



Community Infrastructure Levy Preliminary Draft Charging Schedule

Website: www.waverley.gov.uk/cil

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How to get involved

This Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule is subject to consultation between 8th November and 20th December 2012 (6 weeks). A comments form is available on the Council's website – www.waverley.gov.uk/cil. Alternatively, comments can be emailed to planningpolicy@waverley.gov.uk or posted to:

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If you have any questions on the content of the CIL Preliminary Draft Charging Schedule please contact a member of the Planning Policy Team on 01483 523417.

Next steps and transitional arrangements

Comments relating to the CIL Preliminary Draft Charging Schedule will be analysed and taken into account in preparing the Draft Charging Schedule. Further consultation will then take place and comments considered prior to submission and scrutiny by an independent examination in the Summer of 2013.

Consultation on Preliminary Draft Charging Schedule	Consultation on Draft Charging Schedule	Examination of CIL Charging Schedule	Adoption of CIL Charging Schedule
November/ December 2012	Spring 2013	Autumn 2013	Spring 2014

Subject to it being found sound and adopted, the CIL Charging Schedule will then replace the Planning Infrastructure Contributions SPD. Until such time the Planning Infrastructure Contributions SPD and Suitable Alternative Natural Greenspace (SANG) mitigation tariff as set out within the current Thames Basin Heaths Avoidance Strategy and Hindhead Avoidance Strategy will continue to apply. The SAMM tariff relating to the Thames Basin Heaths Avoidance Strategy is excluded from CIL and will therefore still be sought through S106.

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Section 1: Introduction

Background

- 1.1 As part of the changes introduced under the Planning Act 2008, the previous Government introduced the Community Infrastructure Levy (CIL) - a new mechanism to enable infrastructure requirements arising from growth to be funded through developer contributions.
- 1.2 CIL came into force in April 2010, through the Community Infrastructure Levy Regulations 2010. While the change in government initially cast doubt over the continuation of CIL, the Coalition Government has since announced its intention to retain CIL through the Localism Bill 2010, subject to some minor alterations.

What is Community Infrastructure Levy?

- 1.3 The Community Infrastructure Levy (CIL) is a standardised non negotiable local levy that is placed on new development for the purpose of helping to raise funds to support the delivery of the infrastructure that is required as a result of new development. Far from being a new source of funding, CIL provides a more straight forward mechanism to raise financial contributions currently sought using the Council's Planning Infrastructure Contributions SPD.
- 1.4 However, under CIL, developers can still be required to directly provide both 'off-site' infrastructure, through S106 contributions, and 'on site' improvements through planning conditions to mitigate the direct impact of the development proposed (e.g. landscaping, access roads).

How is CIL calculated and charged

- 1.5 The regulations require two distinct aspects to be considered. Firstly, a 'charging authority' (the Local Authority) needs to demonstrate that new development necessitates the provision of new, or improved, infrastructure. Secondly, that the rate of the proposed levy does not make development proposals unviable, in particular with regard to other costs that would be associated with the provision of on-site infrastructure (for the purposes of CIL, affordable housing is regarded as an on-site requirement and will continue to be secured through S106 agreements).
- 1.6 The levy is to be expressed as £ per m² and collected on the commencement of development. CIL is to be charged on the 'gross internal floor space' of any new development, apart from affordable housing and buildings used for charitable purposes, where exemptions have been made.
- 1.7 Whilst the rate of CIL is determined by the charging authority, it is scrutinised by an independent examiner to assess whether the charge has regard to the evidence base and that the level of charge is reasonable and will not impact negatively on the economic viability of development.

Section 2: Setting the charge

2.1 In setting a rate of CIL for the Borough the Council, as the charging authority, must:

“... aim to strike what appears to the charging authority to be an appropriate balance between:

- The desirability of funding CIL and the actual and expected costs of infrastructure required to support development.
- The potential effects of the imposition of CIL on the economic viability of development across its area.”¹

2.2 Based on this evidence the Council needs to make a reasoned judgement as to the appropriate level at which to charge CIL. In making this reasoned judgement statutory guidance² states that charging authorities should:

“... propose a rate which does not put at serious risk the overall level of development in their area.”

2.3 The following section outlines how the council has approached the setting of the CIL rate using the available evidence to set an appropriate rate of CIL.

The infrastructure funding gap

2.4 Waverley residents have one of the highest quality of lives within the UK. The Borough is home to a relatively affluent, healthy population who are, in general, educated to a high level. 61% of the Borough is covered by Green Belt and the quality of development is generally high. This high quality of life has led to a growing demand for new homes in the area which has fuelled the development of housing and a steady increase in the Borough’s population. This steady growth in population means that some of the Borough’s infrastructure is at capacity and any further growth will either require new infrastructure or improvements to existing facilities.

