needs of gypsy and travellers
- **Policy PP16:** Employment areas
- **Policy PP17:** Employment site allocations
- **Policy PP18:** Magna business park
- **Policy PP19:** Poole Port
- **Policy PP20:** Investment in Education

- **Policy PP21:** Retail and main town centre uses
- **Policy PP22:** Tourism and the evening/ night time economy
- **Policy PP23:** Green infrastructure
- **Policy PP24:** Open space and allotments
- **Policy PP25:** Sports, recreation and community facilities
- **Policy PP26:** Design
- **Policy PP27:** Flats and plot severance
- **Policy PP28:** Tall buildings
- **Policy PP29:** Heritage
- **Policy PP30:** Poole's coast and countryside
- **Policy PP31:** Poole's nationally and internationally protected sites
- **Policy PP32:** Biodiversity and Geodiversity
- **Policy PP33:** Transport strategy
- **Policy PP34:** A safe, connected and accessible transport network
- **Policy PP35:** Safeguarding strategic transport schemes
- **Policy PP36:** Building sustainable homes and businesses
- **Policy PP37:** Managing Flood risk
- **Policy PP38:** Delivering Poole's infrastructure
- **Policy PP39:** Viability

3.5: Poole's emerging Local Plan plans to accommodate 14,200 dwellings in the borough. The strategy also proposed to stimulate Poole's economic development and growth.

3.6: In preparing Poole's emerging Local Plan, the need for different infrastructure in Poole was assessed to ensure that infrastructure could keep pace with development and predicted population change over the next 15 years. It considered the boroughs:

- Current and future needs including utilities infrastructure, transport, health, education, leisure, community facilities and emergency facilities;
- Current and known future sources of funding; and
- Estimate costs of infrastructure provision.

3.7: These assessments helped to inform the infrastructure needs identified in Poole's Infrastructure Plan (PiP). The PiP sets out the key infrastructure projects, costs and potential funding sources. The PiP shows that there is gap currently of circa £90 million to fund infrastructure required in Poole. This funding gap is likely to increase once all infrastructure requirements set out in the PiP are costed. The PiP therefore demonstrates that Poole is justified with continuing to charge CIL given evidence of local infrastructure need and the significant gap in expectant funding over the lifetime of Poole's Local Plan (2017-2033).

Evidence on strategic viability in Poole:

3.8: For Poole's draft Preliminary Charging Schedule, the proposed CIL rates were informed by a preliminary viability assessment completed in December 2014. In May 2017, the Council completed further viability work to ensure that Poole's emerging CIL charge was appropriately pitched. These are show in Table 2 below.

Table 2: June 2017 Viability Study Recommended CIL Rates

Use	Charge	Areas
Residential	£70	Poole town centre
	£115	Central Poole
	£250	North Poole
	£300	Lilliput, Branksome Park, Canford Cliffs and Sandbanks
Retail Out-of-centre, Superstores and Retail Warehouses	£200	Only outside of Poole town centre, District Centres, Local Centres and neighbourhood parades located throughout the borough of Poole.
Older Person Housing	£300	Lilliput, Branksome Park, Canford Cliffs and Sandbanks

3.9: The CIL Charging Zones set out in Poole’s viability evidence are based on postcodes.

3.10: Viability testing is not an exact science and any slight change to methodology or viability assessments can have a significant impact on the final results. The proposed Preliminary Draft Charging Schedule that was consulted upon is as follows:

Table 3: Preliminary Draft Charging Schedule February 2015

Development Type	Area	CIL rate per sqm
New Residential Dwellings (C3 Use Class)	Sandbanks	£1,300
	Lilliput/Branksome Park	£370
	Poole Town Centre	£60
	Brownfield Strategic Sites (excluding Former Power Station Site)	£30
	Former Power Station Site	£0
	North Poole	£180
	Greenfield Strategic Site	£200
	Rest of Borough	£20
Retirement/ Assisted Living	Borough wide	£120
Student Accommodation	Borough wide	£50
Hotels	Borough wide	£85
Retail	Borough wide (excluding Town Centre)	£250
All other development	Borough wide	£0

3.11: The differences between the recommendations proposed by Poole’s CIL Preliminary Viability Study (December 2014) and Draft CIL viability (June 2017) can be explained by some differences in the:

- **Residential Sales values:** Both new build residential sales values as well as re-sale values were taken into consideration in both studies. However, more new build properties had been completed just prior to the June 2017 study, giving the opportunity to use these sales values to inform the study.
- **More typologies tested:** For the June 2017, it was informed by the range of proposed allocated sites put forward in the emerging Local Plan. Thus the typologies of schemes were able to increase from 15 units up to 450 units schemes across Poole.

3.12: As stated the June 2017 Viability Study, it is expected that Poole's proposed CIL will be a modest amount, typically account for circa 2% to 5% of the Gross Development Value (GDV). Poole's CIL is unlikely to exceed 5% of overall Gross Development value and other variables (such as sales values, developer's profit, build costs, land purchase and finance) will prove more significant in determining the viability of the scheme.

