

Community Infrastructure Levy

Preliminary Draft Charging Schedule

November 2012

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What is the Community Infrastructure Levy (CIL)?

Community Infrastructure Levy (CIL) is a levy local authorities can charge to raise funds for infrastructure needs arising from new developments. The Government has indicated that the CIL has been introduced to help fund delivery of infrastructure from the private sector which ultimately benefits from it. It is a response to the need for more forms of development to contribute to the provision of infrastructure. The money raised will be used to fund local infrastructure such as schools, community facilities, highways improvements and many other forms of provision which are currently funded by monies paid by developers under Section 106 obligations.

Background

Government has drafted planning legislation to introduce a CIL. The first part of this is in part II of the Planning Act 2008 which creates the Community Infrastructure Levy (CIL). CIL is intended to be a charge on new development which will be levied by the local planning authority. The Community Infrastructure Levy Regulations 2010 came into force on 6th April 2010. They set out the procedures for introducing a CIL and how it should operate, which must involve the production of evidence to justify charging a CIL, evidence to show that the level of CIL will not deter development, and public consultation.

Local authorities will be able to collect CIL on new developments in their area. It is based on a formula relating to the type and size of development and is collected when planning permissions for new developments are implemented.

The Government considers that the introduction of a CIL will provide developers with greater certainty about the infrastructure contributions they will be expected to contribute as a part of the development process. The CIL will apply to more developments than is currently required under the S106 obligation system. The CIL will aid more speed and certainty in the delivery of infrastructure to help meet the infrastructure needs of the borough.

How CIL is calculated and charged?

A CIL applies to most planning permissions which add more than 100 sqm of new floorspace or one dwelling or more.

The following development types will be liable for CIL:

- Developments 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 ; and
- The conversion of a building that is no longer in lawful use

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 levy is to be expressed as £ per m², and is to be charged on the grant of planning permission. CIL is to be charged on the 'gross internal floor space' of any new development. CIL is paid by developers when their planning permissions are

implemented. Although most of the CIL related activity will take place after planning permission is granted it can be a material planning consideration as the level of CIL may impact on other planning obligations and the design of some schemes more generally. Following adoption of Camden's Charging Schedule CIL rates are fixed and non negotiable and so will affect scheme viability and consequently Section 106 agreements including the level of provision of affordable housing.

Exceptional Circumstances and Relief?

Developers can apply for exemption and relief from the CIL if the development is by a charity for a charitable purpose or for social housing floorspace. The regulations provide 100% relief from the levy on those parts of a chargeable development which are intended to be used for affordable housing. A charity landowner can also benefit from full relief of CIL if the building will be used wholly, or mainly, for charitable purposes.

Developers may also apply for a review of the chargeable amount by Camden if they do not agree with the calculation and can also make an appeal against the amount, refusal to grant relief, or, apportioning the liability to the wrong party or the commencement date. The appeal would be to either the Secretary of State or the District Valuer depending on the grounds.

The Mayoral Community Infrastructure Levy

The Mayor of London introduced a CIL for contributions towards Crossrail, which came into force on 1 April 2012. At present the Mayor charges a 'blanket' CIL across all developments except education and healthcare, which in Camden is £50 per m² of development. The Mayoral CIL will be additional to the Camden CIL (when adopted), and this additional charge has been considered when setting the rates in Camden's draft charging schedule.

What is the process for adopting a CIL?

Before the CIL can be collected Camden must produce a Charging Schedule which sets out how much the CIL will be expressed as a rate per square metre. Different levels can be charged in different areas or for different uses. In setting CIL rates, Regulation 14 of the Community Infrastructure Levy Regulations 2010, state charging Authorities:

'must aim to strike what appears to the charging authority to be an appropriate balance between' the desirability of funding infrastructure from CIL and 'the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area'

In setting a CIL charging schedule, the Council must have appropriate evidence base which sets out what infrastructure is needed to support development in the area for the next 15-20 years or whatever period is identified in the Local Development Framework. It needs to look at what projects need to be funded and from where this funding will be derived. The CIL is not intended to fund these projects in their entirety but is meant to address any funding shortfall not met from other funding sources, e. g. Government grants or private sector investment.

Evidence also needs to be provided to demonstrate that the CIL is not set at a rate that deters development from coming forward because it is too high. Government guidance on charge setting specifies that:

'charging authorities should avoid setting a charge right up to the margin of economic viability across the vast majority of sites in their area' and 'should explain briefly why they consider that their proposed CIL rate (or rates) will not put the overall development across their area at serious risk'.

Prior to adopting and publishing a Charging Schedule the council must under go two rounds of public consultation. The Council is currently consulting on the preliminary Draft Charging Schedule for a period of 6 weeks which will end on 20th December 2012. The council will then take into account the comments received during this round of consultation and make any changes they feel necessary and will carry out another round of public consultation lasting 4 weeks, which is likely to take place in Spring 2013.