2.5 As part of the development of its Core Strategy, which the Council aims to adopt by September 2013, the Council undertook an assessment of local infrastructure needs to determine the potential impact of new development on local infrastructure and where the potential gaps in infrastructure would occur during the period of the Core Strategy between 2012 and 2028. The details of this study are set out in the Council’s Infrastructure Delivery Plan August 2012 (IDP)³ and highlights the key areas of infrastructure deficits that will arise from development over the plan period.

¹ Regulation 14, The CIL Regulations 2010

² Community Infrastructure Levy: An overview. May 2011

³ www.waverley.gov.uk/ldfevidence

2.6 As Government guidance on CIL states that any CIL charge needs to use the infrastructure planning that underpinned their development plan, the Council will use this plan, that identifies the potential costs of meeting the gaps highlighted in the assessment of need, as a key part of the evidence base supporting this charging schedule.

2.7 The IDP shows that the key infrastructure needed to meet the demands of a growing population are:

- Education: The IDP outlines a need for 3 primary school forms of entry by 2016 and 1 further form of entry by 2026 and 3 secondary school forms of entry up to 2028. The impact of development on demand equates to the need for an additional 23 classrooms in primary schools and 17 classrooms in secondary schools.
- Transport and highways: Studies undertaken for the preparation of the Core Strategy shows that there will be an increase in traffic as a result of new development highlighting a number of hotspots where congestion will occur. The impacts of new development will be seen most on the local road network with the impact on strategic road network being minimal.
- Leisure and recreation: A growing population, in particular of children and young people, will see growing demand for formal play space, leisure facilities and sports pitches across the Borough. This will require both new facilities and works to increase the capacity at existing facilities.
- Suitable Accessible Natural Greenspace: In order for new housing to be approved within 5km of the Thames Basin Heaths it is necessary for the potential impact on the SPA to be mitigated through contributions towards providing and maintaining areas of Suitable Accessible Natural Greenspace (SANG). To mitigate expected levels of development within 5 km of the SPA (468 units) requires the provision of 9.0 ha of SANG. The 434 units from greenfield releases would be expected to provide their own SANG, which would equate to an additional 8.3 ha of SANG. Avoidance measures are also required to mitigate the impact of development in Hindhead within 400m of the Wealden Heaths Special Protection Area (SPA).

2.8 The total cost of providing the required improvements to address the impacts of development is set out in the table below. The funding gap highlighted will need to be met through a combination of funding streams one of which will be CIL.

Infrastructure Category	Infrastructure Required	Cost	Funding Gap
Thames Basin Heaths SPA	Improvements to green areas to deliver SANG Remainder of Farnham Park	£2.448m	£1.904m
Wealden Heaths SPA	Improvements to green areas to deliver avoidances measures	£135,190	£135,190

Transport	Measures to address congestion hotspots, access to public transport and improve cycle routes and facilities as identified in the Transport Technical Note	£15.05m	£12.68m
Education	23 Primary School classrooms	£8.66m	£17.03m
	17 Secondary School classrooms	£9.64m	
TOTAL		£35,933,190	£31,749,190

- 2.9 CIL is not intended to replace main stream funding for services. CIL is the funding of last resort and should be used to reduce the gap between the cost of providing the required infrastructure to support a growing population and the amount of money available from other mainstream sources such as from central government and the local authority's own capital receipts. As set out in paragraph 4.9 the Council will be required, in consultation with partners and the community, to prioritise the delivery of infrastructure, ensuring that essential⁴ infrastructure is delivered in the first instance.
- 2.10 In establishing the funding gap an estimate of the likely contribution from other funding sources have been considered. In this assessment the current shortages in funding faced by the public sector have also been taken into account, with the evidence for establishing the funding gap coming from:
- Long term strategic delivery plans, such as the Local Transport Plan;
 - Financial forward plans of delivery agencies;
 - Specific evidence provided by delivery agencies on spending plans; and
 - Planning Infrastructure Contributions (PIC)
- 2.11 The principal sources of funding for local services comes from central government, in the form of revenue and capital grants, and from local council tax. Alongside these sources funding can also be released from the sale of capital assets, from interest on savings/investments and from one off grants for specific projects. Where these sources are insufficient to deliver the required infrastructure to provide statutory services public sector service providers will need to finance projects through alternative means. For example to deliver improvements to education infrastructure highlighted above will require the County Council to look to alternative funding sources to deliver these improvements as existing budgets and government grants are insufficient.
- 2.12 As well as taking into account the above sources of funding the Council has also taken into account the potential amount of planning contributions from new development permitted up to April 2012.