Section 4: Poole's Draft Charging Schedule

4.1: Government's CIL regulations and guidance allows local authorities to apply a different CIL rate by geographic zone, types of development or scale of development, where this is justified on viability grounds.

4.2: Once the CIL Charge is adopted, it is a mandatory land charge. The CIL regulations and guidance makes clear that a CIL charge must be informed by and consistent with viability evidence. However, it is up to local authorities to strike a balance between how much money is required from CIL funding to provide infrastructure as a result of development and how much development forecast from Poole's emerging Local Plan would be put at risk from the imposition of the CIL Charge.

Deciding upon a CIL charge for Poole:

4.3: Government guidance, and good practice examples, gives rise to a number of recommendations for all authorities setting (or even updating) a CIL charge:

- *Keep the CIL Charge simple and straightforward:* CIL charges that have a number of variables according to geographic areas and land use may become too complicated for an applicant to understand and too onerous for the authority to implement successfully; particularly for proposal that straddle different zones and will have a number of different uses.
- *The charge must be based on viability, not desire to promote or restrict development:* This does not mean that a local authority must follow the absolute recommendations of what is viable. For example, a number of local authorities are proposing a single charge for residential development across their whole authority area, to keep their charge simple, even though it might be viable to levy different charges as residential sales values and associated costs vary across the borough.
- *Not all development has to be viable:* The CIL Charge must not have a significant impact on the viability of most development expected to come forward in Poole's Local Plan, therefore it is advised that the charge is not set at the highest level of what might be viable. Although the CIL charge may be set so that small areas of the borough where little development is expected to happen may be closer to the margins of viability.
- *Expect to replace the CIL charge every five years:* Like most economic and financial forecasts, studies into development viability are at their most accurate in the short to medium term. Changes in development costs, profits, legal fees, lending interest rates, land values and other variable will occur over time. Councils are advised to review their charging schedule at least every five years, and consider creating a new schedule if viability has changed significantly during this time.

4.4: Poole's proposed CIL charges are not set to the margins of viability for new development. The Council's CIL charges set out in Table 4 are informed by the

consultant's recommended CIL charges which are at least circa 30% below the viability ceiling. Of importance, to ensure that the CIL proportion representation of GDV for residential uses is around 5%, the Council has reduced the proposed CIL charge further.

Table 4: June 2017 Recommended CIL Rates

Use	Zones	Charges	Areas
Residential	A	£200	North Poole, Lilliput, Branksome Park, Canford Cliffs and Sandbanks
	B(i)	£60	Poole town centre – excluding Twin Sails Regeneration Area
	B (ii)	£0	Poole town centre – Twin Sails Regeneration Area
	£100	C	Central Poole
Retirement / Assisted Living housing	£100	A	North Poole, Lilliput, Branksome Park, Canford Cliffs and Sandbanks
Retail Out-of-centre, Superstores and Retail Warehouses	£200		Only outside of Poole town centre, District Centres, Local Centres and neighbourhood parades, as set out in the Local Plan Policies Map (2017).
All other development	£0		

Residential charges:

4.5: The Council decided in 2013 upon three different charging zones for C3 Residential Uses so that Poole's CIL charge will be simple, straightforward and informed by and consistent with the viability evidence.

4.6: The updated viability evidence shows that viability in the town centre area remains a challenge for development. This is particularly acute for those sites that have to provide strategic flood defences. The viability evidence has tested the impact of strategic flood defences in detail and it demonstrates that those sites that are required to provide this on site are unable to support a CIL rate. The Preliminary Draft CIL Charging Schedule also identified that viability on such sites was constrained due to strategic flood defences and recommended zero rating the Former Poole Power Station and setting a rate of £30 per square metre for the other strategic brownfield sites.

4.7: The latest evidence reaffirms the position on the former Poole Power Station, as well as highlighting that CIL is now also very marginal on those other brownfield sites that will be required to provide on-site strategic flood defences.

4.8: In practice it is the Twin Sails Regeneration Area sites that are required to provide on-site strategic flood defences across the town centre. It is therefore

proposed, based on the updated viability evidence, that the Twin Sails Regeneration Area is zero rated for the purposes of CIL in the Draft Charging Schedule. These sites as they come forward will instead be required to mitigate impact and deliver necessary infrastructure through the use of Section 106 planning obligations. The Twin Sails Regeneration Area boundary (covered by current Policy PCS11) is shown on the Council's Proposals Map and Draft CIL Charging Schedule Residential Zones Map.

4.9: For the rest of the town centre, the viability evidence demonstrates that those sites that do not have to provide strategic flood defences could support a maximum rate of £70 per square metre as well as 10% affordable housing. Given the importance of providing affordable housing the Draft CIL Charging Schedule proposes to set the general town centre charge at £60 per square metre as part of the wider strategy to help boost delivery of affordable housing.

