



Bristol City Council

Community Infrastructure Levy Preliminary Draft Charging Schedule

Issued for consultation on 28 November 2011

Introduction

Bristol is a vibrant, growing city with an increasing population. In order to ensure that the growth of the city is sustainable, significant investment in strategic and local infrastructure is required. This includes providing new schools and improvements to parks and transport networks as well as less visible infrastructure such as improvements to flood defences.

Most development has an impact on the need for infrastructure and benefits from it, and therefore it is important that development contributes towards the infrastructure required to support sustainable growth. The introduction of the Community Infrastructure Levy (CIL) is key to the delivery of sustainable growth, as it provides a means by which development contributes a share of the costs of the necessary infrastructure and facilities required to support it.

The purpose of this consultation document is to set out Bristol City Council's CIL Preliminary Draft Charging Schedule. In addition to the schedule itself, the document explains the general principles of CIL, and summarises the methodology and evidence based used in calculating the levels of the charge.

CIL is intended to supplement other funding streams, and is designed to promote rather than discourage development. It has a number of significant advantages over the current system of Section 106 Agreements, which are as follows:

- It will be less time consuming, reduce the levels of negotiation with applicants and help to speed up the planning system;
- It is a modest non negotiable charge which is transparent and predictable, meaning that applicants will know their CIL liability prior to submitting a planning application;
- The cost of infrastructure will not rest just with large scale development;
- A proportion of CIL will be forwarded to local communities to enable the delivery of local priorities and to enable communities to benefit from development taking place in their area;
- From 6 April 2014, CIL will be the only available mechanism for securing developer contributions for infrastructure to support growth.

General Principles of CIL

What is CIL

CIL is a new system of developer contribution that takes the form of a standard charge per m² of additional new floor space. It allows local authorities to raise funding from development to pay for the infrastructure required to support growth arising from increased levels of housing numbers and commercial floor space. CIL will not be the sole funding source for all necessary infrastructure but will supplement other public sector revenue streams.

Legislative Background

The CIL regulations came into force on 6 April 2010. The coalition government confirmed that CIL would be retained (but amended) in November 2010, and the amended regulations came into force on 6 April 2011. Further amended regulations are currently being consulted on, however these have no impact on the Preliminary Draft Charging Schedule Consultation.

The introduction of CIL coincides with significant changes to the Section 106 regime, which will be scaled back to cover only site-specific mitigation measures and affordable housing, on the earlier of the following dates:

- The adoption of a local CIL Charging Schedule
- The end of a transitional period concluding on 6 April 2014

At this point existing Section 106 tariff based arrangements must cease operating.

Development that will be liable for CIL

CIL will be levied on virtually all development of buildings that people normally go into. The following development types will be liable for CIL:

- Development comprising 100m² or more of new build floorspace
- Development of less than 100m² of new build floorspace that results in the creation of one or more dwellings
- The conversion of a building that is no longer in lawful use

Exemptions and relief from CIL

The CIL regulations provide for certain types of development to be exempt or eligible for relief from CIL. Therefore the following types of development will not be liable for CIL:

- Development by registered charities for the delivery of their charitable purposes
- Those parts of a development which are to be used as social housing
- The conversion of any building previously used as a dwelling house to two or more dwellings
- Development of less than 100m² of new build floorspace, provided that it does not result in the creation of a new dwelling

- The conversion of, or works to, a building in lawful use that affects only the interior of the building
- Development of buildings and structures into which people do not normally go (eg, pylons, wind turbines, electricity sub stations)

Where planning permission is granted for a new development that involves the extension or demolition of a building in lawful use, the level of CIL payable will be calculated based on the net increase in floorspace. This means that the existing floorspace contained in the building to be extended or demolished will be deducted from the total floorspace of the new development, when calculating the CIL liability.

The definition of lawful use is contained in Regulation 40(10) of the 2010 CIL Regulations, which states the following:

“For the purposes of this regulation a building is in use if a part of that building has been in use for a continuous period of at least six months within the period of 12 months ending on the day planning permission first permits the chargeable development”

When is CIL payable

CIL becomes due for payment upon commencement of the development, and payment must be made in full within 60 days of the commencement date.