⁴ Essential infrastructure is defined as infrastructure without which development would not take place. The only essential infrastructure for Waverley is the mitigation required to protect the Thames Basin Heaths and Wealden Heaths SPAs.

Economic viability

2.13 In developing the Core Strategy the Council commissioned a viability study that examined the impact of different affordable housing policies on the economic viability of development in the Borough. As part of this study both the existing level of planning contributions and a 20% uplift in value of contributions were examined. In both cases these were considered to be viable given the other contributions for affordable housing, Thames Basin Heaths and additional renewable energy targets⁵. However, this evidence did not include an assessment of the viability of commercial development. It was therefore considered appropriate to commission additional work on viability to ensure that the Council's evidence base was both comprehensive and up to date. This assessment was undertaken by Roger Tym & Partners and was completed in October 2012⁶.

Residential

2.14 The updated viability study examined the impact of different rates of CIL on residual land values (RLV). The study shows that there is variation in the levels of viability in terms of development type. Taking into account all the variables facing developers in the Borough the evidence suggests that CIL should be set between £150 and £170 per sqm.

Commercial

2.15 The evidence from the viability study shows that there is limited scope for placing a charge on the majority of commercial development. Most development in the Borough is already at the margins of viability and it is considered that no charge should be placed on these developments. The only exception to this evidence is for retail development. The study indicates that retail could support a charge of between £75 and £100 per m².

Other development

2.16 Where development is for the purposes of delivering a public service there is considered to be no economic gain to be had from such premises and these are considered to have zero viability.

Affordable housing and Special Protection Areas (SPA)

2.17 In addition to the overall levels of viability some more detailed aspects of policy that can impact on the viability of development have also been considered. These relate to the delivery of affordable homes and whether the level of CIL would continue to provide sufficient funding to deliver the Thames Basin Heaths and Hindhead Avoidance Strategies.

⁵ Waverley Affordable Housing Viability Study. www.waverley.gov.uk/ldfevidence

⁶ Waverley Community Infrastructure Levy Viability Study – Final Report www.waverley.gov.uk/ldfevidence

- 2.18 Delivering affordable homes continues to be a Council priority and in setting the rate the Council has taken into account the need to ensure that the provision of affordable housing is not compromised by the CIL rate charged on development. The Council's emerging policy in the Core Strategy is that all residential development, where there is an additional unit, should provide affordable housing or a contribution to support the delivery of affordable housing. Given that CIL is a non negotiable charge there are concerns that a high level of CIL could lead to an increase in negotiations on affordable housing contributions, with the result being a reduction in the level of affordable housing provided. Therefore a conservative approach has been taken to setting a CIL rate that maintains the viability of development and does not compromise the delivery of affordable housing.
- 2.19 Another key consideration for the Council is the requirement to protect the Thames Basin Heaths and Wealden Heaths SPA. Development within 5 km of the Thames Basin Heaths SPA and within the Hindhead Concept Statement area is required to contribute towards effective mitigation of the potential impacts of new development on the SPA. Without effective mitigation, development in these areas cannot be permitted. The mitigation strategy is set out in the Infrastructure Delivery Plan and outlines the requirement to deliver 9.0 ha of SANG at a cost of £1.904m for the Thames Basin Heaths SPA and measures costed at £135k for the Hindhead Avoidance Strategy. Based on the expected level of chargeable development coming forward within the borough this will require a charge of £16 per sqm to cover this charge.
- 2.20 Therefore in setting CIL a charging authority must consider all of the impacts resulting from the level of CIL it sets. A charge that pushes the limits of viability has the potential to risk the level of future development in the Borough. It would also risk the amount of affordable housing that could be delivered. On the other hand, whilst setting a low charge would increase viability it limits the amount of finance available to deliver infrastructure improvements.

How much income can be generated?

- 2.21 It is important to understand the amount of money different charges would generate when setting CIL. No charge should generate more than the infrastructure funding gap that is present within a charging authority's area.
- 2.22 To assess how much income that different charges would generate it is necessary to estimate how much development will occur during the period of the charge. The aim of the Core Strategy is to deliver approximately 3,614 new dwellings between 2012 and 2028.
- 2.23 For the purposes of estimating CIL revenue, only development without an existing planning permission can be included. A further 30% reduction is applied to account for the relief available to affordable housing. This leaves around 1,896 units of chargeable development. Of this development analysis of previous planning permissions⁷ indicates that the average size of a new dwelling is 119 m², however, only 75.25 m² of that average is estimated to be new floorspace. Therefore it is

⁷ All development completed in 2011/12

expected that there would be 142,674 m² of new residential floorspace that could be charged CIL. The table below indicates the potential revenue which could be secured by levying a borough-wide residential CIL charge over the next 10 years. Whilst a rate of approximately £220 would meet the infrastructure gap in full, this would compromise the viability of development in the area.

