

## Informal Consultation on the Community Infrastructure Levy Preliminary Draft Charging Schedule

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## **Preliminary Draft Charging Schedule (Informal Draft)**

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## 1 How to get involved

**1.1** Following the 29 November 2013 Planning Policy Committee, Cabinet agreed as part of the Performance and Budget Summary an informal consultation on the St Albans Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule. This document is the District Council's first step in preparing a CIL Charging Schedule. Following this consultation the Council will prepare a Preliminary Draft Charging Schedule (PDCS) for the first formal stage of consultation of adopting a CIL Charge.

**1.2** The Council is keen to set the CIL at a level which allows for the continued growth of St Albans City and District, whilst delivering necessary infrastructure and facilities to support that growth. A CIL viability assessment commissioned jointly with other Hertfordshire Authorities was completed in 2012. This is published alongside this consultation and provides support for the proposed rates. The CIL Viability Assessment is available to view as a supporting document to this consultation and a [http://www.stalbans.gov.uk/images/Community%20Infrastructure%20Levy%20Comm%20Viability%20Study%202012\\_tml538411.pdf](http://www.stalbans.gov.uk/images/Community%20Infrastructure%20Levy%20Comm%20Viability%20Study%202012_tml538411.pdf)

**1.3** The Council will be consulting more widely on the PDCS at the first formal stage to ensure a robust and fair rate is adopted.

**1.4** The consultation period runs from **28 February 2014 until 5pm, 11 April 2014**. Comments can be made through the Council's online consultation portal at <http://stalbans-consult.limehouse.co.uk/portal>.

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**1.5** The Council will consider the comments made and this, alongside any additional evidence required will inform the Preliminary Draft Charging Schedule.

**1.6** Future Stages

1.7 Following this consultation the Council will proceed with the formal stages of adopting a CIL Charging Schedule. These stages include formal consultation on a Preliminary Draft Charging Schedule and submission of Draft Charging Schedule for examination by an Independent Inspector. The timetable for adopting CIL is being aligned with the adoption of the Council's Strategic Local Plan (SLP). Therefore the timetable for the formal stages is dependent upon progress on the SLP.

## 2 Background

### Background

2.1 This consultation document sets out St Albans City and District Council's preliminary draft rates for its Community Infrastructure Levy (CIL). The CIL was introduced under the Planning Act 2008 and is a new tariff system that allows Councils to make a charge on most forms of new development to help fund supporting infrastructure in their areas.

2.2 Before the Council can adopt its CIL Charging Schedule it must undergo two formal rounds of consultation followed by an Independent Examination. This first stage of consultation is an opportunity for respondents to help shape the Draft Charging Schedule. This PDCS has been prepared in accordance with the Community Infrastructure Levy Regulations 2010 (as amended in 2011, 2012 and 2013), Government guidance and is informed by the most recent available technical evidence which is published alongside this document.

## 3 What is CIL?

3.1 The Community Infrastructure Levy (CIL) is a new way of collecting contributions from development towards the provision of infrastructure required to support growth in the District. It is very closely linked to the development strategy and infrastructure requirements arising from the SLP.

3.2 St Albans City and District Council is responsible for setting the charge (the Charging Authority), collecting the money and allocating the money. The rates must be set based on evidence of the economic viability of development and justified by infrastructure need and an associated funding gap.

3.3 CIL is a fixed rate charge, applied per square metre of net additional floor space. The charge rates for the area are set by the Charging Authority in a Charging Schedule.

3.4 The charge is not intended to cover all the costs of providing infrastructure but will be an important funding source to help deliver growth within the District. CIL will supplement and partially replace the current system of securing developer contributions or planning obligations via Section 106 agreements. Section 106 agreements will still be sought, but mainly to secure affordable housing and on-site infrastructure necessary to enable development to come forward.

## 4 Why is St Albans considering introducing CIL?

**4.1** The Strategic Local Plan (SLP) will create a need for additional and improved infrastructure in the District over the plan period. This will include education, green infrastructure, transport, leisure and community facilities.

**4.2** General developer financial contributions towards infrastructure are currently collected using legal obligations (agreements and undertakings) pursuant to Section 106 of the Town and Country Planning Act. Under the CIL regime, Section 106 obligations will continue to be used for site specific issues, but their ability to deal with the cumulative effects of development and infrastructure needs over time through general financial contributions will become limited.

