

To: Cabinet
Date: 12th June 2024
Report of: Head of Planning and Regulatory Services
Title of Report: Community Infrastructure Levy (CIL) – Submission of Draft Charging Schedule for Examination

Summary and recommendations	
Purpose of report:	To seek approval for modifications to the CIL Draft Charging Schedule following consultation; and for submission to the Secretary of State for examination.
Key decision:	Yes
Cabinet Member:	Councillor Louise Upton, Cabinet Member for Planning
Corporate Priority:	Enable an inclusive economy Deliver more affordable housing Support thriving communities Pursue a zero carbon Oxford
Policy Framework:	The CIL Charging Schedule sets out a standard tariff on development in Oxford City and is a primary mechanism for funding infrastructure from developer contributions
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Approve the Statement of Modifications (Appendix 1) and the Submission version of the Community Infrastructure Levy (CIL) Draft Charging Schedule (Appendix 2) 2. Authorise the Head of Planning, in consultation with the Cabinet Member for Planning, to make any minor changes deemed necessary to the CIL Draft Charging Schedule and supporting CIL documentation and to formally submit all documents to the Secretary of State for examination. 	

Appendices	
Appendix 1	CIL Statement of Modifications
Appendix 2	CIL Draft Charging Schedule – Submission Version

Introduction

1. The Community Infrastructure Levy (CIL) is a charge on new developments in Oxford and is used as a key source of funding for local infrastructure. The tariff is set out in a CIL Charging Schedule which sets out different rates in pounds per square metre for different types of development (e.g. different residential or commercial uses).
2. CIL rates were originally set in Oxford in 2013 and work began on a partial review of the Charging Schedule in 2023. This partial review proposed an increase of the CIL rates for Industrial (Use Class B2/B8) and Office/R&D (Use Class E(g)) developments based on evidence which showed that increasing CIL rates would for these developments be possible without making them financially unviable.
3. Cabinet approved consultation on this partial review of the schedule on 18th October 2023 and the public consultation was held between 10th November 2023 to 5th January 2024. Comments received have been considered and supplementary evidence base work was completed in response to these comments. This results in a few proposed modifications to the consultation version of the CIL Charging Schedule.
4. The joint viability evidence for the Local Plan 2040 and the CIL review was commissioned from consultants at BNP Paribas Real Estate. This viability evidence, which was available at the consultation stage and has been supplemented following consultation, examines the anticipated costs involved with different types of development based on recent data, considers the costs of emergent policies and finally tests to see how much surplus remains to be able to support a CIL charge.
5. This report requests approval of the submission version of the CIL Draft Charging Schedule for examination by the Planning Inspectorate on behalf of the Secretary of State. This examination process is a regulatory requirement for adopting any changes to the Charging Schedule.

Partial Review Consultation

6. The Council received 19 responses to the consultation. The consultation version of the Draft Charging Schedule proposed an increase in CIL rates charged on Use Class B2/B8 industrial uses and Use Class E(g) Office and R&D uses from the current rates of £33.74 (2024 indexation) to a proposed rate of £168.74 per square metre.
7. The most common concern raised was that key sites would be unviable at the proposed increased rates. Some expressed concern that the testing inputs were too generalised and did not fully factor in variations of land values across the city. Several suggested that site-specific testing should be conducted for key sites in the local plan to have a more accurate understanding of viability and delivery of these sites. Some respondents also expressed concerns about the inputs and assumptions made in the testing.
8. It should be noted that a number of developers who submitted representations with such concerns have already submitted planning applications for their developments, and it is unlikely that those proposals would be affected by the implementation of a new CIL rate given the stages that remain before any new rates are adopted.

9. Other representations raised concerns about the CIL rates for other use classes and for the 'all other uses' rate, despite no changes being proposed in the CIL partial review. It also should be noted that conversely, there were a number of other representations which raised concerns that developments in 'all other uses' were not charged highly enough and that the rate should be increased given the pressures on infrastructure funding and delivery in the city.