Residential CIL Charge	Potential Revenue 2014-2028
£160	£22,827,840

The difference between current infrastructure charges and CIL

2.24 When setting a rate of CIL the Council has considered its current policy set out in the Planning Infrastructure Contributions SPD and the charges that are paid by development. The table below compares the level of charge proposed under CIL and the current S106 rates per unit currently charged by the Council.

Comparison between CIL and current S106 rates

Size (sqm)	CIL Rate £160/sqm	Current S106 rates⁸	Current S106 inc. SPA⁹
1 bed (50sqm)	£8,000	£3,513	£4,780
2 bed (67sqm)	£10,720	£9,708	£11,411
3 bed (85sqm)	£13,600	£13,844	£16,273
4 bed (100sqm)	£16,000	£15,775	£18,543
5+ bed (200sqm)	£32,000	£20,573	£24,183

2.25 Setting the charge between £150 and £170 per m², as suggested by the viability study, is comparable to the levels of PIC currently charged for development of 2 to 4 bed dwellings. This has not stifled development. It should also be noted that in many cases the charge will be lower than PIC because only the net increase in floorspace will be chargeable.

2.26 As can be seen in the above table, charges for larger properties of over 200m² would see a significant change in the charge that would be levied. However, this represents a minority of development in the Borough, 10% of all new build properties were over 200m² in 2011/12.

⁸ Based on PIC SPD 2008 contribution for Farnham outside Town Centre

⁹ Includes SPA SANG and monitoring fee but excludes SAMM

2.27 Therefore in setting the charge, the priority has been to ensure the viability of the majority of development is maintained.

Section 3: Proposed charge

- 3.1 The Council therefore proposes to set a CIL charge as set out in the schedule of rates below.

Use	CIL Rate
Residential dwellings (C3)	£160
Retail – convenience	£87
Standard Charge (applies to all development not separately defined)	£0

- 3.2 The proposed charge has taken into account the impacts of the charge on viability, the funding gap for infrastructure and other considerations such as affordable housing delivery and Thames Basin Heaths and Wealden Heaths Mitigation. It is also provides a simple and easily understood approach which is one of the principle aims of CIL.
- 3.3 At the expected levels of development these rates would generate in the region of £23m over the Core Strategy period. These rates are within the viability levels suggested in the evidence base and secures the continued delivery of housing by setting the charge below the maximum potential charge outlined by the viability study. Setting the charge at this level also seeks to maintain the development of affordable housing at the levels set out in the Core Strategy as well as ensuring there is sufficient funding to deliver appropriate mitigation for the Thames Basin Heaths SPA.
- 3.4 No charge is suggested on development required for the operation of a publicly funded service such as a state funded school, hospital, medical centre or community facility. Relief will also be available on development that will be used principally for the operation of a charitable organisation.

Section 4: Administering the charge

- 4.1 The Council's approach to administering and monitoring CIL outlined below will be formally set out and adopted in the Council's Developer Contributions SPD to maintain its commitment to providing a one stop shop on all contributions that are placed on development. These are summarised below.

Calculating the chargeable amount

- 4.2 The Council will calculate the amount of CIL payable (the chargeable amount) by chargeable development in accordance with regulation 40 of the CIL Regulations 2010. Details of the formula used to calculate the chargeable amount are set out in Appendix A.

Paying the charge

- 4.3 The regulations guiding the implementation of CIL give Charging Authorities significant scope for introducing an instalments policy that better reflects the financing and income streams expected by developers and therefore better supports the delivery new development. The table below sets out the Council's proposed instalments policy:

Level of CIL Payment	Instalment policy
Under £12,000	One payment at 90 days after commencement
£12,000 to £48,000	Two equal instalments at 90 and 180 days after commencement
Greater than £48,000	Three equal instalments at 90, 180 and 270 days after commencement

- 4.4 The instalments policy will be published on the Council's website. This policy can be changed at any time in accordance with CIL (Amendment) Regulations 2011.

Administrative costs

- 4.5 An additional 5% will be added to all contributions to pay for the costs of administering the Community Infrastructure Levy. This charge would support the Council in monitoring and enforcement of the charge as well as providing infrastructure planning support to manage and co-ordinate the delivery of infrastructure improvements that address the impacts resulting from development.