Instalments Policy

The Community Infrastructure Levy Regulations 2010 allow CIL charging authorities to put in place policies allowing payment of CIL in several instalments. The Mayor of London is currently deciding what its CIL instalment policy will be. Once Camden introduces its own CIL it will decide whether to continue with the Mayor's policy or adopt our own borough policy.

This consultation invites your views on what the Camden CIL policy should be. If a borough instalments policy is adopted, the Council will publish this on the website, in accordance with CIL regulation 69B of the CIL Regulations 2010 (as amended). Through adopting an instalments policy, the council would be able to provide greater flexibility to developers when making payments.

SETTING THE LEVEL OF CIL

Evidence of Infrastructure Need in Camden

Government guidance on CIL charge setting indicates that information on infrastructure needs should, wherever possible, be drawn directly from the infrastructure planning that underpins the Development Plan. An Infrastructure Study was carried out for the Core Strategy of the Camden Local Development Framework in 2010 by URS planning consultants to ensure that there was adequate infrastructure within Camden to support new growth.

An update of this was commissioned in early 2012 to identify what the future infrastructure needs are and what projects the CIL may need to contribute towards. Consultation has taken place with service providers within Camden and also external bodies such as the police and the water authorities.

The study has looked at the whole range of infrastructure which may be needed under the general headings of social infrastructure (including education, health, sports/leisure, open spaces, libraries, employment training and community facilities), utilities (water energy, telecommunications, sewerage, flood risk, policing, ambulance and fire services) and transport (roads, public realm, walking/cycling provision and public transport).

This is not a definitive list of schemes to be funded through CIL but part of the justification for introducing a charge. The list of schemes to be funded will be published and updated on an ongoing basis once CIL is introduced.

The study includes a list of infrastructure projects which would be needed to support new growth. Taking into account other funding sources e.g. Government grants, a funding gap of at least £280 million has been identified until 2026. This includes £55-60M for schools, £22M for community facilities, £60M for health, and £140M for transport.

CIL Viability in Camden

Camden Council appointed GVA Consultants to undertake a viability analysis to justify what level of CIL can be charged in Camden. They looked at 20 common development scenarios of what sorts of development we expect to come forward in Camden. These include 9 housing schemes ranging from 1 house to 150 flats, 8 mixed use schemes of varying scales, mainly housing and offices but also some retail and student housing, and hotels.

These scenarios have been looked at across 5 different value areas: Central; Zone 1 (Kings Cross / Somerstown / Euston); Zone 2 (Camden / Kentish Town); Zone 3 (Highgate / Hampstead); and Zone 4 (West Hampstead). This has been done because the value of both the existing and the proposed uses on a site is an important factor in determining what level of CIL could be charged.

A residual valuation approach has been taken on each development scenario in areas where it would be expected to come forward. This takes into account 20 % developers profit, the Mayor's CIL, likely section 106 contributions and affordable housing (25% and 50% scenarios have been assumed). These assessments have used Valuation Office data and benchmarking data from real property transactions in Camden for each development scenario. Checks have also been made to ensure that CIL is no more than a small proportion of the development value and cost to avoid developers trying to argue that the level of CIL will deter development from coming forward. The main purpose for doing this is to provide evidence that the proposed level of CIL will not deter development from coming forward in most parts of Camden.

$$\begin{array}{c} \text{GROSS DEVELOPMENT VALUE} \\ \text{(minus)} \\ \text{TOTAL COSTS} \\ \text{(minus)} \\ \text{DEVELOPER'S PROFIT} \\ = \\ \text{RESIDUAL LAND VALUE} \end{array}$$

CIL Charging Schedule

The Council has considered the findings of the viability assessment and the need to address the estimated infrastructure funding gap in making a balanced judgement on appropriate CIL rates. There has been a conscious effort to keep the rates relatively simple whilst securing an appropriate contribution of funding for local infrastructure made necessary by planned new development.

Based on the study findings the recommended approach is a CIL focused on housing schemes. A higher rate of CIL should be charged for schemes under 10 units which do not contribute towards affordable housing and there should be different charging areas for larger housing schemes based on geographical variations in predicted CIL values. The five different value areas described above have been simplified to three areas g. Central, Highgate/Hampstead, and rest of Camden. This has been done because the predicted CIL values derived from the valuations were similar for some of the areas.