However, the 2011 Amendment Regulations allow Councils to introduce an instalment policy. This would enable CIL payments to be phased over a period of time following the date of commencement of the development.

In order to assist with developer's cash flow and to avoid front loading CIL liabilities, the Council intends to introduce an instalment policy, which would be offered in all cases where the total CIL liability is greater than £35,000.

In such cases CIL payments would be accepted in the following instalments:

- 20% no later than 60 days after the commencement date
- 20% on the date that is six calendar months after the commencement date
- 30% on the date that is one year after the commencement date
- 30% on the date that is 18 months after the commencement date.

Failure to comply with the instalment policy will result in the total unpaid balance becoming payable immediately.

Evidence base

CIL is to be paid according to a Charging Schedule, which must be subject to consultation and an independent examination before the Council can adopt it.

The Charging Schedule is to be informed by an appropriate evidence base, which should include:

- An up to date Development Plan
- An Infrastructure Delivery Plan
- A broad assessment of the likely impact of CIL on the viability of development across the City.

Bristol Development Framework

Bristol has an up to date Core Strategy (adopted 21 June 2011), which is the Council's high-level planning policy document to which all other Development Plan Documents (DPD's) must relate. The Core Strategy covers the administrative area of Bristol City Council and contains the broad planning strategy for Bristol to 2026, addressing the key spatial planning issues affecting the city.

It uses a wide evidence base of information, statistics, studies and community involvement to identify the city's main social, physical and economic characteristics and the key strategic issues it faces.

The Core Strategy includes the council's strategic policies for different parts of the city. It sets out the type, scale and broad location of where new homes, transport improvements, jobs, shops, open spaces and services will be located in the period to 2026. It also includes policies to ensure new development addresses the key issues facing the city.

Further Bristol Development Framework documents will be brought forward during 2012. These include:

- Site Allocations & Development Management DPD - specific development sites will be allocated in this document. This DPD has already commenced and will be subject to further community involvement during 2012.
- Bristol Central Area Action Plan - a detailed vision to reinforce the unique character and international reputation of the city centre will be published in this document. Work on this DPD, which has already commenced, will include looking at the character of the central area and the delivery of new homes and commercial, creative and leisure space. Consistent with the Core Strategy, the Plan will also seek to maintain and improve the role of the harbour and waterways, conserve the city centre's heritage, improve transport services and revitalise areas in need of change. This DPD will be subject to its first formal stages of community involvement in early 2012.

Infrastructure Delivery Programme

Accompanying the Bristol Core Strategy is the Council's Infrastructure Delivery Programme (IDP). This document outlines the key infrastructure requirements (along with known costs and funding streams) necessary in order to unlock and support the scale of growth identified in the Core Strategy. The IDP is a "live" document that will be regularly updated to take account of changing needs and circumstances over the plan period.

The available levels of funding for much of the infrastructure identified are not currently known, for example Flood Risk Mitigation Measures, though in the current financial climate it is likely that any funding available will be insufficient to deliver the relevant infrastructure in full.

Funding Gap

Whilst many costs are unknown, a significant funding gap can be demonstrated just by using examples of Bristol's Schools Organisation Strategy and the transport schemes being submitted to the Department for Transport (DfT) as part of the West of England Major Schemes Bid. The Council's Cabinet considered reports on both the Schools Organisation Strategy and the Major Schemes Bid on 21 July 2011.

Transport Major Schemes Bid

DfT has invited the West of England Authorities to submit best and final bids for five major transport schemes in the West of England. A very significant proportion of three of these schemes fall within Bristol, and there will be a need for a significant local component of funding to enable these schemes to progress. The following table identifies the schemes and the funding required.

Scheme	Scheme Cost (£m)	Local Component (£m)	Bristol Component (£m)
Bath Transportation Package	59	23	0
Ashton Vale to Bristol City Centre Rapid Transit	50	15	12
Weston Package	15	5	0
North Fringe to Hengrove Package	102	51	21
South Bristol Link	45	17	9
Total	271	111	42

The table shows that Bristol will be required to contribute **£42,000,000** to enable delivery of the three schemes that fall within the city. The 21 July 2011 Cabinet report identifies CIL as a potential source of funding for these schemes.

