

# Community Infrastructure Levy

## Raising funds for infrastructure delivery: Consultation on Preliminary Draft Charging Schedule, March 2012

Consultation period Friday 30<sup>th</sup> March to 5pm Friday 11<sup>th</sup> May 2012



Waveney District Council  
Serving the Community



## **Purpose of this document**

This document sets out the Council's initial ideas on appropriate rates to charge on most types of new development in the area. The money raised from the charge will be used to pay for infrastructure to support development in the District.

**Give your views on this document online at [www.consult.waveney.gov.uk](http://www.consult.waveney.gov.uk).**

# Contents

<b>1. Introduction</b> .....	<b>1</b>
What is CIL? .....	1
What is a Charging Schedule? .....	1
Benefits of CIL .....	2
Relationship to Section 106 Planning Obligations .....	2
<b>2. Evidence</b> .....	<b>4</b>
Infrastructure Need.....	4
Financial Viability .....	4
<b>3. Proposed Charging Schedule</b> .....	<b>6</b>
Residential Rates.....	6
Rationale for Residential Rates.....	6
Other Rates .....	7
Rationale for Other Rates .....	7
Exemptions.....	8
<b>4. How is CIL Calculated</b> .....	<b>9</b>
<b>5. Next Steps</b> .....	<b>10</b>
<b>Appendix A – Residential Charging Zones</b> .....	<b>11</b>
<b>Appendix B – Residential Charging Zones Lowestoft Inset</b> .....	<b>12</b>

## 1. Introduction

1.1 This document is a consultation paper on a Preliminary Draft Charging Schedule for the Waveney Community Infrastructure Levy (CIL). The Preliminary Draft Charging Schedule is a first draft and represents the Council's initial ideas on appropriate rates of CIL to charge. The rates proposed may change as a result of this consultation. We therefore welcome your views on the proposed rates and the evidence that supports them.

1.2 As well as the proposed charging schedule itself, this document provides the background to the charging schedule, explaining general principles of CIL as well as the methodology, the assumptions made and the evidence base used in producing the proposed draft charges. The Community Infrastructure Levy will be a key tool in helping deliver the Council's plans and proposals as set out in its Local Development Framework.

### ***What is CIL?***

1.3 The Community Infrastructure Levy (CIL) is a new standard charge which local authorities in England and Wales can charge on most types of new development in their area. CIL charges will be based on the size, type and location of the development proposed. The money raised will be used to pay for infrastructure required to support development in a District.

1.4 CIL is a fair and transparent way in which new development can contribute to infrastructure provision. Most development has some impact on the need for infrastructure and services, or benefits from them. Therefore it is appropriate that such development pays a share of the cost. The Government considers that those who benefit financially when planning permission is given should share some of that gain with the local community. By paying a contribution, developers will help fund the infrastructure that is needed to make their development acceptable and sustainable.

### ***What is a Charging Schedule?***

1.5 A Charging Schedule sets out the rates of CIL a Local Authority (known as a Charging Authority for the purposes of CIL) will charge on development in its area. It sets out a rate per square metre for all qualifying development. A Charging Schedule can set different rates for different types of development and different rates for different areas of a district.

1.6 Before coming into force, a Charging Schedule must be subject to two rounds of public consultation and an examination conducted by an independent person. This consultation is the first of the two consultations required on a Charging Schedule.

1.7 In addition to publishing a Charging Schedule the Council will also publish a protocol on how it intends to collect, spend and monitor CIL funds in the future.