**4.3** In particular, after the adoption of a local CIL Charging Schedule or April 2015 (whichever is the earlier), local authorities will only be able to pool infrastructure financial contributions arising from a maximum of five planning permissions. This is a key consideration of the Council in introducing CIL. CIL is intended to complement rather than replace other funding streams and is intended to help promote development rather than hinder it.

**4.4** Other advantages of the CIL are that:

- CIL is a standard fixed-charge, so that both the council and developers will be clear about how much is to be paid and can factor this into their development viability and infrastructure cost calculations.
- Once CIL rates are set, they are non-negotiable. This should save time and resources for all the parties involved in negotiating the overall package of development contributions.
- CIL rates take account of the size, type and location of development, providing a fair and transparent mechanism for all developments to help pay for their impact on the area.
- CIL payments must be used to 'support development', but are not ring fenced to specific developments. This provides the flexibility in pooling and spending development contributions that is not possible under the revised S.106 regime.
- Up to 5% may be used to fund the administration of the CIL.
- Parished areas can receive between 15-25% of the CIL receipts of the development within its area.

## 5 What development is liable to pay CIL?

**5.1** New developments including extensions to buildings, which are over 100 square metre (sqm) gross internal floor space, are liable to CIL. Most new dwellings are also liable (regardless of their size). CIL is only chargeable on net new floor space, therefore in the case of any redevelopments; the floor space of the building to be demolished will be off set against the overall liability.

**5.2** CIL is not chargeable on changes of use of buildings that do not involve an increase in floor space. It is also not chargeable on structures which people do not normally or rarely enter, such as sub stations or water pump facilities.

**5.3** There are also statutory exemptions to paying a CIL. These are as follows:

- New buildings of less than 100sq m gross internal floor space are not liable, unless they are dwellings.
- Redevelopment and changes of use which do not result in a net increase in floor space (subject to caveats).
- 100% relief from CIL on those parts of a chargeable development which are to be used as affordable housing. Affordable housing will remain entirely within the existing S106 planning obligations system.
- Charity landowners receive 100% relief from their portion of the liability where chargeable development will be used wholly, or mainly, for charitable purposes.

## **6 Calculation and charging of CIL**

**6.1** The Council will calculate the amount of CIL payable, known as the 'chargeable amount' in respect of the 'chargeable development' in accordance with Regulation 40 of the CIL regulations 2010 and as amended.

**6.2** Comments are welcomed on whether the Council should adopt an 'Instalments Policy' to enable liable parties to pay the CIL charge in instalments. The default position for payment of the CIL charge, as set out in the Regulations, is that it is due in full within 60 days of the commencement of the chargeable development.

**6.3** If an Instalments Policy is adopted it will need to state the following;

- The amount of CIL below which, the charge may not be paid in instalments;
- The number or instalment payments allowed;
- The amount or proportion of CIL payable in any instalment; and
- The time (from the commencement of development) that the instalment payments are due.

**6.4** Further details on how the charge will be calculated are contained in Appendix 1.

## **7 What can CIL pay for and how will it relate to Section 106 Agreements?**

**7.1** CIL monies will be spent on infrastructure needed to support new development across the District. This may be new infrastructure, or may involve repairing, expanding or enhancing existing infrastructure, if that is necessary to support development. Up to 5% of CIL receipts can be used to pay for administrative expenses

incurred by the charging authority. The District Council anticipates that it is likely to seek an element of reimbursement, to cover costs associated with collection, implementation and monitoring of CIL.

**7.2** The District Council will be required to allocate a ‘meaningful proportion’ of CIL revenue raised to the local community where the development occurs. This ‘Neighbourhood Fund’ will be passed directly to Parish Councils where development occurs, and Parish Councils will be directly accountable for expenditure and reporting.

**7.3** Parish Councils will receive 25% if they have a neighbourhood plan, or 15% if they do not.

**7.4** Planning obligations sought through Section 106 of the Town and Country planning Act 1990 (as amended) are essentially agreements between local authorities and developers to mitigate or compensate against the impact of a proposed development (such as lack of publicly accessible open space) or for a development to meet a policy objective set out in the Council’s development plan (for example, affordable housing requirements).