Schools Organisation Strategy

The Council has a statutory duty to educate children and therefore the provision of sufficient school places is of paramount importance. The Council's Draft School Organisation Strategy 2011 – 2015 assesses the need for school places until 2021, and identifies a significant shortage of provision across the City, particularly in respect of Primary School Places. By 2015 there is likely to be a shortfall of approximately 5,300 spaces if planned development proceeds. This is the equivalent to a shortage of 25 (one-form entry) primary schools.

The strategy identifies the short term (by Sept 2012), medium term (by 2016) and long term (beyond 2016) delivery of education schemes to create the required capacity. The cost of these schemes has been calculated at £151,972,759, however due the short term nature of central government funding announcements and the likely reductions in central government funding in the medium term it is considered likely that there will be a significant shortfall in available funding. Once known funding is taken into account, including the recent one-off £18,300,000 grant awarded to Bristol for schools provision, and assuming Department for Education funding remains as anticipated until 2014/15, there is calculated to be a shortfall of **£60,442,400** between 2014/15 and 2021.

The above examples identify a funding gap of **£102,442,400** on just Primary School and Major Transport infrastructure requirements. Given this level of funding deficit on just a small number of schemes it is highly likely that the total deficit when all schemes are taken into account will be significantly higher. On the basis of the evidence contained in the IDP and the examples highlighted above, the Council is fully justified in bringing forward CIL as it has been shown that there is a significant shortfall in the level of funding available for the provision of the infrastructure necessary to support the growth of Bristol.

It is important to note that although the above schemes have been used to show a funding gap, this does not mean the CIL receipts will necessarily be spent on the delivery of these schemes. The Council intends to produce a Regulation 123 list setting out the type of schemes it is proposes to allocate CIL receipts to, prior to the publication of the Draft CIL Charging Schedule in early 2012.

The CIL Viability Assessment

Following a competitive procurement process, the Council appointed BNP Paribas to undertake a CIL viability study for Bristol. The appointment was made on 18 August 2011 and the study was completed on 7 November 2011. The recent completion of this study provides comprehensive up to date evidence upon which the proposed CIL rates are based.

The study takes full account of Core Strategy requirements, including the costs involved in complying with Code for Sustainable Homes Level 4, and the provision of 30% or 40% affordable housing, where appropriate.

Summary of viability study conclusions

Residential Schemes

The current viability of residential development varies hugely, with schemes of up to 14 dwellings across most of Bristol, being able to afford rates of £280/m². However, schemes in excess of this size would be able to afford significantly lower rates of CIL.

Although smaller residential schemes can afford a high rate, this is countered by the fact the majority of residential development in Bristol comprises large schemes which would not be viable at such a high rate due to the requirement for the provision of affordable housing. The Council may in the future, seek to secure affordable housing contributions from smaller residential schemes (Core Strategy Policy BCS17), and setting a higher level of CIL for such schemes may put this aspiration at risk.

The assessment shows that the maximum current affordable level of CIL for viable residential schemes of 15 or more dwellings ranges from £90/m² to £130/m². The viability concludes that CIL rates for residential development should be aligned with the Core Strategy Affordable Housing Zones with the Inner Zone having a charge of £70/m² and the Outer Zone having a charge of £50/m². The Inner and Outer Zones are identified on the map extract contained on page 11.

Commercial (B1 - Office) Schemes

Office schemes outside the City Centre are currently unviable with any level of CIL applied. Within the City Centre, a maximum rate of up to £40/m² could be applied, however, this would leave very little leeway to account for site-specific variations or reductions in rent levels. As the vast majority of office development in Bristol is planned to be in the City Centre, setting any rate of CIL could put the development of the area at risk. Therefore the viability concludes that a £nil rate should be applied.

Commercial (B2 – B8 Industrial) Schemes

Industrial / warehousing schemes are unviable with any level of CIL and the viability concludes that a £nil rate should be applied.

Hotel Schemes

Hotel schemes could sustain a maximum CIL rate of £160/m². The viability concludes that a rate of between £70/m² and £100/m² would be appropriate, as this would provide adequate leeway to account for site-specific variations.