## ***Benefits of CIL***

- 1.8 New development needs to be supported by new infrastructure. CIL provides a funding stream for this infrastructure, and a mechanism for ensuring that new development bears a proportion of the cost of new infrastructure that will serve the District.
- 1.9 CIL is a simple, highly transparent charge that provides certainty to communities and developers as to how much development will contribute to infrastructure. As CIL is mandatory, it can avoid the sometimes long negotiations that are associated with Section 106 planning obligations. CIL may have the potential in generating more funds for infrastructure from development than the current system of Section 106 planning obligations as more development is likely to be liable. It will also avoid some developments having to pay a disproportionate contribution to infrastructure because other developments in close proximity have already used up available capacity without contributing. Reforms coming through from Government will require Waveney District Council to hand a proportion of CIL funds back to Parish and Town Councils when development occurs in their areas. This will enable Parish and Town Councils to have greater control on how to mitigate the impacts of development in their areas.

## ***Relationship to Section 106 Planning Obligations***

- 1.10 The CIL Regulations introduced in April 2010 and amended in April 2011 contain measures to reduce the use of Section 106 agreements to fund infrastructure. The first measure (Regulation 122) which came into force on the 6th April 2010 requires Section 106 agreements to meet the following tests:
- necessary to make the development acceptable in planning terms;
  - directly related to the development; and
  - fairly and reasonably related in scale and kind to the development.
- 1.11 A second measure introduced in the regulations restricts the use of planning obligations to require funding for pooled contributions towards infrastructure. The regulations only allow for a maximum of five planning obligations to contribute to a certain infrastructure project or type of infrastructure. For example, only five planning permissions for development will be able to have planning obligations that require financial contributions to off-site open space in the District. After this no more pooled contributions towards off-site open space provision would be allowed in the District. This power will come into force in April 2014 or when a local charging schedule comes into force. However, any planning obligations entered into from April 2010 will count towards the limit of five. Where a charging schedule is in place, a planning obligation cannot be used to require funding for a piece of infrastructure that is listed as being funded by CIL.
- 1.12 The above restrictions mean that it will not be possible for the Council to pool developer contributions towards infrastructure provision through the use of Section 106 contributions.

1.13 Therefore once a CIL is in place Section 106 planning obligations will no longer be used to fund off-site infrastructure such as schools, open spaces and libraries. CIL will be the main source of developer funding for these types of infrastructure. Section 106 planning obligations will still be used for the provision of affordable housing (both onsite and offsite). Section 106 planning obligations will also be used in some circumstances for infrastructure provision where it is needed to make the development acceptable in planning terms such as access improvements, or a primary school which will normally be on the site as part of the scheme. Table 1.1 below shows what will be covered by Section 106 and CIL once CIL is adopted locally.

**Table 1.1 – Relationship of Section 106 to CIL**

Contribution	Present Mechanisms	Future Mechanisms
Site specific <u>onsite</u> infrastructure <ul style="list-style-type: none"> <li>• School</li> <li>• Open Space</li> <li>• Health/Community facilities</li> <li>• Site-specific highway improvements</li> <li>• Electricity connection</li> <li>• Site specific sewage upgrades</li> <li>• Renewable energy/decentralised energy</li> <li>• Affordable Housing</li> <li>• Public transport provision</li> <li>• Flood protection/surface water management</li> <li>• Archaeology</li> <li>• Fire hydrants</li> <li>• Landscaping</li> <li>• Public art</li> </ul>	Section 106 / Planning Conditions	Section 106 / Planning Conditions
Pooled <u>offsite</u> contributions for: <ul style="list-style-type: none"> <li>• Open space</li> <li>• Schools</li> <li>• Libraries</li> <li>• Health</li> <li>• Community facilities</li> <li>• Waste</li> <li>• Flood protection/surface water management</li> <li>• Strategic highway/transport improvements</li> <li>• Police infrastructure</li> <li>• Environmental improvements</li> <li>• Fire services</li> <li>• Other infrastructure not mentioned above</li> </ul>	Section 106	Community Infrastructure Levy
Pooled offsite contributions for: <ul style="list-style-type: none"> <li>• Affordable Housing</li> </ul>	Section 106	Section 106

## 2. Evidence

- 2.1 The regulations governing the introduction of a local CIL require Local Authorities to have evidence to support a charging schedule and must ensure that the rates of CIL set in a Charging Schedule aim to strike an appropriate balance between the desirability of funding infrastructure through CIL and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.
- 2.2 Government guidance requires Charging Schedules to demonstrate this by being supported by evidence of infrastructure need and evidence of the financial viability of development with respect to proposed rates.

