London Borough of Lambeth

Community Infrastructure Levy - Preliminary Draft Charging Schedule

19 September 2012
1 How to get involved

Consultation on The Preliminary Draft Charging Schedule is between 24 September and 2 November 2012. The supporting Viability Study and the Infrastructure Delivery Plan are also being made available for inspection. The documentation can be viewed at the Council Offices at Phoenix House, Lambeth Town hall, and Lambeth Libraries. They are also available on-line at Insert Link.

There are a number of ways in which you can make comments on the Preliminary Draft Charging Schedule document.

- **E-mail:** tbc
- **Written Responses:**
  - CIL Consultation
    Planning Regeneration & Enterprise Division
    Housing Regeneration and Environment
    LB Lambeth, Phoenix House, 1st Floor
    10 Wandsworth Road
    London SW8

- **Attendance at information events (1 x developers, including RSL’s & 1 x Community Organisations, timing, dates and venues tbc)**

Representations received will be available to view through the planning consultation portal after the close of consultation, please check Insert Link for availability and updates. Once the Council has considered all the representations received it will produce a Draft Charging Schedule which will be subject to a further round of consultation. Consultation on the Draft Charging Schedule is expected to take place in January and February 2012 and it is expected the Council will submit the Charging Schedule for an independent public examination in mid 2013.

**Supporting documents**
The Preliminary Draft Charging Schedule is supported by two documents as follows:
1. CIL Viability Study
2. Infrastructure Delivery Plan

**Further information**
If you have any queries about this document, please contact

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Phoenix House, 1st Floor
10 Wandsworth Road
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2 Introduction to the Community Infrastructure Levy

2.1 The Community Infrastructure Levy (CIL) was introduced under the Planning Act 2008 and is a new tariff system that enables local authorities to make a charge on most forms of new development to fund infrastructure needed to support development. The CIL Regulations came into effect in April 2010 and the Coalition Government, while retaining CIL, made some minor amendments to the Regulations in April 2011. Further Regulations are expected to be published during 2012.

2.2 CIL will be a charged on new development, it is charged per square metre on net additional floorspace of development. CIL is not charged on affordable housing and buildings used for charitable purposes. The amount payable will be set at the time planning permission is granted and payment will be due at the commencement of development. Larger amounts will be payable in instalments over fixed time periods.

2.3 CIL is intended to complement rather than replace other funding streams and is intended to promote development rather than hinder it. Its main advantages are that:

- It is modest representing around 2-5% of total development costs and is not charged on types of development that cannot sustain it,
- It is a fixed, non-negotiable charge and is therefore transparent and predictable.
- It is less time-consuming and complicated than s106 planning obligations, with less need for protracted negotiations with applicants and the drawing up of legal agreements.
- Local communities will be able to influence how a proportion of CIL receipts are spent in their areas, so that communities can benefit from development in their area (the exact proportion is expected to be set by further Regulations published during 2012).

2.4 Unlike funding from Section106 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. Planning obligations / Section106 Agreements will still be used, but in a more focused way 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).

2.5 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).

**Calculation and Charging of CIL**

2.6 The local authority firstly needs to demonstrate that new or improved infrastructure is needed to mitigate the impact of planned development. It must
also show that there is a ‘gap’ in the available funding for the necessary infrastructure that requires the use of CIL.

2.7 The local authority must also show that, in its judgement, the proposed levy rates would not make development proposals unviable across the area as a whole. It is not necessary to show that all developments would be viable, but that the majority of planned developments would not be made unviable by the proposed CIL level. The viability assessment needs to take account of the costs of other on-site requirements, including affordable housing.

2.8 The Council’s proposed CIL rates will be examined by an independent examiner. This will involve an assessment of whether a charge is justified by the need for, and cost of, new or improved infrastructure, and whether the charge will have an unacceptable negative impact on the economic viability of development.

2.9 In setting its CIL rate the Council 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 and

§ The potential effects of the imposition of CIL on the economic viability of development across its area.”

2.10 Based on this evidence the Council needs to make a reasoned judgement as to the appropriate level at which to charge CIL. The following sections outline how the council has set an appropriate rate of CIL in light of the available evidence on infrastructure (needs, costs and available funding) and viability.
3 Infrastructure Needs and Delivery Plan

3.1 Lambeth Council’s adopted Core Strategy has set a target of delivering 16,500 new homes in the Borough between 2010/11 and 2024/25. Some of these new homes are already built and others already have planning permission. Further homes will be built on the sites already identified in the adopted Core Strategy.