Retail Schemes

Retail schemes could sustain a maximum CIL rate of £250/m². However they are very sensitive to changes in rents and the viability shows that if rents fell from £22.50/m² to £21.50/m² the maximum level of CIL that could be sustained would drop to £160/m². Therefore the viability concludes that a CIL rate of around £120/m² would provide adequate leeway to take account of site-specific difference in values and costs.

Student Accommodation Schemes

Student accommodation schemes could sustain a maximum CIL rate of £220/m². However they are also very sensitive to changes in rents and the viability shows that if rents fell from £117.50/week to £115/week the maximum level of CIL that could be sustained would drop to £160/m². Therefore the viability concludes that a CIL rate of between £90/m² and £120/m² would provide adequate leeway to take account of site-specific difference in values and costs.

Non-Residential Institutions (D1) Schemes

Such development includes schools, libraries, health centres, places of worship etc that do not accommodate revenue generating uses, or sports centres, swimming pools etc, that have operating costs far higher than the income generated and require public subsidy. Therefore a £nil rate should be applied

Other Chargeable Development

Area wide viability assessments cannot take account of new development that occurs infrequently, such as cinemas, bowling alleys, bars and restaurants, bingo halls, stadia, nursing homes etc, as there is insufficient data to provide meaningful assessment. Consequently the CIL study did not address such development. The overwhelming majority of development set out in the Core Strategy is residential, office, industrial and warehousing. It is proposed to apply a CIL rate of £50/m² to all relevant development not covered elsewhere in the Charging Schedule, as it is not considered that this will adversely impact on development across Bristol.

Proposed CIL rates for Bristol

Setting the CIL rate

The BNP Paribas CIL Viability Study informs the proposed CIL rates for Bristol. The rates are proposed at a level that does not put the level of development required in the Core Strategy at risk, and which acknowledge that development in the B1, B2 and B8 use classes is currently not viable with the imposition of CIL. CIL rates for residential development are aligned with the areas identified in Core Strategy Policy BCS17 as being able to provide 30% or 40% affordable housing.

The CIL Regulations acknowledge that the rates of CIL may make some development unviable. The key consideration is to ensure that the imposition of CIL does not harm economic viability across Bristol. It is also important to note that CIL should not be set at the margins of economic viability. A CIL set at or near the maximum level could have a serious adverse effect on development throughout Bristol if there was a market or policy change that tipped viability over this point. It is considered that the proposed CIL rates should be resistant to market and policy changes, given that they have been set at an amount that is viable in the current difficult economic climate.

