

**Explanatory Note:**

**City of Lincoln Council summary of considerations in setting CIL  
charging rates May 2016**

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### 1.0 Introduction

Peter Brett Associates have produced a whole plan viability report (WPV) see [www.central-lincs.org.uk](http://www.central-lincs.org.uk) 'Central Lincolnshire Local Plan and Community Infrastructure Levy Viability Study 2016' Document Number E011A. The purpose of the WPV report was;

- to assess whether or not the Local Plan is viable; and
- to make recommendations for viable rates of CIL that can be charged as a result of the financial constraints in the Local Plan.

CIL charges, alongside affordable housing obligations (and Section 106) all have a significant impact on development viability. They all form part of a total amount of obligations a development is expected to provide. If this is considered as an obligation 'pot' there is a fundamental relationship between CIL and Affordable Housing, if more/too much is required of one there is less/not enough for the other. A balance therefore needs to be struck about how much goes to each obligation from 'the viable pot'.

### 2.0 PBA Recommendation

PBA make recommendations on how this balance can be struck between affordable housing and CIL (assuming an amount is coming from the 'obligation pot' for Section 106.) See table 1 below. Highlighted in bold is the PBA recommendation for the CIL rate at the proposed affordable housing percentage obligation in LP11 of the Local Plan.

**Table 1 Affordable housing and CIL charge options for the WPV Executive Summary April 2016**

CIL Market Zones	25% affordable	20% affordable	15% affordable
	CIL up to	CIL up to	CIL up to
Lincoln Strategy Area	<b>£25 p sq. m</b>	£35 p sq. m	£45 p sq. m
Sleaford	£0 p sq. m	<b>£15p sq. m</b>	£25 p sq. m
All other rural areas	£0 p sq. m	<b>£15p sq. m</b>	£25 p sq. m
Lincoln Strategy Area SUEs	£0 p sq. m	<b>£20 p sq. m</b>	£30 p sq. m
Sleaford SUEs	£0 p sq. m	£0 p sq. m	<b>£15 p sq. m</b>
Flatted schemes	£0p sq. m	£0p sq. m	£0 p sq. m

These recommended CIL rates are not set at the maximum level. It is common practice not to go to this maximum 'CIL Surplus' level (effectively using all that is left in the obligation pot after affordable housing and section 106 is taken out, for CIL) but to add a degree of 'buffer' (the gap between what is charged and technically what could be charged) to give greater confidence that both the affordable housing targets and the CIL rates are viable, and not impede the delivery of development and of the Local Plan. Viability is modelled on a range of scheme scenarios but by definition

modelling cannot cover every scheme specific detailed eventuality, therefore the buffer creates 'room' if a scheme is more costly than expected to remain viable and deliverable.

Table 2 below (column 3) shows the proposed maximum CIL surplus level i.e. the rate with no buffer recommended by Peter Brett Associates.

### 3.0 Officer Recommendation

Officers recognise the significant need for infrastructure going forward but also acknowledge the need for viable development. However it is considered PBA have been too cautious and applied too great a buffer in recommending CIL rates. A smaller buffer is considered more appropriate and reasonable, as development will remain viable but allow the potential delivery of Affordable Housing and (via CIL receipts) Infrastructure to be maximised.

#### 3.1 Reason for Officer Recommendation

The PBA report recommends that viability in Lincoln be considered in the context of the Lincoln Strategy Area. Historic examples of developer contributions in this area are referenced in PBA's report. These examples in many cases show £4,000 to £6,000 (up to £9,800) per unit has been secured through section 106 for infrastructure. In the case of the scheme which secured £9,800 per unit, this is as well as 35% affordable housing. Whilst it is noted that in some cases either affordable housing or infrastructure contributions are below these rates, it is unusual for both to be as low as the combined policy targets in the Proposed Submission Local Plan and the respective DCSs. The range of CIL rates proposed by PBA, £15 and £25 psqm is equivalent to £1,425-£2,375 per unit (for a unit of 95sqm), well below the examples evidenced in the report. The proposed higher CIL rates of between £20psqm (£1,900 also for a unit of 95sqm) or £30 (£2,850 also for a unit of 95sqm) are still well within the higher examples historically negotiated within Central Lincolnshire. In this context, it can be evidenced that CIL contributions outside the range proposed by PBA are viable with sufficient residual section 106.

PBA's CIL rate recommendations are within 50%-74% of the CIL surplus for more viable areas (Lincoln Strategy Area) and 34% where viability is expected to be lower (the Lincoln Strategy Area SUEs).

Officers take the view that this discount is too great, and are proposing DCS rates (column 5 in the table below) within 67%-88% of the CIL surplus (42% of CIL surplus for the Lincoln Strategy Area SUEs).

The table below summarises the officer recommendation and the PBA recommendation for CIL rates based on the affordable housing percentages in various locations in North Kesteven which have been agreed in both the Further Draft and subsequent Proposed Submission Central Lincolnshire Local Plan. (Policy LP11)

**Table 2: Relationship between PBA maximum and recommended CIL rates and actual Local authority proposed CIL rates at proposed affordable housing percentages in Local Plan policy LP 11**

1. CIL Market Zones	2. Affordable housing (proposed % rate in Local Plan Policy LP11)	3. PBA maximum CIL charge ( the maximum CIL surplus level based on least viable typologies)	4. PBA recommended CIL rate at proposed affordable housing percentage to allow a buffer of 74% of CIL surplus in the LSA  (34% for LSA SUEs)	5. Proposed Officer recommended CIL Draft Charging Schedule Rate to allow a buffer of 88% of the CIL surplus in the LSA  (42% for LSA SUEs)
Lincoln Strategy Area	25%	£34 psqm	£25 psqm	£30 psqm
Lincoln Strategy Area SUEs	20%	£59 psqm	£20 psqm	£25 psqm
Flats	As above	-	£0	£0

## 5.0 Conclusion

At 88% the Draft Charging Schedule (DCS) rates still remain below the CIL surplus based on the least viable typology, especially so for the Sustainable Urban Extensions (SUEs) where only 42% of the CIL surplus is proposed .

In all cases, it is also worth noting that the proposed rates are below 2% of gross development value. In other words, in even the most challenging of local markets, CIL as proposed is expected to be less than 2% of all value created by the proposed development.

In summary;

- The DCS rates that Officers propose are within the scope of the PBA report recommendations on CIL rates;
- It is considered that whilst the approach is less cautious the only difference between the Officers' proposals and PBA's recommendation is the degree of the buffer;
- The affordable housing percentage in the (Proposed Submission – April 2016) are not fixed, non-negotiable requirements (unlike CIL) i.e. the Local Plan allows a degree of flexibility, downwards, on the affordable housing 'ask' should the impact of CIL and other costs, on a site by site basis, be of such a degree to warrant a lower affordable housing contribution;