

London Borough of Havering

COMMUNITY INFRASTRUCTURE LEVY

Preliminary Draft Charging Schedule

February 2015

Prepared by: ERM

Havering Community Infrastructure Levy - Preliminary Draft Charging Schedule

Introduction

- 1.1 The Community Infrastructure Levy (CIL) is a new system of planning charges that Local Authorities can levy on new building projects through powers provided under Part 11 of the Planning Act 2008. The money raised must be used to help fund a wide range of infrastructure to support development across the Local Authority's area. The Community Infrastructure Levy Regulations 2010, which govern this new charge, came into force on 6th May 2010 (since amended by the CIL [Amendment] Regulations of 2011, 2012, 2013 and 2014).
- 1.2 This preliminary draft Charging Schedule for Havering is produced for public consultation as the first step in setting a Community Infrastructure Levy in Havering. The Council will take into account any comments made on this document before publishing a Draft Charging Schedule for public consultation and examination, in due course.

Why Havering is Implementing a Community Infrastructure Levy

- 1.3 The levy can be charged on most types of new building projects to ensure that most new development contributes towards the provision or enhancement of the infrastructure it relies upon. It is a fixed, non-negotiable charge related to the size and type of the chargeable development. A clear and consistent levy will allow the Council to plan ahead for infrastructure delivery more effectively and will help ensure that scarce resources are used effectively and efficiently.
- 1.4 Introduction of the levy will entail a reduction in the scope of planning obligations as a means of raising funds for infrastructure. From April 2015, it will no longer be permissible to pool financial contributions received through s106 obligations to pay for strategic infrastructure and CIL will therefore be the only mechanism for funding off-site community infrastructure from developer contributions. However, section 106 obligations will still be used to deliver affordable housing and certain site-specific infrastructure needs and mitigation measures and agreements under section 278 of the Highways Act will still be used to secure highway improvements to mitigate the impact of new development.
- 1.5 The CIL legislation allows for a proportion of the levy to be passed directly from the Council collecting it to the local community in which it was raised. Under Regulations which came into force in April 2013¹, a charging authority must pass 15% of the levy raised (capped at £100 per dwelling) to parish or community councils in an area where there is no Neighbourhood Plan or Neighbourhood Development Order in place and an uncapped 25% where there is. Where, as in Havering, there are no parish or community councils, the Council (as the 'charging authority') will retain the funds to spend on behalf of the community for the provision, improvement,

¹ CIL (Amendment) Regulations 2013

replacement, operation or maintenance of infrastructure, or anything else which addresses the demands that development places on the area.

CIL Charging Schedule

- 1.6 In order to charge a levy on development in Havering, the Council, as a 'charging authority' under the CIL Regulations, must set out the rate(s) it intends to charge and any other criteria in a '*charging schedule*'². When setting rates for CIL, the Council must aim '*to strike what appears to be an appropriate balance between the desirability of funding the total cost of infrastructure required to support development of its area and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development*'³.
- 1.7 Regulation 13 of the CIL Regulations 2010 allows the Council to set differential rates of CIL for different geographical zones and/or for '*different intended uses of development*'. Regulation 5(2) of the CIL Regulations (Amendments) 2014 further allows charging authorities to set differential rates by reference to the intended floorspace of development, or the intended number of units or dwellings. There is also provision for supplementary charges, nil rates, increased rates or reductions to be set. The Government's Guidance⁴ advises that differential rates, for both geographical zones and/or the intended uses/scales of development, must be justified by reference to consistent economic viability evidence. If differential geographical zones are set, they must be clearly identified on a map within the charging schedule. Differential rates should not be related to the costs of infrastructure in different areas nor be used to encourage or discourage development in particular locations.