### ***Infrastructure Need***

- 2.3 An infrastructure study<sup>1</sup> has been prepared which identifies and costs all the infrastructure needed to support development planned in Waveney as set out in the District's Local Development Framework. The study also examines whether there are any existing or future funding streams for infrastructure and calculates an aggregate funding gap that CIL will need to help address.
- 2.4 The study identifies a funding gap of between **£11,612,877** and **£14,839,027** that CIL will need to help address. This funding gap helps demonstrate why a CIL is needed in Waveney. It should be noted that most of the funding gap is related to Lowestoft as this is where most of the growth is proposed in the Council's Local Development Framework.

### ***Financial Viability***

- 2.5 The rate of CIL for an area cannot just be set at a rate which closes the funding gap. This rate for all types of development is unlikely to be viable and lead to development not coming forward in the District. Therefore, Waveney has commissioned BNP Paribas Real Estate to prepare a study<sup>2</sup> examining the maximum viable rates of CIL that different types of development in different areas of the District can afford to viably pay.
- 2.6 For residential development the study identified seven market areas across the District and therefore recommends differential rates for different areas as set out in Table 2.1 below. For commercial development the study only identified a single market and the rates recommended are in Table 2.2. It is important to note that the rates of CIL only need to be informed by viability evidence, they do not need to be dictated by the evidence.

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<sup>1</sup> Waveney Community Infrastructure Levy – Infrastructure Study 2012 – 2025 (March 2012)

<sup>2</sup> Waveney Community Infrastructure Levy – Viability Study (March 2012)

**Table 2.1 – Residential Viability**

Market Area(s)	Recommended Rates
Inner Lowestoft	£42 - £48 per square metre
Suburban Lowestoft (including Kessingland, Carlton Colville, Corton and surrounding rural areas)	£56 - £64 per square metre
Beccles (including surrounding rural area)	£56 - £64 per square metre
Bungay (including surrounding rural area)	£84 - £96 per square metre
Halesworth (including surrounding rural area)	£140 - £160 per square metre
Reydon (including surrounding rural area)	£140 - £160 per square metre
Southwold (including surrounding rural area)	£140 - £160 per square metre

**Table 2.2 – Commercial Viability**

Type of Development	Recommended Rates
Hotels	£0 per square metre
Offices	£0 per square metre
Town centre non-food retail and local centre retail (<280sqm)	£0 per square metre
Supermarkets and superstores and retail warehouses (>=280sqm)	£100 - £130 per square metre
Industrial and warehousing	£0 per square metre
Residential Care Homes	<=£100 per square metre
Holiday lets	Between £42 and £160 per square metre, discounted by 30%
D1 and D2 Development	£0 per square metre
Sui Generis	£0 per square metre

- 2.7 The viability study also examined the viability of three strategic sites in the Lake Lothing and Outer Harbour Area Action Plan Area (Policy SSP2 Peto Square and South Quay, Policy SSP3 Kirkley Waterfront and Sustainable Urban Neighbourhood, and Policy SSP7 Oswalds Boatyard). The results suggest that viability will remain challenging for the delivery of these sites due to the costs associated with flood mitigation and that the Council may choose to set a lower rate for these sites.



### 3. Proposed Charging Schedule

3.1 This section sets out the CIL rates that Waveney proposes to charge. The Council proposes that given the different viability between types of development and differences in viability for residential development in different areas of the District that a single rate of CIL would not be desirable. Therefore the Council proposes to charge differential rates. The rates set out below are in pounds per square metre for net additional increase in internal floorspace.

