

Community Infrastructure Levy

Draft Charging Schedule Background information document

October 2019

What is this consultation about?

The Community Infrastructure Levy (CIL) is a standard charge collected from developers on a rate per sqm basis after their planning permissions have been implemented. The funds raised are spent on infrastructure, or to support the development of an area. It is proposed to increase the rates for offices, research and development, and hotel uses in Central London, and adjust the rates for other uses in line with building cost inflation.

Background

Camden Council has been collecting its own Community Infrastructure Levy (CIL) since April 2015 and £30.5 million has been collected so far, which has been used to fund strategic infrastructure and more local projects. CIL is charged at different levels per sqm for different uses and areas, which are set out in a charging schedule.

In the current schedule, the highest rates are charged for residential uses because they generate the greatest uplift in value on development sites. Commercial uses are charged at lower rates because the economic viability evidence Camden commissioned to justify the rates, indicated that these uses generated less value and would be more easily deterred by a higher charge.

The current CIL charging schedule was subject to two rounds of public consultation and an Examination in Public in late 2014 / early 2015. Camden's proposed rates were supported by viability evidence, which demonstrated that they would not deter most development from coming forward. An independent Examiner supported Camden's proposals and in light of this, the Full Council agreed the commencement of CIL charging in March 2015.

Legislative requirements for setting new CIL rates

The CIL regulations specify that: 'In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between:

- (a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
- (b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.'

Need to fund infrastructure

Before the current schedule was adopted, Camden commissioned an infrastructure study to demonstrate that there was need to raise a CIL to fund infrastructure to support new development. The study identified a funding gap of at least £280 million until 2026. This included £55-60M for schools, £22M for community facilities, £60M for health, and £140M for transport. During this period, it was estimated that approximately £100M of CIL might be raised with the current rates. Therefore, there is a significant infrastructure-funding shortfall, which can only be partially addressed through the CIL.

A further infrastructure study was carried out in 2015 to support the introduction of a new Camden local plan, which identified a large number of infrastructure projects in need of

funding. Camden has set out a list of the infrastructure it wishes to fund through the CIL in the coming years in a strategic funding list. This is supplemented by local CIL priority funding lists, which identifies projects and priorities and for Neighbourhood CIL spending. So far, only approximately £20 million of highway and school improvements, and £2.3 million of more local projects has been funded. Clearly, there is still to need to continue to raise a CIL at similar levels to the current situation, and a good case to increase it to fund the infrastructure needed to support the development of Camden

Economic Viability

Since the Camden charging schedule was introduced in 2015, office, research and development, and hotel uses appear to have increased in value in Camden, which may result in greater levels of this form of development coming forward on development sites. The current CIL rates are based on viability research carried out 2013 and 2014 and have an emphasis on residential uses because they generate the greatest increase in value with lower rates charged for commercial uses.

The Council has commissioned BNP Paribas viability consultants to carry out research to ascertain whether these commercial uses have increased in value, and could be charged a higher rate of CIL to help better address the infrastructure impacts they generate, without development being deterred from coming forward. BNP were also asked to look at whether the viability position has changed with regard to residential development across Camden.

BNP's key findings are that

- There is viability evidence to support increasing offices and hotel rates to £110 per square metre in Central London. Elsewhere the evidence does not support an increase.
- Research and Development uses are for the most part considered, as offices by developers in terms of their value so should be moved from the £0 rate for industry and warehousing to the office category with the increased charge of £110 per sqm.
- The residential markets have remained sufficiently buoyant and there is no evidence that the Council's adopted CIL rates (indexed to current costs) deter schemes from coming forward. The residential and other rates should be revised to reflect indexation of building costs (£500 per sqm would become £613 per sqm). Indexation is already applied to the Camden CIL and this change would make it clearer to developers what needs to be paid.

Proposed approach for revised charging schedule

The Camden CIL charging schedule is kept substantially in its current form with same differential charging zones, but with indexed residential and other rates and increased rates for office, research and development uses, and hotels in Central London (Central Zone A on schedule map). Details of the new rates are in the revised attached schedule. It is proposed that these rates would be charged alongside the Mayor of London CIL 2, which was introduced in April 2019.

CIL Relief and Exemptions

These would remain the same as for the previous schedule. The regulations provide 100% relief from the levy on those parts of a chargeable development, which are intended to be used for social housing as defined in the CIL regulations. A charity landowner can also benefit from full relief of CIL if the building will be used wholly, or mainly, for charitable purposes. Camden does not offer discretionary relief from the CIL.

Instalments Policy

This will remain the same as for the current schedule

CIL Liable Amount	Number of Instalments	Payment Periods and Amounts
Any amount less than £500,000	One instalment	- 100% payable within 60 days of the commencement of development.
Amounts equal to more than £500,000 but less than £1,000,000	Two instalments	- £ 500,000 payable within 60 days of commencement of development. - Balance payable within 120 days of commencement of development.
Amounts equal to or more than £1,000,000 but less than £2,000,000	Three instalments	£ 500,000 payable within 60 days of commencement of development. -Balance payable in a further two instalments within 120 days and 180 days of commencement of development.
Amounts equal to or more than £2,000,000 but under £4,000,000	Four instalments	- £ 500,000 payable within 60 days of commencement of development. - Balance payable in a further three instalments within 120, 180 and 360 days of commencement of development.
Amounts equal to or more than £4,000,000	Five instalments	- £ 500,000 payable within 60 days of commencement of development - Balance payable in a further three instalments of equal amount within 120, 180 and 360 and 540 days of development.

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

This consultation seeks your views of Camden proposed charging schedule. If you would like to make comments on the schedule please send any comments to CIL@camden.gov.uk. Please send your comments by 2nd December 2019.

Hard copies of the consultation documents are available to view at Pancras Square Library, 5 Pancras Road, King's Cross, London N1C 4AG.

Examination in Public

Camden will consider your comments and may amend its proposals in the light of any views expressed or evidence presented. Any comments received together with Camden CIL proposals will be presented to an Examination in Public by an independent Examiner in line with procedures set out in the CIL regulations.