Relevant Evidence

- 1.8 The charging schedule must be informed by appropriate available evidence⁵. This preliminary draft Charging Schedule and the proposed CIL rates in the next section have been informed by:
- Draft Further Alterations to the London Plan Table 3.1 (housing targets for Havering), 2014;
 - London Plan, 2011;
 - Havering Local Development Framework Core Strategy and Development Control Policies Development Plan Document, 2008;
 - Havering Local Development Framework Site Specific Allocations Development Plan Document, 2008;
 - The Havering Infrastructure Evidence Base Report, 2014; and
 - The Havering Community Infrastructure Levy Viability Assessment, 2014.

Copies of the evidence base documents can be viewed on the Council's website www.Havering.gov.uk or in the Council Offices.

² Section 211(1) of the Planning Act 2008

³ CIL Regulation 14 (2010)

⁴ DCLG Guidance on Community Infrastructure Levy (2014)

⁵ Defined by Section 211 (7A) of Planning Act 2008 (as amended by the Localism Act 2011).

Draft Further Alterations to the London Plan 2014

- 1.9 The draft Further Alterations to the London Plan 2014 (FALP) has now been through Examination and considerable weight can be attached to its policies. The FALP minimum housing supply target for Havering is 1,170 dwellings per annum. In its representations on the FALP, Havering acknowledged the revised and increased housing supply requirements for the borough for the period 2015-2025. The updated figure for Havering has been derived from close liaison of the Council with the GLA on the London-wide Strategic Housing Land Availability Assessment in 2012/ 13. The FALP does not set affordable housing targets at the borough level.

Havering Local Development Framework documents 2008

- 1.10 The adopted Local Development Framework sets out the vision, objectives and strategy for the delivery of sustainable development in Havering up to 2020. The plan includes an affordable housing requirement (50%) and housing mix requirement and allocates strategic housing sites. The plan also addresses regeneration as well as economic and town centre development.

Havering Infrastructure Evidence Base Report 2015

- 1.11 A charging authority wishing to introduce the Community Infrastructure Levy within its area is required to provide evidence of an aggregate funding gap that demonstrates the need to charge the levy. This involves first assessing the additional infrastructure needed to support the type and level of development being planned for its area and estimating its total cost, and then estimating the level of funding committed or likely to be available to pay for the infrastructure. The difference between the total cost and projected available funding represents the aggregate funding gap or CIL infrastructure funding target.
- 1.12 The evidence of infrastructure needs and costs is set out in the Infrastructure Evidence Base Report. This identifies the type, location and estimated cost of infrastructure required to support the development of Havering over the period 2015 to 2030. The total cost of all infrastructure items is estimated at around £534m. Funding of around £80m has so far been approved for this infrastructure and it is estimated that a further £150m may be available from recognised future funding sources. This leaves an estimated aggregate funding gap of some £317m, which represents the CIL infrastructure funding target, the amount to which CIL is intended to contribute.

The Types of Infrastructure that CIL will Support in Havering

- 1.13 A regulation 123 list is to be published with the Draft Charging Schedule prior to examination. It is likely that the following types of infrastructure will be funded by CIL:
- Education facilities;
 - Transport;
 - Green infrastructure;
 - Public realm improvements;
 - Community and cultural facilities;

- Leisure facilities;
- Open space;
- Health facilities;
- Business support;
- Flood defences; and
- Sustainable energy.