#### ***Residential Rates***

3.2 The rates proposed for residential (C3 and C4 Use Class) are set out in Table 3.1 below. The zones are defined in Appendix A. Appendix B shows a inset map of Lowestoft to show the boundaries between Zone 1, 2 and 3 at a better scale.

**Table 3.1 - Residential Rates**

<b>Residential Charging Zone</b>	<b>Rate of CIL per sqm</b>
Zone 1 (Lake Lothing Flood Zone)	£0
Zone 2 (Inner Lowestoft)	£45
Zone 3 (Outer Lowestoft and Beccles plus surrounding rural areas)	£60
Zone 4 (Bungay and surrounding rural areas)	£90
Zone 5 (Halesworth, Reydon and Southwold and Surrounding rural areas)	£150

#### **Rationale for Residential Rates**

3.3 Residential zones and rates have be set with reference to the recommended rates for different market areas set out in the CIL Viability Study.

3.4 The residential charging zones largely reflect the market areas identified in Appendix A of the CIL Viability Study. Zone 3 combines the market areas of Lowestoft and Beccles as the recommended rates for these market areas were the same. Zone 5 combines the market areas of Halesworth, Southwold and Reydon as these market areas had the same recommended rates. The boundaries of the Zones 3, 4 and 5 are slightly different to the market areas in that they clip to the nearest parish boundary for ease of administration. For Zones 2, 3, 4 and 5 the proposed rates represent the mid-point of the range of rates suggested in the CIL Viability Study.

3.5 The CIL Viability Study suggested that for the strategic sites in the Lowestoft and Outer Harbour Area Action Plan a lower rate may be needed as in the current market there was very little scope for even a small CIL charge. The main reason for the lack of viability was down to abnormal costs associated with flood mitigation and site preparation (remediation and demolition). As such it is proposed to have a separate charging zone covering an area closely resembling the flood zone (Flood Zone 2 with climate change assumptions, amended round existing property for practical purposes) surrounding Lake Lothing, where a zero CIL rate will be applied. The flood zone also covers most of the areas of the sites where extensive remediation and demolition would be required. This does not mean that development in this area will not contribute towards infrastructure needed to make the development acceptable in planning terms. Instead it will have to contribute through negotiable Section 106 planning obligations that have overage clause attached to them, so that when viability improves a higher contribution is made.

### **Other Rates**

3.6 The rates proposed for other types of development are set out in Table 3.2 below.

**Table 3.2 - Other Rates**

Type of Development	Rate of CIL per sqm
Residential Care Homes and Nursing Homes (that fall under C2 Use Class) assist	£65
Holiday Lets <sup>3</sup>	£40
Supermarkets, Superstores and Retail Warehouses <sup>4</sup> (>=280sqm)	£130
All other development	£0

### **Rationale for Other Rates**

3.7 The CIL Viability Study suggested that residential care homes could absorb a CIL of up to £100 per sqm. However, the study suggests a substantial buffer should be applied to allow for differences in developments. The study suggests that a buffer of 35% should be adequate in the majority of circumstances. Therefore the rate proposed is £65 per sqm for this type of development.

<sup>3</sup> Permanent buildings for the purposes of tourist accommodation, restricted for permanent residential use by condition.

<sup>4</sup> As per the definitions in Planning Policy Statement 4(DCLG, 2009) and set out below:

**Supermarkets:** Self-service stores selling mainly food, with a trading floorspace less than 2,500 square metres, often with car parking.

**Superstores:** Self-service stores selling mainly food, or food and non-food goods, usually with more than 2,500 square metres trading floorspace, with supporting car parking.

**Retail warehouses:** Large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods, catering mainly for car-borne customers.