**7.5** The role of S106 will become limited from April 2015. Restrictions will limit the pooling of S106 contributions to no more than five developments for each infrastructure project. It will continue to be used to secure affordable housing and site specific mitigation measures that are required to make development acceptable.

**7.6** CIL will therefore be the mechanism to fund the provision, improvement, replacement, operation or maintenance of infrastructure required to support the development of an area. This can include:

- roads and other transport facilities,
- schools and other educational facilities,
- medical facilities,
- sporting and recreational facilities; and
- open spaces.

**7.7** CIL receipts must be used to support new development in an area, not resolve existing issues relating to a deficiency of infrastructure provision. Individual developments will not be charged for the same items of infrastructure through both S106 and CIL.

## 8 Evidence Base

**[This section will be updated following completion of the additional SLP evidence work and any amendments to the strategy set out in the SLP]**

**8.1** In setting rates, a charging authority is required to 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.

**8.2** The evidence to support the Preliminary Draft Charging Schedule includes:

- Emerging Draft Strategic Local Plan (and subsequent Detailed Local Plan)
- CIL Viability Assessment
- Infrastructure Delivery Plan, Schedule and analysis of the funding gap
- Infrastructure Funding Gap Assessment

#### Strategic Local Plan

**8.3** The SLP sets out how much development is to take place over the plan period and the broad locations of that development. The SLP aims to deliver at least **[To be inserted following completion of evidence base and key Council decision on housing requirements]** dwellings between 2011 and 2028. **Policy SLP [To be inserted]** sets out the Council's approach to S106 and CIL.

**8.4** The SLP is available to view at **[To be inserted when a revised (draft) SLP is available]**

#### CIL Viability Assessment

**8.5** The Council, jointly with other Hertfordshire Authorities, commissioned Lambert Smith Hampton to undertake a CIL viability Assessment. The assessment was completed in November 2012 and took into account emerging policies on affordable housing. It recommended a single residential rate, which is considered to be broadly viable across most of the District, of £170 sqm.

**8.6** The assessment also recommended viable rates for non residential development.

**8.7** The Council considers it appropriate to base the charging rates on this assessment however may undertake further work if required following this consultation.

**8.8** The St Albans CIL Viability Assessment is available as a supporting document to this consultation and to view at [http://www.stalbans.gov.uk/images/Community%20Infrastructure%20Levy%20Economic%20Viability%20Study%202012\\_tm1538411.pdf](http://www.stalbans.gov.uk/images/Community%20Infrastructure%20Levy%20Economic%20Viability%20Study%202012_tm1538411.pdf)

#### Infrastructure

**8.9** The CIL receipts accrued will help to support new development identified within the Strategic Local Plan (SLP) and Detailed Local Plan (DLP). The CIL Regulations require that in order to produce a Charging Schedule a Council must identify the infrastructure which the CIL receipts will assist to deliver.



**8.10** The Council has produced, in consultation with stakeholders and other delivery bodies, an Infrastructure Delivery Plan (IDP) and Schedule to support the level growth proposed in the SLP. The IDP forms the starting point for identifying infrastructure requirements for the purposes of the Preliminary Draft Charging Schedule. **[More infrastructure detail will to be provided and REG123 list to be drawn up following further progress with the SLP]**

Demonstrating an infrastructure Funding Gap

**8.11** From the information collected for the IDP and Schedule, it can be demonstrated that there is clear funding gap between the known costs of the required or proposed infrastructure and the known available funding. The table below shows the ‘funding gap’ which CIL receipts will help to bridge. This justifies the preparation of a CIL Charging Schedule.

**8.12** The table, however, is only a ‘snapshot’ of the current situation. The information it contains will evolve and change as further information becomes available.

**[Table will be updated with current costs and funding following further progress being made with SLP and infrastructure evidence]**

	Estimated Cost	Estimated Funding Gap
Health Infrastructure		
Educational Infrastructure		
Emergency Services		
Leisure and Cultural Facilities		
Local Green Infrastructure		
Strategic Transport		
Local Transport		
<b>Total Funding Gap</b>		

**Table 1. Aggregate funding gap for indicative infrastructure requirements**

\*Infrastructure already secured or to be delivered through development has been excluded from the above table.