Exemptions

- 4.6 The CIL Regulations 2010 (as amended) set out the situations for both mandatory and discretionary exemptions from CIL. Mandatory exemptions include affordable housing¹⁰ and developments occupied wholly or mainly for the purpose of charitable

¹⁰ As set in Regulation 50 and 51 of the CIL Regulations 2010

activity by a registered charity¹¹. Development which is less than 100sqm (internal gross new build) except for new dwellings is exempt from CIL. Buildings into which people do not normally go or only go into intermittently for the purposes of inspecting or maintaining fixed plant or machinery are also exempt.

- 4.7 However, the charging authority has discretionary powers to provide relief for charitable institutions where the whole or greater part of development will be held as a charitable investment or in exceptional circumstances.
- 4.8 The Council will not expect to implement any discretionary exemptions. The Council believes the charge is viable and will monitor the charge to ensure it remains viable. Should circumstances change the Council will seek to revise the levy rather than provide any discretionary relief from the charge.

What will CIL be spent on?

- 4.9 The Levy will be used to deliver the infrastructure required to meet the needs of Waverley's growing population. As the charging authority, it is the Borough Council who controls the CIL fund and has ultimate responsibility in determining the infrastructure projects on which CIL will be spent. The Council will identify governance arrangements to prioritise how and where to spend CIL. This will include updating the Infrastructure Delivery Plan (IDP).
- 4.10 The only infrastructure the Council is required to support using CIL is the mitigation of the impacts of development on the Thames Basin Heaths and Wealden Heaths Special Protection Area. If CIL were not to be used to provide effective mitigation the Council would be in breach of the European Habitats Directive and the UK Conservation of Habitats and Species Regulation 2010. It will be necessary to ensure a mechanism is in place which guarantees that sufficient CIL funds are directed to SPA avoidance measures.
- 4.11 The Council are required to allocate a meaningful proportion of CIL back to communities through Parish Councils. The Government intend to update the CIL Regulations to clarify what a "meaningful proportion" is and once further details are available the Council will set out an approach to working with communities in distributing CIL within their neighbourhoods.

Monitoring and review

- 4.12 It will be important to ensure that the CIL charge remains appropriate and reflects both the funding gap set out in the IDP and the levels of viability within the Borough. To ensure that the charge remains appropriate the Council will use two key indicators:
- The level of housing development coming forward; and
 - The funding gap for infrastructure

¹¹ As set out in Regulation 47 and 48 of the CIL Regulations 2010

- 4.13 The Council will set out in its annual Authorities Monitoring Report (AMR) whether these two indicators require a more detailed examination of infrastructure funding and viability leading to a review of the CIL charging schedule.
- 4.14 To trigger a full scale review of the charging schedule:
- housing delivery would need to fall below the levels of housing expected by more than 20% at the end of any rolling three year period;
 - the infrastructure gap would need to fall below the projected level of funding that would be generated by new development from CIL.
- 4.15 Regardless of the above indicators the Council will review its charging schedule every five years to assess whether the level of charge should be altered to reflect any changes in the local and national economic situation and the funding circumstances faced by infrastructure providers.
- 4.16 In addition to the above monitoring the Council will also set out in its AMR:
- The amount of CIL collected within the monitoring year;
 - The total amount of CIL collected since the adoption of the charging schedule;
 - The expected income from permitted applications;
 - How much has been spent; and
 - The infrastructure delivered using funding from CIL charges.

Appendix A: Calculating the chargeable amount

The Council will calculate the amount of CIL payable (the chargeable amount) by chargeable development in accordance with regulation 40 of the CIL Regulations 2010. The formula used is as follows.

$$\frac{R \times A \times I_p}{I_c}$$

where:

R = the rate of CIL set by the Charging Authority

*A = the deemed net chargeable area at rate R

I_p = the index figure¹² for the year in which planning permission was granted; and

I_c = the index figure for the year in which the charging schedule containing rate R took effect.

*The value of A must be calculated by applying the following formula:

$$\frac{C_r \times (C - E)}{C}$$

where:

C_r = the gross internal area of the part of the chargeable development chargeable at rate R;

C = the gross internal area of the chargeable development; and

E = an amount equal to the aggregate of the gross internal areas of all buildings which :

i. on the day planning permission first permits the chargeable development are situated on the relevant land in lawful use; and

ii. are to be demolished before completion of the chargeable development.

¹² The Regulations require that CIL rates are index linked to the national all in tender price index published by the Building Cost Information Service of the Royal Institute of Chartered Surveyors.