3.2 One of the supporting documents for the Core Strategy is the Infrastructure Delivery Plan (IDP). This identifies all the items of new or improved infrastructure that will need to be provided to mitigate the impacts of the planned development. The CIL Infrastructure Schedule below summarises the content of the IDP. It has been refined and updated to include up to date costs for items of infrastructure which the Council considers would need to be funded by CIL. It includes allowance for other elements which can be paid for from CIL such as administration costs and some of the costs of operating and maintaining infrastructure. The Table is based on information current at July 2012.

3.3 The table below identifies the broad items needed to support growth that have been identified as requiring CIL to help fill a gap in available funding.

<table>
<thead>
<tr>
<th>Infrastructure Category</th>
<th>Total Cost of Infrastructure 2011-2016</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>£ 311,900,000</td>
<td>9%</td>
</tr>
<tr>
<td>Health</td>
<td>£ 476,000,000</td>
<td>14%</td>
</tr>
<tr>
<td>Sports &amp; Leisure</td>
<td>£ 19,400,000</td>
<td>1%</td>
</tr>
<tr>
<td>Public realm</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Council Accommodation</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Transport</td>
<td>£ 767,000,000</td>
<td>23%</td>
</tr>
<tr>
<td>Libraries/Community Hubs</td>
<td>£ 7,000,000</td>
<td>0%</td>
</tr>
<tr>
<td>Utility</td>
<td>£ 1,800,500,000</td>
<td>53%</td>
</tr>
<tr>
<td>Parks &amp; Open Spaces</td>
<td>£ 12,172,154</td>
<td>0%</td>
</tr>
<tr>
<td>Emergency Services</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>£ 3,393,972,154</td>
<td>100%</td>
</tr>
</tbody>
</table>
3.4 CIL is not intended to replace mainstream funding for services. CIL is intended to reduce the gap between the cost of providing, operating and maintaining the infrastructure needed to support planned development and the amount of money available from other sources. In establishing the funding gap an estimate has been made of the likely contribution from other funding. The evidence used in this assessment includes:

§ Long term strategic delivery plans, such as the Local Transport Plan;

§ Financial forward plans of delivery agencies; and,

§ Specific evidence provided by delivery agencies on spending plans.

3.5 Funding for local services principally comes from central government as revenue and capital grants, and from local council tax. Funding can also be released from the sale of capital assets, from interest on savings and investments and from one-off grants for specific projects. Where these sources are insufficient to deliver the required infrastructure, service providers will need to finance projects through alternative means.

3.6 It is not possible to accurately predict the availability of public funding a long way into the future as this will depend, among other things, on the spending priorities of future governments. However, it is clear that in the short to medium term there is a significant gap between available funds from government and other agencies and the cost of infrastructure needed to support and mitigate planned growth. The introduction of CIL in Lambeth will help to fill part of this funding gap.
4 Viability

4.1 In order to ensure that CIL is set at a level that will not prevent development coming forward, the Council has commissioned a viability study. The study tested the impact on the viability of development of a range of CIL charging levels, alongside the Council’s other planning requirements, including affordable housing. The study considers both residential and commercial development.

4.2 The study methodology compared the residual land values of a range of generic developments to a range of benchmark land values. Where a development incorporating a given level of CIL generated a higher value than the benchmark land value, then it was judged that the proposed level of CIL will be viable.

4.3 The study uses the residual land value method of calculating the value of each type of development. This involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance and CIL) and developer’s profit. The residual amount is the sum left after these costs have been deducted from the value of the development. This method is widely used by developers in determining the value of development proposals.

4.4 The housing and commercial property markets are inherently cyclical and the Council is testing its proposed rates of CIL at a time when values have fallen below their peak. This has been allowed for by running a sensitivity analysis which inflates sales values by 10% and build costs by 5%. This analysis is indicative only provides an indication of the levels of CIL that are viable in today’s terms and the impact of market changes on viability. The study also tested a fall in sales values of 5%, to show the impact of any adverse movements in sales values in the short term.

4.5 The results of the study reflect current market conditions which are likely to improve over the medium term. The Council will closely monitor changes in market conditions, so that levels of CIL can be reviewed in response to future changes (positive and negative).

4.6 The results of the Viability Study are available to download here [insert link].
The Council’s proposed charging rates are set out in Table 5.1 below.