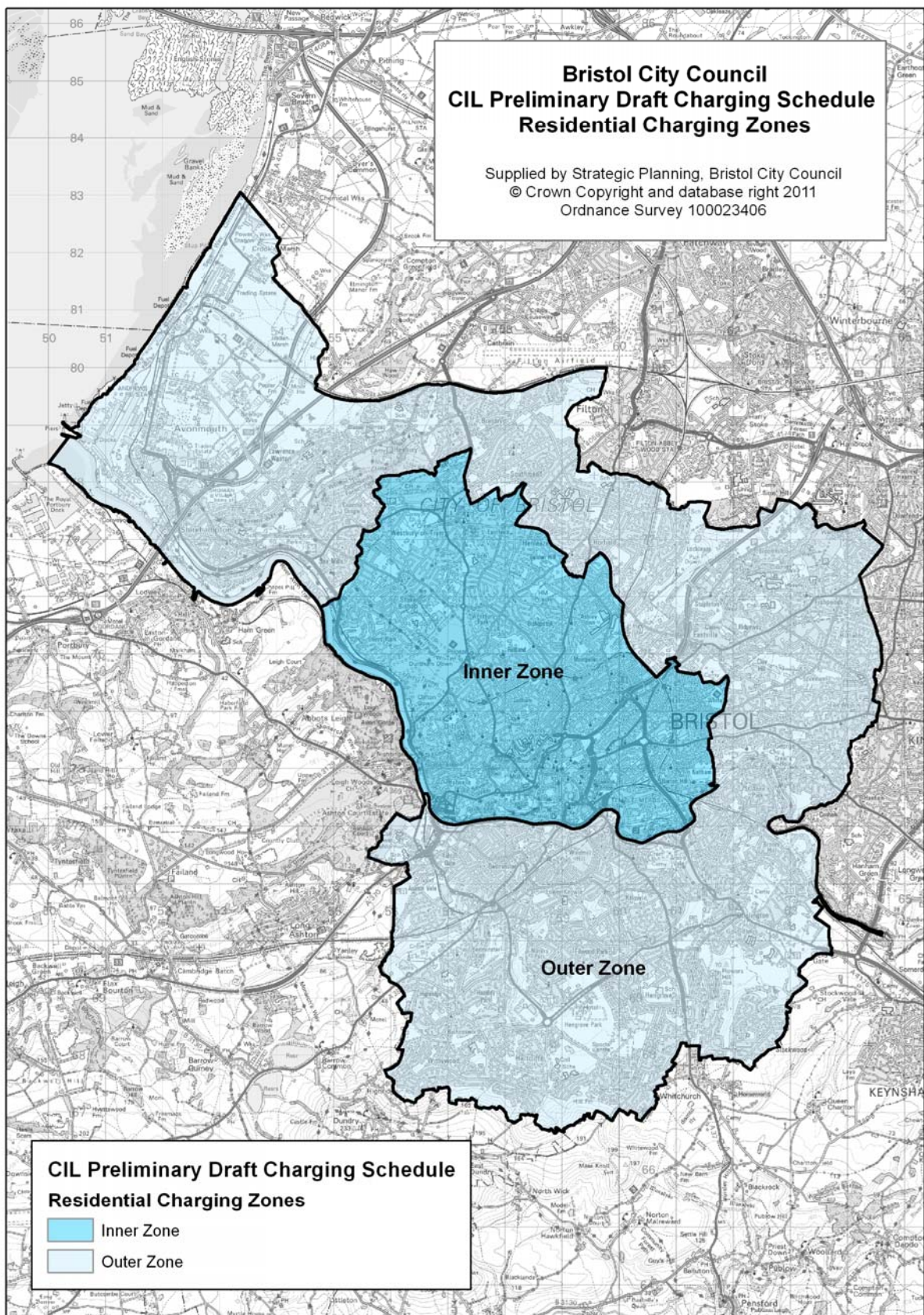
CIL Charging Schedule

The proposed CIL rates for Bristol are set out in the Charging Schedule below. The attached Ordnance Survey map extract identifies the Inner and Outer Zones to which the Residential CIL charges apply.

BRISTOL CITY COUNCIL CIL CHARGING SCHEDULE	
Development Type	CIL Rate
Residential (Class C3) Inner Zone	£70/m ²
Residential (Class C3) Outer Zone	£50/m ²
Commercial (Classes B1, B2 and B8)	£nil
Hotels	£70/m ²
Retail (Class A1)	£120/m ²
Student Accommodation	£100/m ²
Non-residential Institutions (Class D1)	£nil
Other chargeable development	£50/m ²

The Residential Inner and Outer Zones follow Ward boundaries and in order to provide additional clarity, the following table identifies the wards that fall within each zone.

Charging Zone	Wards included
Inner	Ashley, Bishopston, Cabot, Clifton, Clifton East, Cotham, Easton, Henleaze, Lawrence Hill, Redland, Stoke Bishop, Westbury-on-Trym
Outer	Avonmouth, Bedminster, Bishopsworth, Brislington East, Brislington West, Eastville, Filwood, Frome Vale, Hartcliffe, Henbury, Hengrove, Hillfields, Horfield, Kings Weston, Knowle, Lockleaze, St. George East, St. George West, Southmead, Southville, Stockwood, Whitchurch Park, Windmill Hill



Impact of CIL compared to Section 106 Tariff

The Council currently operates a tariff-based approach for a range of planning obligations required from residential development and this would be superseded by CIL. The following tables look at the impact of CIL per dwelling (based on a 63m² two bedroom flat) compared with the existing Section 106 regime for both the proposed residential charging Zones.