- 3.8 Holiday lets, for the purposes of the charging schedule, are permanent buildings for the purposes of tourist accommodation, restricted for permanent residential use by condition. The CIL Viability Study suggested that similar rates could be applied to holiday lets as to residential, but due to uncertain void periods a reduction of 30% should be applied. In order to keep a simple charging schedule, it is proposed that an approximate 30% reduction to the proposed Zone 2 rate (the lowest residential rate where this type of development is likely to occur) is applied to holiday lets across the District resulting in a charge of £40 per sqm.
- 3.9 The CIL Viability Study recommends that for retail warehouses and supermarkets that are larger than 280sqm a £200 per sqm charge could be levied. The study recommends a buffer below this maximum viable rate to allow for site specific issues resulting in a proposed charge of £130 per sqm.

### ***Exemptions***

- 3.10 There are a number of exemptions from CIL provided by the regulations for some types of development. Firstly development up to 100sqm will be exempt. For example, an extension to a residential property will not pay a CIL charge if it is less than 100sqm. This exemption does not apply if a new dwelling is being created by the development. For example a new 60sqm house in Halesworth would have to pay a CIL of £9,000.
- 3.11 Social housing development will not be liable for a CIL charge. Where social housing forms part of a mixed tenure development that includes market homes, CIL will not apply to the proportion of floorspace that consists of social housing. Social housing includes housing let by register providers, social landlords and local housing authorities and shared ownership housing.
- 3.12 Development by charities for charitable purposes will also be exempt from paying CIL.

## 4. How is CIL Calculated

- 4.1 The amount of CIL chargeable to a qualifying Development will be calculated utilising the formula set out in Part 5 of the CIL Regulations. In summary the amount of CIL chargeable will be calculated as follows:

$$\frac{\text{CIL Rate} \times \text{Chargeable Floor Area} \times \text{BCIS Tender Price Index (at Date of Planning Permission)}}{\text{BCIS Tender Price Index (at Date of Charging Schedule)}}$$

- 4.2 The chargeable floor area is discounted by any existing buildings on the site that have been in use for a period of at least six months within the period of 12 months ending on the day planning permission for the development is first granted.
- 4.3 The gross internal areas of buildings will be ascertained from the approved plans. Where there are existing buildings on the site the planning officer will require proof that they have been in use for a period of at least six months within the period of 12 months ending on the day planning permission for the development is first granted. For further information about calculation please see the CIL regulations.<sup>5</sup>