Table 5.1 Preliminary Draft Charging Schedule - Proposed Charges (per sq m)

<table>
<thead>
<tr>
<th>Development type</th>
<th>Zone A - Waterloo</th>
<th>Zone B - Vauxhall</th>
<th>Zone C - Kennington, Oval and Clapham South</th>
<th>Zone D - Streatham, West Norwood, Streatham Hill, Tulse Hill, Brixton, Stockwell, and Herne Hill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>£369</td>
<td>£265</td>
<td>£150</td>
<td>£50</td>
</tr>
<tr>
<td>Hotel</td>
<td></td>
<td>£250</td>
<td>£100</td>
<td></td>
</tr>
<tr>
<td>Development type</td>
<td>Waterloo and Vauxhall Office Area</td>
<td>Rest of Borough</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office</td>
<td>£125</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development type</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail (in excess of 2,500 square metres)</td>
<td></td>
<td>£115</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student accommodation</td>
<td></td>
<td></td>
<td></td>
<td>£360</td>
</tr>
</tbody>
</table>
6 Exemptions and Payment Terms

Exemptions
6.1 The CIL Regulations 2010 exempt the following types of development from liability for CIL.

§ Development by registered charities for the delivery of their charitable purposes

§ Those parts of a development which are to be used as social housing

§ The conversion of any building previously used as a dwelling house to two or more dwellings

§ Development of less than 100m2 of new build floorspace, provided that it does not result in the creation of a new dwelling

§ The conversion of, or works to, a building in lawful use that affects only the interior of the building

§ Development of buildings and structures into which people do not normally go (eg, pylons, wind turbines, electricity sub stations)

6.2 Under the Regulations the charging authority also has discretionary powers to provide relief on:

§ Development by charitable institutions for non-charitable purposes but which forms part of the charity’s investment activities; and,

§ in exceptional circumstances the charging authority can also allow exemptions where:

§ the cost of complying with S106 planning obligation is greater than the chargeable amount payable by a developer;

§ there is an unacceptable impact on the economic viability of a development; and,

§ the granting of relief would not constitute state aid.

6.3 The Council does not expect to implement any discretionary exemptions. Based on available evidence the Council considers the proposed charge is viable. The level of charge will be monitored to ensure it remains viable. Should market or other conditions change the viability of development the Council will introduce a revised CIL charging schedule.
Annex 1

To the Preliminary Draft Community Infrastructure Levy Charging Schedule

Extract from the Community Infrastructure Levy Regulations 2010
(This annex is formally part of the Preliminary Draft Infrastructure Levy Charging Schedule

Calculation of chargeable amount

40. (1) The collecting authority must calculate the amount of CIL payable ("chargeable amount") in respect of a chargeable development in accordance with this regulation.

(2) The chargeable amount is an amount equal to the aggregate of the amounts of CIL chargeable at each of the relevant rates.

(3) But where that amount is less than £50 the chargeable amount is deemed to be zero.

(4) The relevant rates are the rates at which CIL is chargeable in respect of the chargeable development taken from the charging schedules which are in effect-

(a) at the time planning permission first permits the chargeable development; and

(b) in the area in which the chargeable development will be situated.

(5) The amount of CIL chargeable at a given relevant rate (R) must be calculated by applying the following formula-

\[ R \times A \times l_p \times I_e \]

where-

\( A = \) the deemed net area chargeable at rate R;

\( l_p = \) the index figure for the year in which planning permission was granted; and

\( I_e = \) the index figure for the year in which the charging schedule containing rate R took effect.

(6) The value of A in paragraph (5) must be calculated by applying the following formula-

\[ CR \times (C - E) \]

\[ C \]

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-

(a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use; and
(b) are to be demolished before completion of the chargeable development.

(7) The index referred to in paragraph (5) is the national All-in Tender Price Index published from time to time by the Building Cost Information Service of the Royal Institution of Chartered Surveyors; and the figure for a given year is the figure for 1st November of the preceding year.

(8) But in the event that the All-in Tender Price Index ceases to be published, the index referred to in paragraph (5) is the retail prices index; and the figure for a given year is the figure for November of the preceding year.

(9) Where the collecting authority does not have sufficient information, or information of sufficient quality, to enable it to establish-

(a) the gross internal area of a building situated on the relevant land; or

(b) whether a building situated on the relevant land is in lawful use,

the collecting authority may deem the gross internal area of the building to be zero.

(10) For the purposes of this regulation a building is in use if a part of that building has been in use for a continuous period of at least six months within the period of 12 months ending on the day planning permission first permits the chargeable development.

(11) In this regulation "building" does not include-

(a) a building into which people do not normally go;

(b) a building into which people go only intermittently for the purpose of maintaining or inspecting machinery; or

(c) a building for which planning permission was granted for a limited period.
Map 1 - Residential & Hotel Development Zones CIL Charging Areas