Supplementary viability evidence

10. Following the consultation, additional site-specific viability testing was carried out. The conclusions of this are set out in a viability addendum note by consultants at BNP Paribas. This work includes key employment sites such as: the Oxford Science Park, Oxford Business Park, sites in the City Centre, the West End and Oxford North. This work also takes into consideration recent (2023-2024) rental rates for Office and R&D developments within and outside of the City Centre based on recent transactions data.
11. The supplementary work demonstrates that surpluses generated from Office and R&D developments are substantially above the proposed higher CIL rate, both within the City Centre and outside of it. This is the case even when tested at upper quartile build costs and with initial rent-free periods, which would reflect the higher end of potential costs for developers. The supplementary testing includes the costs of emergent Local Plan policies, baseline Section 106 (S106) costs and consideration of developer profit. After all these costs are accounted for, the 19 office and R&D sites tested showed surpluses on average greater than £1000 per square metre. This demonstrates that the proposed increase in CIL rate for both offices and R&D uses at £168.74 per square metre are well within the headroom available.
12. This also demonstrates that there is headroom for additional S106 contributions, (for example, towards the Cowley Branch Line) over and above the proposed CIL rate. The full viability report, containing testing inputs and assumptions will be published as part of the submission documents following cabinet approval.
13. In contrast with offices and R&D uses, additional site-specific testing on use class B2/B8 uses could not be carried out. Cabinet will be aware that the Council recently permitted and awarded exceptional circumstances CIL relief to the BMW electric plant site based on independent viability testing. Beyond that scheme, there is no currently known development coming forward within the B2 and B8 use classes. Whilst the original viability testing demonstrates that CIL rates for the B industrial class uses are viable at higher than current CIL rates, without being able to conduct further site-specific testing, there is not the same level of evidence to support a specific increased rate for those uses.

Proposed post-consultation modifications

14. Following consideration of consultation responses and the supplementary viability testing, one substantive modification to the schedule is proposed (together with three minor updates).
15. The main proposed modification is to retain the current CIL rates for B2/B8 (industrial) rates and to raise the rates only for E(g) Office and R&D uses as set out below. There are also some minor wording changes in the Charging Schedule for consistency and clarity as set out in the Statement of Modifications at Appendix 1. These modifications result in a Submission Version Charging Schedule as appended at Appendix 2.

Proposed CIL Charging Schedule for Oxford City Council

(Changes proposed through the partial review highlighted in green. Modification following consultation shown as tracked changes.

Development Type*	Jan 2023 Rates per m ²	Jan 2024 Rates per m ²	Proposed rates per m ² following Partial Review Consultation
E Shops	£158.00	£168.74	£168.74
E Financial and professional services	£158.00	£168.74	£168.74
E Restaurants and cafés	£158.00	£168.74	£168.74
Sui Generis Drinking establishments	£158.00	£168.74	£168.74
Sui Generis Hot food takeaways	£158.00	£168.74	£168.74
E Office and Research and Development Business	£31.59	£33.74	£168.74
B2 General industrial	£31.59	£33.74	£168.74 £33.74
B8 Storage or distribution	£31.59	£33.74	£168.74 £33.74
C1 Hotels	£31.59	£33.74	£33.74
C2 and C2A Residential institutions and secure residential institutions	£31.59	£33.74	£33.74
C3 Dwelling houses**	£158.00	£168.74	£168.74
C4 Houses in multiple occupation (HMO)	£158.00	£168.74	£168.74
Student accommodation	£158.00	£168.74	£168.74
F1 Non-residential institutions	£31.59	£33.74	£33.74
Sui Generis Assembly and leisure	£31.59	£33.74	£33.74
All development types unless stated otherwise in this table	£31.59	£33.74	£33.74

*Changes to the Use Class Order came into effect 1 September 2020

**C3 includes self-contained sheltered accommodation and self-contained graduate accommodation

Next steps

- Following approval of the proposed modifications set out above, the Draft Charging Schedule will be submitted to the Secretary of State for examination alongside the supporting evidence base documents (including the viability assessment) and the summary of representations and modifications in accordance with Regulation 19 of the CIL Regulations. These documents will be published on the Council website. Any persons who requested during the consultation process that they be informed of the submission will be notified.
- The Planning Inspectorate will hold an examination where they will consider the submission and the comments raised during the consultation. Following the examination the City Council will receive a report with the examiner's recommendations and a decision of Cabinet will bring the new CIL rates into effect.

Financial implications

18. The rates at which the CIL tariff is set will determine the amount of income received by the Council from new development to be spent on infrastructure, which includes expenditure on the Council's Capital Programme.
19. There is likely to be a continued supply of prime E(g) Office and Laboratory floorspace within the Local Plan period, increasing rates where this is viable could help fund the required infrastructure needs associated with development.
20. Over previous years, the Council has observed a loss overall of B2/B8 floorspace, so maintaining the current rates for these developments is not expected to negatively affect CIL receipts.
21. A discretionary relief policy for CIL remains in place for cases where developers can demonstrate that their proposed development is unviable to the Council.

Legal issues

22. The Council must comply with the examination submission requirements set out in the CIL Regulations 2010 (as amended). There are no other legal issues arising from this report.

Equalities impact

23. There are no equalities impacts arising from this report.

Carbon and Environmental Considerations

24. There are no direct carbon or environmental considerations arising from this report, although increasing CIL rates for industrial and office/R&D developments could help to better generate funds to be spent on infrastructure which mitigates the environmental impacts of development in the city.

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