## 9 The Preliminary Draft Charging Schedule

**9.1** The Council's proposed charging rates are set out in table 2 below. Where a development type is not listed, CIL will not be charged for that that development.

**9.2** The rates will apply across the whole District without geographical variation.

Development type (use class)	CIL Rate (per sq m)
Residential (C3)	£170
Office (B1)	£63
Industrial and Distribution (B2 and B8)	£20
Hotels (C1)	£145
Care Homes (C2)	£163
Retail (A1 to A5)	£125

**Table 2. Proposed CIL Rates**

## 10 Potential CIL receipts

**10.1** Some initial calculations have been prepared to indicate the amount that might be generated by CIL from residential development. The results of these calculations for any given year are shown in Table 3. This is based on the CIL rates in Table 2, applied to the annual target in the (**Draft**) Strategic Local Plan of **[Target to be inserted following key Council decisions on SLP]** new dwellings for the whole district and the assumptions set out under Table 3.

Anticipated number of dwellings per annum	CIL Liabe floor space (sq m)	Estimated annual receipts

**Table 3. Potential annual CIL receipts from residential development**

**[Table 3 will be updated following further progress on SLP]**

**10.2** The figures in Table 3 should be treated with caution as they are based on a number of assumptions that are liable to change. Furthermore, it is unlikely that CIL will generate this sort of level of income in its first few years of operation. This is due to a number of reasons; firstly, the liability to pay CIL is linked to planning permission and so few developments will become liable immediately. Secondly the requirement to pay CIL is linked to the commencement of development, which is often a significant amount of time after the grant of planning permission. Thirdly, the Council is likely to operate an instalments policy for CIL liabilities.

**10.3** A similar exercise has not been undertaken for the amount likely to be generated by CIL from other development types as the level and rate of such development is not easily predicted.

## 11 Discretionary relief for exceptional circumstances

**11.1** CIL Regulations allow the Council to provide discretionary relief from CIL to particular planning applications. If the Council does chose to, it will have to adopt a discretionary relief policy; this is not part of the charging schedule and may be published at a different time.

**11.2** The Council has not made a formal decision on whether it will offer discretionary relief for exceptional circumstances in accordance with the CIL Regulations. Further information will be publicised in due course.

## 12 Payment of CIL

**12.1** The default position is that the whole amount must be paid within 60 days of the development commencing. The Regulations allow Local Authorities to collect payment by instalments if they publish a policy.

## Appendix 1: Calculating the Charge

Key points in calculating the CIL charge:

- CIL is charged on the net additional internal floor area of development.
- Where buildings are demolished to make way for new buildings, the charge will be based on the floor space of new buildings, less the floor space of the demolished buildings, provided the buildings were in lawful use prior to demolition.
- A building is considered to be in lawful 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.
- If the CIL amount calculated is less than £50 no charge will apply.
- The relevant rates are the rates as set out in the Charging Schedule which apply to type and location of the relevant development. They apply at the time planning permission first permits the chargeable development.

1. The amount of CIL charge must be calculated by applying the following formula:

$$\text{CIL Charge} = \frac{R \times A \times I_p}{I_c}$$

Where:

A= the net chargeable area (New floorspace less any existing floorspace on the development site. The formula for calculating A in cases involving loss and/or change of use combined with more than one chargeable rate is given in 2 below)

$I_p$  = the index figure for the year in which planning permission was granted

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

R = the relevant chargeable rate

If it is necessary to apply several rate(s) to a chargeable development, the total amount will equal the sum of the amounts of CIL charge calculated at each relevant rate.

The index 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: the figure which should be used for a given year is the figure for 1st November of the preceding year.

## 2. Calculation of net chargeable area, A

A is calculated by:

$$\text{Net Chargeable Area (A)} = \frac{GR - KR - \{GR \times E\}}{G}$$

Where:

GR = the gross internal area of the part of the development at a specific rate

G = the gross internal area of the development

KR = the internal area of all buildings (excluding any new build) that on completion will be part of the development. Only floor space in lawful use on the day planning permission is permitted can be included

E = the gross internal areas of all buildings that will be demolished. Only floor space in lawful use on the day planning permission is permitted

## **Appendix 2: Regulation 123 List**

[To be drawn up following further progress with SLP and infrastructure evidence]