£50m² Charging Zone							
No. of dwellings	Tariff based obligations	Site Specific obligations	Total	CIL Charge based on 63m ²	Site Specific obligations	Total	Difference
1 - 9	£0	£0	£0	£3,150	£0	£3,150	+ £3,150
10 - 14	£2,043	£200	£2,243	£3,150	£200	£3,350	+ £1,107
15 - 39	£2,043	£1,400	£3,443	£3,150	£1,400	£4,550	+ £1,107
40 +	£4,073	£2,200	£6,273	£3,150	£2,200	£5,350	- £923

£70m² Charging Zone							
No. of dwellings	Tariff based obligations	Site Specific obligations	Total	CIL Charge based on 63m ²	Site Specific obligations	Total	Difference
1 - 9	£0	£0	£0	£4,410	£0	£4,410	+ £4,410
10 - 14	£2,043	£200	£2,243	£4,410	£200	£4,610	+ £2,367
15 - 39	£2,043	£1,400	£3,443	£4,410	£1,400	£5,810	+ £2,367
40 +	£4,073	£2,200	£6,273	£4,410	£2,200	£6,610	+ £337

The comparison shows the following:

- Development of between 1 – 9 dwellings currently pays nothing, and therefore would be significantly impacted on. However viability shows that such development could afford CIL of up to £280/m² and therefore CIL rates of £50/m² and £70/m² could be easily absorbed.
- Development of between 10 and 14 dwellings would be subject to a significant increase in contributions (50 to 100%) due to CIL. However viability shows that such development could afford CIL of up to £280/m² and therefore CIL rates of £50/m² and £70/m² could be easily absorbed.
- Affordable Housing is required from all development of 15 or more dwellings. This skews the market and there are very few planning applications submitted for between 15 and 39 dwellings, other than those from Affordable Housing providers, which would be CIL exempt. The increase in contributions with CIL taken into account would be between 30 and 60%. However, viability shows that in areas of the city where such schemes are viable, they could afford CIL of up to £90/m² to £130/m² and therefore CIL rates of £50/m² and £70/m² could be absorbed.
- Development of 40 or more units would see little difference from the imposition of CIL, as it would broadly mirror the level of tariff based contributions currently secured.

Anticipated level of CIL income

Once CIL is implemented, the level of CIL receipt will gradually increase over the first three years and then plateau out. This is because the majority of schemes coming forward in the first few years will have been granted planning consent prior to the implementation of CIL, whereas by three years after implementation virtually all schemes coming forward will be liable for CIL. In order to calculate likely CIL receipts, the following assumptions have been made about the proportion of development coming forward that will be liable for CIL:

- | | |
|---|--------------------------------|
| • Year 1 (implementation – 31 Mar 2014) | 25% of schemes liable for CIL |
| • Year 2 (1 April 2014 – 31 March 2015) | 50% of schemes liable for CIL |
| • Year 3 (1 April 2015 – 31 March 2016) | 75% of schemes liable for CIL |
| • Year 4 (1 April 2016 – 31 March 2017) | 100% of schemes liable for CIL |

The Bristol City Council Five Year Housing Land Supply 2011-2016 (Appendix 3) anticipates 5,925 planned dwellings (excluding “other” housing) coming forward during this period. In addition 300 “windfall” dwellings per annum are anticipated from 2012 onwards, as set out in the Core Strategy. This gives a total of 7,125 dwellings, which is an average of 1,425 dwellings per year.

Over the period 2006 – 2011, 66% of residential completions (excluding “other housing”) came forward on major sites, 18% on minor sites and 16% were conversions. Projecting these proportions forward based on 1,425 dwellings per year, gives the following results:

- Approximately 941 dwellings per year will be on large sites. If 30% of these are affordable housing, it leaves 658 liable for CIL
- Approximately 257 dwellings per year will be on small sites, all of which would be liable for CIL
- Approximately 228 dwellings per year will be house to flat conversions, which would not be liable for CIL.