CIL Development Viability Assessment

- 1.14 The Council appointed consultants to prepare a CIL Development Viability Assessment as a key piece of evidence to inform the preliminary draft Charging Schedule. The study assessed the economic viability of housing and commercial development across Havering using a Residual Land Value model. The model incorporated a wide range of variables and assumptions relating to residential values from recent transactions, site densities, construction costs, Code for Sustainable Homes requirements, profit levels, and existing use values. A series of scenarios was modelled to explore the implications of adopting a range of CIL charges and affordable housing provision levels, taking into account the Mayor's CIL and residual site specific s106 obligations.
- 1.15 The viability assessment found that the economic viability of development, and therefore the ability to afford a CIL charge, varied across the borough both by type of development, and, for residential development only, geographically. The study recommended a differential rate of CIL be applied to each type of development, from nil to £175 per square metre. The study found that housing and private care/retirement housing development in the southern part of the borough would not be able to afford as high a CIL charge as development in the rest of the borough. It therefore recommended that a further differential rate be applied to two geographical charging zones, with the A1306 as their boundary.
- 1.16 Should the expected level of development identified in the draft Further Alterations to the London Plan be delivered and pay a CIL charge under the proposed charging schedule, the revenue yielded could reach between £88m and £123m for new homes in the period 2015-2030, with an additional sum from other chargeable development. This potential levy yield would fall within the infrastructure funding gap of £317m outlined above. The proposed levy rates are therefore justified in accordance with the Regulations and Guidance. However, the CIL raised would not be sufficient to meet the aggregate funding gap in full and further funding will need to be raised from other sources.

Havering Preliminary Draft Charging Schedule

1.17 The Havering CIL is proposed to be set at the following rates:

Type of Development	CIL Rates £ per square metre Net additional floorspace
Open market residential north of the A1306	£70
Open market residential south of the A1306	£50
Private care/retirement housing north of the A1306	£70
Private care/retirement housing south of the A1306	£50
Office and Industrial	£0
Retail – supermarkets, superstores and retail warehouses above 2,000m ² gross internal area	£175
Retail – below 2,000 m ² gross internal area in Metropolitan, District and Local Centres as defined in the Havering Core Strategy, 2008.	£50
Hotel	£20
All other development	£0

1.18 The Council will calculate the ‘chargeable amount’ of CIL payable using the locally-set rates above multiplied by the ‘gross internal area’⁶ of new buildings and enlargements⁷ to existing buildings, taking demolished floorspace into account. The formal calculation methodology is provided in Regulation 40 and Part 5 of the CIL Regulations 2010, as amended.

1.19 New buildings and extensions with a gross internal area over 100 sq metres in the residential, retail and hotel categories are liable to pay a CIL charge, except in the case of one or more new homes for which no minimum size threshold applies. The charge is imposed at the time planning permission is granted and paid on the commencement of development, or by instalments at the Council’s discretion.

1.20 The CIL Regulations exempt the following types of development from paying a CIL charge⁸:

- Social (affordable) housing;
- Development by charitable institutions;
- Changes of use that do not increase floorspace;
- Buildings into which people do not normally go or go only intermittently for the purpose of maintaining or inspecting machinery;
- Buildings with temporary planning permissions; and
- Self-build houses, annexes and extensions.

⁶ LBH will use the HMRC Valuation Office Agency’s definition of Gross Internal Area

⁷ CIL Regulation 42 (2010)

⁸ CIL Regulations 2010 (as Amended): Part 6: ‘Exemptions And Relief’.

- 1.21 The Council proposes to set differential rates of CIL for different intended uses of development based on the evidence of economic viability. For residential development and private care/retirement housing, it is proposed to set a differential rate for two geographical charging zones (north and south of the A1306, respectively) to reflect locational differences in viability.
- 1.22 The two residential charging zones are identified on the Preliminary Draft Charging Schedule Map, on page 7.
- 1.23 The CIL rates will be index linked to the *All-in Tender Price Index* published by the Building Cost Information Service of the Royal Institution of Chartered Surveyors.

Haverling Preliminary Draft Charging Schedule Map

- 1.24 The preliminary draft Charging Schedule Map on page 7 identifies the location and boundaries of the two charging zones for new residential development and private care/retirement housing, for the purposes of CIL. These charging zones would allow a differential rate for residential development and private care/retirement housing to be applied north and south of the A1306. No other types of development will be subject to a geographic differential rate and therefore are not included on the Map.

