

PLANNING UPDATE

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**Julia Chowings**

Tel. +44 (0)121 616 4805

jchowings@geraldeve.com

**Sean Rooney**

Tel. +44 (0)121 616 4838

srooney@geraldeve.com

**Jon Ryan-Gill**

Tel. +44 (0)121 616 4803

jryan-gill@geraldeve.com

**Sam Skinner**

Tel. +44 (0)121 616 4843

sskinner@geraldeve.com

BIRMINGHAM CITY COUNCIL CIL DRAFT CHARGING SCHEDULE CONSULTATION 2022 – WILL IT IMPACT YOU?



Birmingham City Council (BCC) are currently consulting on an update to their Community Infrastructure Levy (CIL) draft charging schedule. The Consultation provides the opportunity to comment on the draft charging schedule, charging maps and viability review. The consultation deadline is Monday 26 September 2022.

This note sets out a summary of the key changes, how it is likely to impact major developments and the proposed timeframes for these changes to occur.

The Current Position

The existing CIL rates have been in place since January 2016, however as a result of indexation, the rates are now approximately 32% higher than when they were adopted. The table below sets out the 2016 CIL rates and their current position with 2022 indexation. The existing position is that CIL charges relate to retail use, residential uses, student accommodation and hotel use.

Since the adoption of the 2016 CIL rates there has been significant changes in the development sector, including changes to sales values and build costs. The testing of alternative CIL rates within the Birmingham Community Infrastructure Levy Viability Review (August 2020 – reissued March 2022) indicates that the viability of development has improved across the City.

As a result, BCC has taken the opportunity to review their evidence for CIL rates and have put the new draft rates on consultation, along with the supporting evidence including the CIL Draft Charging Schedule, Statement of Representations, Charging Maps, and a Viability Review.

The Proposed Changes

The table below sets out the proposed draft 2022 CIL rates compared to the original 2016 CIL rates and the 2022 CIL indexation rates. The key observations are:

- All existing CIL rates have increased
- New categories are now subject to CIL i.e. Industrial / Employment in all areas, City Centre Offices and Residential Developments in low value areas
- Exemptions include self-builds, charities, social housing, and the developments listed as £0 in the table below.

CIL Charging Schedule Comparison Table

Development Type	Detail	Original CIL Charge/sq m	Original Charge / sq m with 2022	2022 Consultation draft Proposed Charge/sq m
		2016	Indexation	
Retail convenience ¹	<2,700 sq m	£0	£0	£0
Retail convenience ¹	>2,700 sq m	£260	£318.52	£342
Retail ²	All other	£0	£0	£0
Retail ²	Greenbelt Development (Sustainable urban extension)	£0	£0	£0
Industrial/ Employment	All areas	£0	£0	£50
Offices	City Centre	£0	£0	£25
Offices	Rest of City	£0	£0	£0
Residential	Value zones 1,2 & 3 (High value area)	£69	£84.53	£125
Residential	Value zones 4,5,6 & 7 (Low value area)	£0	£0	£50
Residential	Green Belt Development (Sustainable urban extension)	£0	£0	£0
Residential	Social Housing Providers registered with HCA and Birmingham Municipal Housing Trust developments	£0	£0	£0
Student housing	All areas, except Green Belt Development (Sustainable urban extension)	£69	£84.53	£125
Student Housing	Green Belt Development (Sustainable urban extension)	£0	£0	£0
Hotel	City Centre	£27	£33.08	£50
Hotel	Green Belt Development (Sustainable urban extension) and rest of city	£0	£0	£0
Leisure	All areas	£0	£0	£0
Education	All areas	£0	£0	£0
Health	All areas	£0	£0	£0
Use class C2 ³	C2 use	£0	£0	£0
All other development	All areas	£0	£0	£0

¹ Retail convenience can also include non-food floorspace as part of the overall mix of the unit.

² Retail – This category will include those retail units selling goods not bought on a frequent basis.

³ The Town and Country Planning (Use Classes) Order 1987 (as amended) defines Use Class C2 Residential Institutions as – residential care homes, hospitals, nursing homes, boarding schools, residential colleges, and training centres.

BCC Justification / BCC Reasons for the Changes

The Viability Review outlines that increases in sales values, since the last CIL charging schedule was formulated, have outstripped increases in costs. The Viability Review comments that this has resulted in improvements in viability and enhanced capacity for absorbing CIL requirements. With regard to the proposed changes, the BCC review outlines the following:

- **Residential:** Applying an increased CIL in the Higher Value Zone would have a fairly limited impact on residual land values, with a reduction typically between 4 to 10% of the residual land value reflecting the adopted CIL rates. In the Lower Value areas, applying a CIL of £25 to £50 on housing schemes would have a relatively modest impact on residual land values generated in comparison to the current situation, which should also minimise the impact on affordable housing delivery in these areas.
- **Office development:** It is recommended that a rate of £25 per square metre be applied to new office development as rents have increased significantly since the first charging schedule was adopted (25% since Q1 2016). This rate would represent a modest cost of office developments and would reduce residual land values by no more than 5%.
- **Hotels:** Hotel developments in the City Centre are currently charged at £36 per square metre after indexation is applied. The appraisals indicate that this could be increased to £50 per square metre, leaving a sufficient margin below the maximum rate.
- **Retail:** The rates have seen minimal change since the last indexation. The major supermarket chains have recently ceased expansion plans and it is unlikely that this sector will see any development over the life of a new charging schedule.
- **Industrial:** Since the preparation of the last Charging Schedule, there has been a significant increase in demand for industrial and warehouse floorspace, resulting in increased rents and sharpening yields. Consequently, residual land values generated by industrial developments have increased significantly. The appraisals indicate that new developments would be able to make a contribution towards infrastructure of up to £159 per square metre on schemes with a 50% plot ratio. Therefore, a CIL rate of £50 per square metre would reduce residual land values generated by industrial development by no more than 15% and would not be material to any decision to proceed with a development.

Proposed Timeframe

The proposed timeframes are subject to change, but BCC has indicated the following target dates:

- End of consultation date - Monday 26 September 2022
- BCC hope to submit the Charging Schedule for Examination before Christmas (but this would depend on the level and type of consultation responses). Following this the Planning Inspectorate would then need to confirm an Examination date
- BCC has not confirmed when the new CIL rates would be adopted but estimate it would be late summer 2023 at the earliest.

Commentary

The proposed changes, if adopted, will have a significant impact on new development proposals. The Industrial and City Centre Office sectors are the most likely to be affected by these changes as they have seen an increase in CIL charges from nil, to £50 / sq m and £25 / sq m respectively.

For example, an industrial scheme of 10,000 sq m will be subject to a new CIL requirement of approx £500,000, which obviously has substantial cost implications. An additional £500k is always unwelcome, especially as construction and energy costs are so high, but current occupier market conditions are generally supportive of development, so this additional cost will largely be absorbed. However, if this levy is not set to come into effect for a few years, the market might be in a very different place. Rising costs of construction, a more muted outlook for rents, together with this additional levy all add downward pressure to future residual land values.

Do get in touch with the Gerald Eve team if you want a more detailed analysis of the impact of these changes on your development or would like to prepare representations to be involved in the consultation.

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