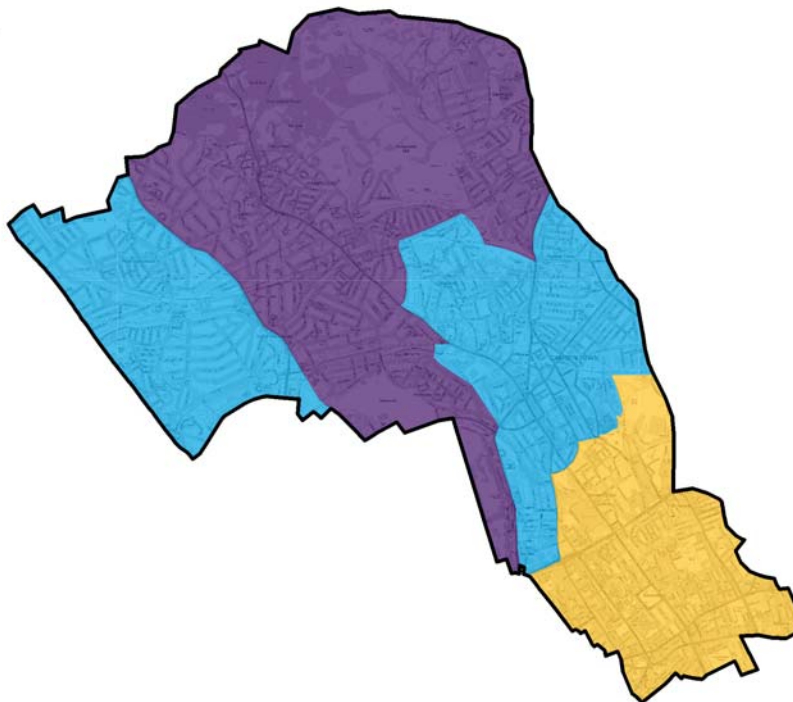
It is recommended that there should be a lower level of charge for commercial uses for the reasons explained in the previous paragraphs. A zero rate is recommended for community health and education uses which are less viable than other uses and provide forms of infrastructure in their own right. Similarly a zero rate is recommended for industrial/ employment uses. When compared to residential and office and retail these uses are not likely to come forward in significant volumes and therefore do not have the potential to raise much CIL.

Taking the study findings and the Government guidance on charge setting into account the following schedule is proposed for consultation purposes. The map below shows the different value areas.

Camden's Draft Charging Schedule and Map

Camden's Draft Charging Schedule has been agreed by the Camden cabinet for the purposes of public consultation.

Type of Development	Maximum CIL Tariff per sq m		
	Zone 1 (Central)	Zone 2 (Rest of Camden)	Zone 3 (Highgate/Hampstead)
Residential below 10 dwellings	£500	£500	£500
Residential above 10 dwellings and private care homes	£150	£250	£500
Retail (including bar/restaurant and other town centre uses)	£25	£25	£25
Office	£45	£25	£25
Student Housing	£175	£400	£400
Hotel (including tourist hostels)	£40	£30	£30
Health, Education, Community meeting spaces.	£0	£0	£0
Industry, warehousing, research and development	£0	£0	£0
Other commercial uses	£25	£25	£25



Value Zones

- Zone 1
- Zone 2
- Zone 3

Relationship between S106 and CIL

CIL differs fundamentally from S106 in that the funds collected are not tied to a specific development or for the provision of specific infrastructure. The CIL regulations will scale back the scope of section 106 legal agreements, although developers are still required to provide 'on-site' infrastructure needs through Section 106 obligations to mitigate the direct impact of development such as affordable housing, highways works and other non-financial requirements. Unlike funding from Section 106 agreements, CIL funds can be spent on a wide range of infrastructure to support development without the need for a direct geographical or functional relationship with the development.

After the Council adopts a CIL or after 6th April 2014 (whichever is earlier), the council is restricted to pool together a maximum of 5 contributions from 5 separate planning obligations. This restriction does not apply for infrastructure provision which cannot be funded by CIL, including affordable housing and non-infrastructure items such as training which are not subject to these pooling restrictions

Equalities Impact Assessment

In setting its proposed rates we have undertaken viability research to ensure that the CIL is not set at a rate which will deter the different types of development which occur in Camden from coming forward. Therefore it is not considered that this level of CIL will have a disproportionate impact on any particular group in Camden.

However a meaningful assessment can of this only be carried once the spending priorities for a Camden CIL have been determined so that the costs of paying a CIL can be balanced against the benefit of any new infrastructure funded through a CIL. This will be the subject of a separate consultation and a combined Equalities Impact assessment will be prepared to reflect the overall impact of charging a CIL.

How to Comment on Camden's Preliminary Draft Charging Schedule?

This consultation seeks your views of Camden proposed charging schedule. If you would like to make comments on the schedule please fill in the online questionnaire at the link below:

<https://consultations.wearecamden.org/culture-environment/camden-cil-preliminary>

Or send any comments to CIL@camden.gov.uk.