Mayoral CIL

- 1.25 Under the Planning Act 2008, the Mayor of London has the power to set a London-wide CIL, although this is restricted to the funding of transport infrastructure⁹. The Charging Schedule for the Mayoral CIL, which will comprise a major source of funding for Crossrail, came into effect in April 2012. The rate for any type of development within the proposed Charging Zone 3, which includes Haverling, is set at £20 per sq metre of gross internal floorspace¹⁰.
- 1.26 The Mayor's CIL has priority over any London Borough Council's CIL and must therefore be treated as a 'first charge' on developments. This has been taken account of in setting the proposed CIL rates for Haverling.

⁹ Health and education uses are both zero rated for the Mayoral CIL.


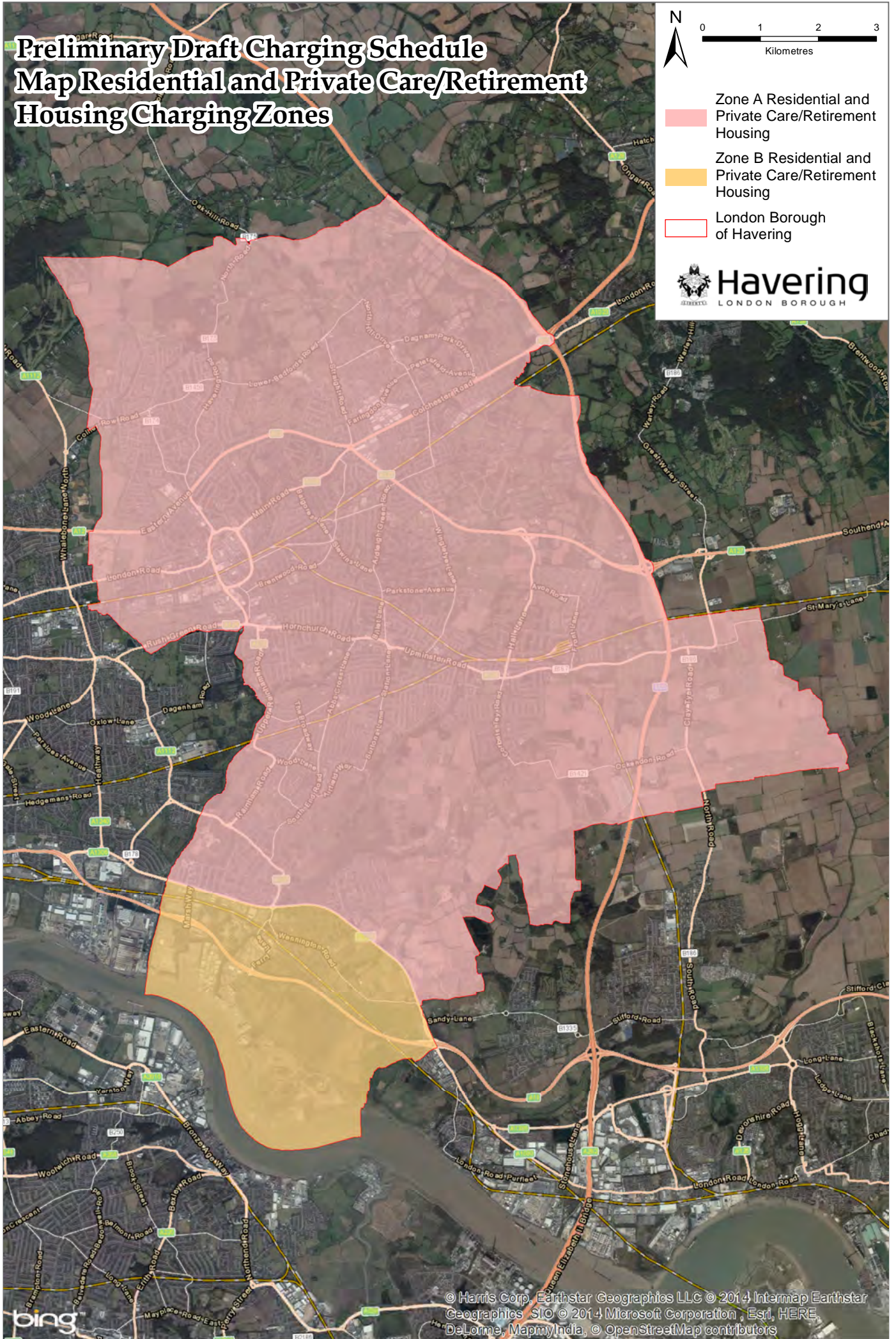
¹⁰ CIL Regulations 2010

Preliminary Draft Charging Schedule Map Residential and Private Care/Retirement Housing Charging Zones