4.10: The June 2017 viability study proposed charges for the Lilliput, Branksome Park area, Canford Cliffs and Sandbanks Area of £300 per sqm. The June 2017 study's Lilliput, Branksome Park, Canford Cliffs and Sandbanks Area charging zone is not expected to deliver a significant proportion of Poole's new residential development over the next 15 years. However, the emerging Local Plan will still expect development in these areas to deliver 40% affordable housing. To assist the delivery of affordable housing in these areas it has been combined with the North Poole area so there is a single higher charge in operation across the borough. This approach will see CIL set below the identified ceiling and not adversely affect the viability of prospective schemes or the delivery of Poole's emerging Local Plan at risk. Setting the charge at £200 per square metre also ensures that the CIL rates does not exceed 5% of GDV in the proposed areas in accordance with best practice when setting CIL rates.

4.11: The estimated net need for older person specialist accommodation between 2015 and 2033, is 3,425 new homes, which includes sheltered housing, enhanced sheltered housing and extra care housing. The evidence demonstrates that North Poole and the Lilliput, Branksome Park, Canford Cliffs and Sandbanks areas could support the proposed rate of £100 per sqm.

4.12: Poole's viability studies used postcodes as the starting point to identify and map the different viability zones for new residential development. It is also worth highlighting, that the proposed CIL Charge as set out in Table 4 that was recommended by the June 2017 Viability Study, was informed based on Poole's adopted and emerging Local Plan policies including affordable housing. Policy PP11 of the emerging Local Plan June 2017 seeks affordable housing on sites yielding 11 or more homes or over 1,000 sqm as follows:

- A minimum of 10% affordable housing in Poole Town Centre, and
- A minimum of 40% in the rest of Poole.

4.13: To make Poole's CIL update easy to understand and implement, the Council has made minor adjustments to the boundaries between the three existing CIL residential charging zones for residential development so that the boundaries are

separated by landscape features such as roads, railways and parks. Please see Appendix 2 of the committee report to view this map.

4.14: This will keep CIL simple for applicants and the Council to apply as it will.

- Minimise the possibility of sites straddling different CIL residential charging zones, and,
- Minimise potential disputes with the local authority as to why some residential units in the same street are charged different CIL rates.

4.15: In separating the proposed CIL Charging Zones for residential development by road, railway or other landscape features, the Council has always erred on the side of caution and moved sites from the edge of the higher CIL charge to the lower CIL charge to ensure that CIL is viable.

Retail Charges:

4.16: The consultants June 2017 viability study suggests that £200 per sqm could be charged for new retail uses (all uses within the A1 Use Class and retail warehouses) out-of-centre.

4.17: An analysis of historic planning permissions shows that there have been new retail uses developed out-of-centre over the last few years and Poole will levy a CIL charge for these developments as it is viable to do so.

Potential CIL revenues for Poole:

4.18: The emerging Local Plan, plans for 14,200 new dwellings in Poole, some of which will be provided as affordable housing. In line with CIL regulations and guidance, affordable housing has CIL relief. Using the floorspace of the average sized dwellings that comes forward in Poole (circa 65 sqm) and multiplying this with planned market housing and average proposed CIL rate, the revenue for CIL would be in the region of £2.5 to £3 million annually.

4.19: In accordance with the CIL regulations and guidance, the CIL rates are index linked. Using the existing charging schedule and the indexation figures from BCIS, the current CIL charge places on new residential developments is set out in Table 5 overleaf.

Table 5: Comparison of CIL rates

Zone	Poole CIL Charge 2013	Example of Poole CIL Charge Index linked 2017	Zone	Poole's Draft Charging Schedule 2017
Residential dwellings – Zone A	£150 per sqm	£193 per sqm	Residential dwellings - Zone A	£200
Residential dwellings – Zone B (town centre)	£100 per sqm	£129 per sqm	Residential dwellings – Zone B	£60 or £0 for Twin Sails Regeneration Area
Residential Dwellings – Zone C	£75 per sqm	£93	Residential Dwellings Zone C	£100

4.20: Comparing the existing CIL Charge against the proposed CIL charge, shows that the CIL rates are broadly similar. Whilst the Council's CIL rates for Zone B are lower than those currently, the CIL levy needs to be balanced against other priorities, including the need to secure affordable housing for Poole.

4.21: The CIL Monitoring Reports issued by Poole annually shows that the existing CIL charge collected the following in revenue, in:

- **2013/14:** £205,000
- **2014/15:** £914,000
- **2015/16:** £2,745,000

4.22: The proposed CIL rates are slightly different to that which were adopted previously, thus, should current development trends continue, it is likely that the Council may receive circa £3 million from its proposed CIL annually. Over the lifetime of the Local Plan, this equates to circa £45 million, which is significantly lower than the current infrastructure gap of £90 million. It is worth bearing in mind, that not all the infrastructure requirements are costed, thus the infrastructure funding gap will only increase further.

Section 5: Next Stages

5.1: The Council's current timetable for progressing with Poole's CIL is set out below:

Table 6: CIL Timetable

Stage	Date
Draft CIL Charging Schedule Consultation	Summer 2017
Submission of Charging Schedule to the Planning Inspectorate (PINS)	Summer 2017
CIL Examination	Autumn/ winter 2018
Effective Date	Spring 2018



Poole Local Plan