In addition, during 2009/10 and 2010/11 an average of 245 dwellings per year comprised change of use development and it is considered appropriate to assume this will continue into the future. These dwellings would only be liable for CIL if the building in which they were situated had previously been completely unoccupied for at least 6 of the 12 months prior to the granting of planning consent. It is assumed that this would apply in 50% of cases meaning that 122 dwellings comprising change of use permissions would be exempt from CIL.

Therefore approximately 793 new dwellings per year would be liable for CIL.

Core Strategy Policy BCS5 sets out the anticipated level of residential development across the city during the plan period. From this it can be seen that 11,000 dwellings (South and Northern Arc) would be in the £50m² Outer Zone, and 9,400 (City Centre and Inner East) would be in the £70m² Inner Zone. Applying the 10,200 remaining dwellings (Rest of Bristol and Small

Sites) equally to the two charging zones would result in 16,100 dwellings (53%) in the £50m² Outer Zone and 14,500 dwellings (47%) in the £70m² Inner Zone.

Applying these percentages to the 793 chargeable dwellings per year would result in the following:

- 420 dwellings in the £50m² Outer Zone
- 373 dwellings in the £70m² Inner Zone

Assuming an average dwelling size of 63m², the annual CIL income from residential development from Year 4 onwards would be about **£2,967,930**.

The majority of CIL income will be received from residential development. It is not possible to calculate the likely level of CIL income from other uses as such uses do not come forward on a consistent basis. However when they do come forward such uses can comprise a significant level of new floor space. For example recent hotel developments in Bristol have been between 4,000 and 9,000m². Future hotel proposals coming forward in this size range would be liable for between £280,000 and £630,000 of CIL payment.

Therefore an assumption has been made up to a further £1,000,000 may be received per year from other CIL chargeable developments. This results in a total annual CIL income from Year 4 onwards of approximately **£4,000,000**.

The following table sets out predicted CIL receipts over the anticipate five year life of this CIL Charging Schedule.

Year	Predicted CIL Receipt
Year 1 (implementation – 31 March 2014)	£1,000,000
Year 2 (1 April 2014 – 31 March 2015)	£2,000,000
Year 3 (1 April 2015 – 31 March 2016)	£3,000,000
Year 4 (1 April 2016 – 31 March 2017)	£4,000,000
Year 5 (1 April 2017 – 31 March 2018)	£4,000,000
Total	£14,000,000

Whilst government consultation on the meaningful proportion of CIL to be allocated to local communities has yet to be concluded, for the purposes of this consultation it is assumed that the “meaningful proportion” will be 20% and therefore approximately **£11,200,000** of CIL would be available for strategic infrastructure projects to support growth over the period 2013 – 2018.

It should be noted that it is not possible to predict future housing delivery with a great level of certainty, and the level of CIL receipt could be markedly different should housing delivery pick up significantly. However given the current global economic circumstances and the level of existing planning consents it is considered that anticipating an ongoing level of CIL receipt of **£4,000,000** per year from Year 4 onwards is reasonable.

How to comment on this Preliminary Draft Charging Schedule

This consultation runs from 28 November 2011 until 20 January 2012.

If you wish to comment on the Bristol Community Infrastructure Levy Preliminary Draft Charging Schedule, comments should be made via email to bdf@bristol.gov.uk or in writing to:

Jim Cliffe
Planning Obligations Manager
Strategic Planning Team
Bristol City Council
Brunel House
St. Georges Road
BRISTOL
BS1 5UY

Please note that comments cannot be treated as confidential and that they will be made available as public documents.

It is not necessary to provide your contact details, however please do so if you wish to be kept informed about the progress of the CIL Charging Schedule.

For any queries regarding this consultation, please contact Jim Cliffe on (0117) 903 6724, or jim.cliffe@bristol.gov.uk.

Next Steps

Following this consultation, the Council will consider the responses received and any other evidence that emerges and use these to inform the charging schedule it intends to implement.

Once the Council considers that the Draft Charging Schedule is ready for independent examination, it will be published for a four-week consultation period together with the relevant supporting evidence and the responses received to this consultation.

During the four-week period, representations may be made and any person making a representation has the right to be heard at the CIL examination.

It is anticipated that the four-week consultation period will take place in March / April 2012, prior to an independent examination in Summer 2012,