N

0 1 2 3
Kilometres

- Zone A Residential and Private Care/Retirement Housing
- Zone B Residential and Private Care/Retirement Housing
- London Borough of Havering

PROJECTION: British National Grid



© Harris Corp, Earthstar Geographics LLC © 2014 Intermap Earthstar Geographics, SIO © 2014 Microsoft Corporation, Esri, HERE, DeLorme, MapmyIndia, © OpenStreetMap contributors

Discretionary Matters

- 1.27 Following adoption of the Charging Schedule, CIL payments will be due from the date that a chargeable development is commenced. The Council can permit the discretionary payment of CIL by instalments¹¹ to give the Council flexibility in dealing with certain applications. An 'instalment policy' containing details of the number of instalments permitted, the timing and dates of payments, the amount payable in any instalment and a minimum monetary threshold may be published with the adopted Charging Schedule. The 'instalment policy' may be amended or withdrawn at any time.
- 1.28 The Council proposes to offer '*discretionary relief for exceptional circumstances*'¹² from liability to pay CIL. Offering exceptional circumstances relief would provide the Council with some flexibility to deal with individual sites where development is desirable, but which are proved to have exceptional costs or other requirements which make them unviable. Exceptional circumstances relief can be activated and deactivated at any time and a notice of intention will be published by the Council.
- 1.29 The Council proposes, at its discretion, to allow the value of land, where the land is transferred to the Council, and infrastructure provided to be offset against the chargeable amount of CIL. The Council proposes, at its discretion, to enter into agreements for a land payment to discharge part or all of a levy liability and may also enter into agreements to receive infrastructure as payment. The value of land acquired and infrastructure provided as 'payment in kind' will be determined by the District Valuer (at the cost of the developer).
- 1.30 The Council proposes that it may apply CIL funds to '*administrative expenses*'¹³ incurred in connection with CIL.
- 1.31 The Council may offer '*discretionary charitable relief for investment activities*'¹⁴ where a charity landowner will hold the development as an investment from which the profits are applied for charitable purposes. This discretionary relief can be activated and deactivated at any time and a notice of intention will be published by the Council.

¹¹ Enabled by Regulation 69B of the CIL Regulations 2010 (as amended)

¹² Under the provisions and limitations of Regulations 55 and 57 of the CIL Regulations 2010

¹³ Under the provisions and limitations of Regulation 61 of the CIL Regulations 2010

¹⁴ Under the provisions and limitations of Regulations 44-48 of the CIL Regulations 2010

Consultation Arrangements

1.32 The consultation period for the Havering preliminary draft Charging Schedule will run from 23 February 2015 to 10 April 2015.

1.33 Comments are invited using the following methods:

By Email :

martyn.thomas@haverling.gov.uk

By Post :

Havering Community Infrastructure Levy
Development and Transport Planning Group
Regulatory Services
Communities and Resources Directorate
London Borough of Havering
Town Hall,
Main Road,
Romford
RM1 3BD

1.34 If you have any enquiries on the Havering CIL please contact **Martyn Thomas** at the email address above or telephone 01708 432845.

1.35 Document related to this consultation can be viewed on the Council's web page <http://www.haverling.gov.uk/CIL> Paper copies are available at the Council's offices in Romford.

1.36 This consultation is being undertaken in accordance with Regulation 15 of the CIL Regulations 2010 and the Council will take into account any representations made to it before publishing a Draft Charging Schedule, in due course.