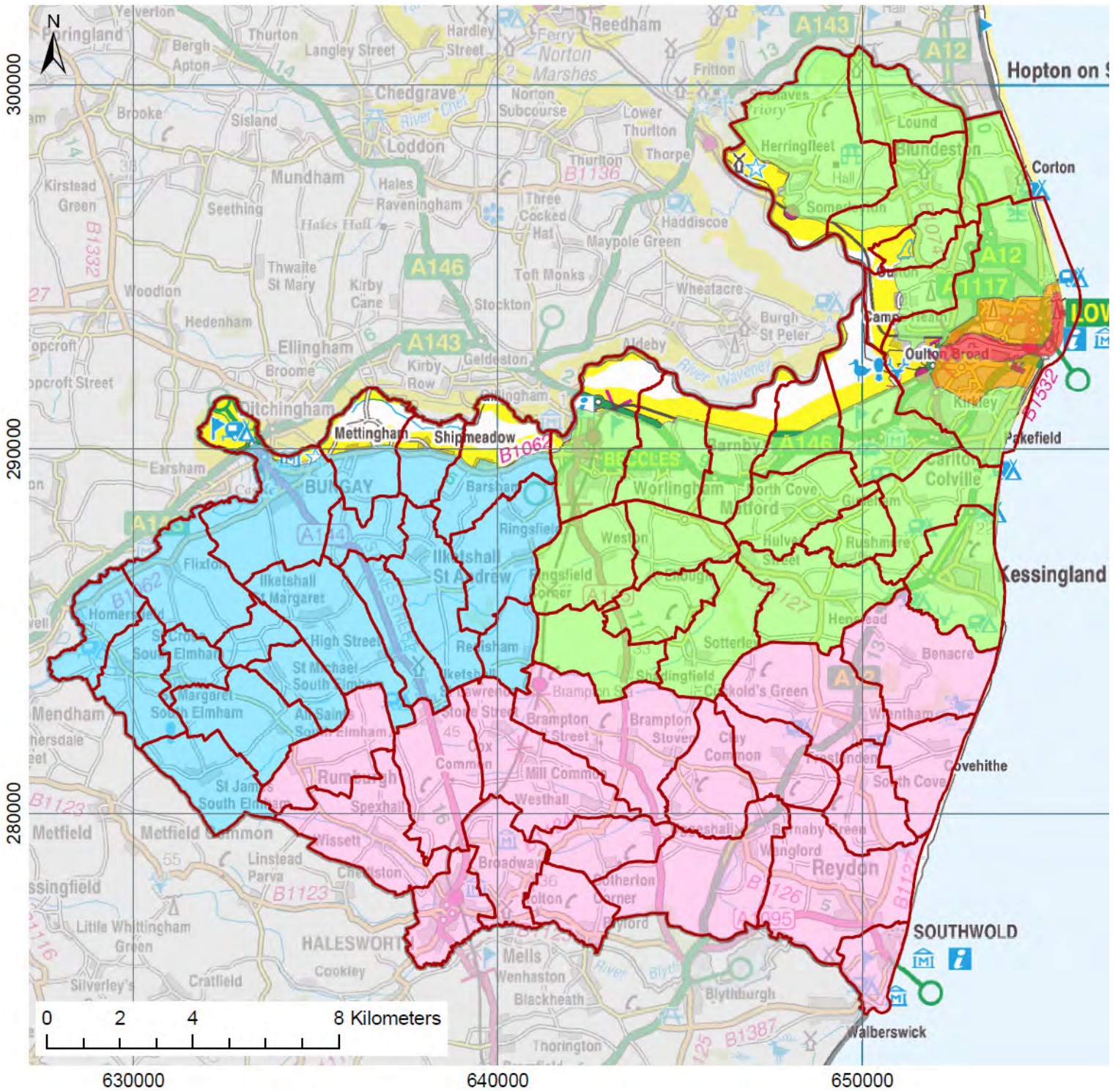
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<sup>5</sup> Community Infrastructure Levy Regulations (2010) <http://www.legislation.gov.uk/uksi/2010/948/contents/made>  
Community Infrastructure Levy (Amendment) Regulations (2011) <http://www.legislation.gov.uk/uksi/2011/987/contents/made>

## 5. Next Steps

- 5.1 Following the consultation on this Preliminary Draft Charging Schedule, all comments received will be reviewed and analysed. The Charging Schedule will then be revised if necessary. A further period of consultation will then take place on a final draft known as the 'Draft Charging Schedule'. The Draft Charging Schedule consultation is forecasted to take place over Summer/Autumn 2012
- 5.2 Comments received during the consultation on the Draft Charging Schedule will be submitted alongside the Draft Charging Schedule to an independent examiner for examination in public following the consultation. Anyone who makes comments during the Draft Charging Schedule consultation will have a right to be heard at the examination.
- 5.2 Following the examination in public, the examiner will publish a report which will set out whether they approve the Charging Schedule. If the examiner approves the Charging Schedule, the Council will be able to bring the Charging Schedule into effect. The Council currently anticipates that the Charging Schedule will be brought into effect by April 2013.

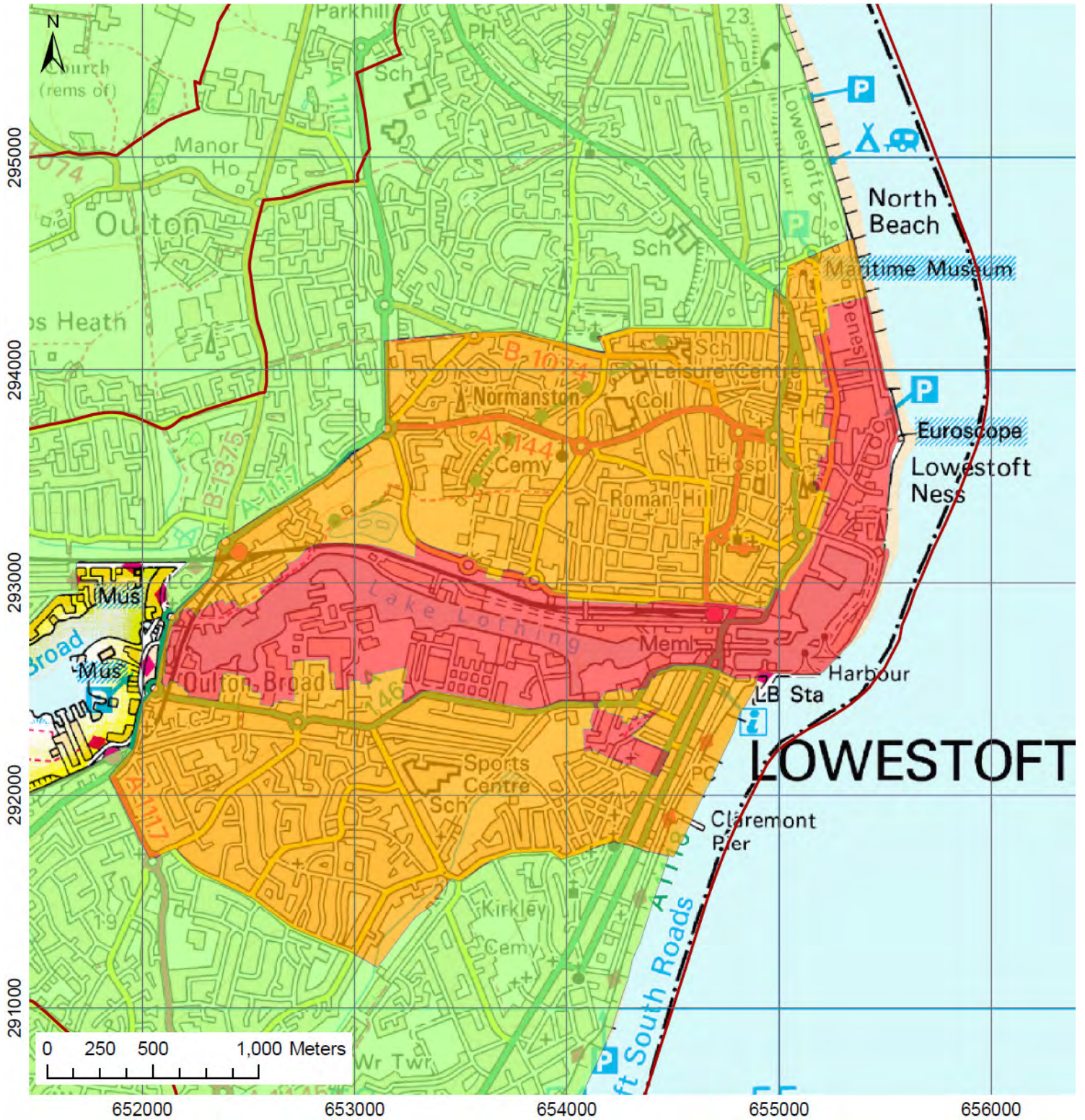
## Appendix A – Residential Charging Zones









- |   |                   |   |        |
|---|-------------------|---|--------|
|  | Parish Boundaries |  | Zone 3 |
|  | Zone 1            |  | Zone 4 |
|  | Zone 2            |  | Zone 5 |

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## Appendix B – Residential Charging Zones Lowestoft Inset



- |   |                   |   |        |
|---|-------------------|---|--------|
|  | Parish Boundaries |  | Zone 3 |
|  | Zone 1            |  | Zone 4 |
|  | Zone 2            |  | Zone 5 |

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