

Item No. 8.	Classification: Open	Date: 9 October 2012	Meeting Name: Planning Committee
Report title:		Community infrastructure levy (CIL) preliminary draft charging schedule	
Ward(s) or groups affected:		All	
From:		Interim Director of Planning	

RECOMMENDATION

- 1 That planning committee provides comments on the community infrastructure levy (CIL) preliminary draft charging schedule (Appendix A) which is currently out for public consultation.

BACKGROUND INFORMATION

- 2 The Community Infrastructure Levy (CIL) is a new levy that local authorities can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want. The benefits are increased certainty for the funding and delivery of infrastructure, increased certainty for developers and increased transparency for local people.
- 3 The Planning Act 2008 provides that London borough councils are charging authorities for the purposes of the Community Infrastructure Regulations 2010. If intending to apply the levy, charging authorities must produce a document called a charging schedule which sets out the rate for their levy. These rates must be supported by an evidence base including:
 - An up-to-date development plan
 - The area's infrastructure needs
 - An overall assessment of the economic viability of new development.
- 4 Once adopted, the levy is a mandatory charge levied on most new developments that involve an increase of 100sqm or more of additional floorspace or that involve the creation of a new residential unit. The charging authority can set one standard rate or it can set specific rates for different areas and types of development. In setting rates, a charging authority is required to strike a reasonable balance between the need to finance infrastructure from CIL against the impact of CIL on the economic viability of development across its area. The charging rates and zones which Southwark is proposing are set out in Appendix A.
- 5 Some developments are exempt from paying the levy. These are developments of affordable housing and developments by charities of buildings used for charitable purposes.
- 6 It should be noted that in London's case, the Mayor is also a charging authority. The Mayor has introduced a CIL to fund Crossrail. The Mayor's levy is £35 per

square metre, with a limited number of exceptions. Southwark collects this levy on behalf of the Mayor.

- 7 S106 planning obligations will continue to play a part in delivering local site specific improvements such as public realm or transport, which are needed to make the particular development acceptable in planning terms. Affordable housing will also continue to be delivered through s106 planning obligations.
- 8 However, from April 2014 or the adoption of a CIL Charging Schedule, planning obligations will no longer be used as the basis for a tariff to fund infrastructure. Local authorities will not be able to pool more than 5 obligations to fund a single item of infrastructure. Currently, the council uses standard charges set out in its s106 Planning Obligations SPD to pool contributions for infrastructure such as new schools places, strategic transport infrastructure, open space, leisure facilities and health facilities. From April 2014, this approach will no longer be permitted. The council must bring a CIL into effect before this date if development is to continue to contribute to strategic infrastructure which is needed to promote growth and development in its area.
- 9 The council is proposing to update its s106 Planning Obligations SPD on the same timeline as preparing the CIL. The revised s106 Planning Obligations SPD would supersede the existing SPD and provide detailed guidance on the use of planning obligations alongside CIL. It is anticipated that the council will consult on a draft revised s106 Planning Obligations SPD later in the year to coincide with the second round of consultation (on the draft CIL Charging schedule) rates.
- 10 The purpose of CIL is to help fund infrastructure which supports growth in the borough. Infrastructure is defined in the Regulations to include: roads and other transport facilities, flood defences, schools and other educational facilities, medical facilities, sporting and recreational facilities and open spaces.
- 11 In conjunction with preparing a CIL charging schedule, charging authorities should also prepare an infrastructure plan setting out strategic infrastructure required to support growth over the period of the council's local plan (in Southwark's case the core strategy period of 2011-2026). Southwark's draft infrastructure plan (IP) is set out in Appendix B. The infrastructure set out in the IP is not an exhaustive list. It is intended to be a living document which can be updated regularly. Omission of infrastructure items from the list would not preclude such items being funded in the future through CIL. Nor does the IP commit the council to spending the amounts set out in the plan.
- 12 Because the purpose of CIL is to support growth rather than mitigate impacts of specific developments, it can be used more strategically than s106 contributions. A protocol for governing expenditure will be prepared in due course.
- 13 Under the Localism Act, the council must identify a 'meaningful proportion' of Southwark CIL that will be spent in the local area to ensure that those people affected by development see some of the benefit. This allocation would be made using the community infrastructure project list (CIPL) which may be based on a recently revised project bank list. This would be updated every year with consultation with the community councils and planning committee to ensure it reflects local needs. During 2012, the government will provide further detail about the level of the "meaningful proportion" of CIL that should be spent locally.
- 14 This is the first stage of consultation on the CIL charging schedule. The council

will consider all comments made on the preliminary draft charging schedule before publishing its draft charging schedule in December 2012. The council will invite representations on its draft charging schedule before submitting it to an independent planning inspector for an examination in public. It is anticipated that the CIL will be brought into effect in 2013.

CONSULTATION

- 15 The Community Infrastructure Levy Regulations 2010 and our Statement of Community Involvement (SCI) 2007 set out consultation requirements for planning documents.
- 16 The consultation plan sets out the consultation that will be carried out on the preliminary draft charging schedule. The SCI requires consultation over a 12 week period, comprising a period of informal consultation, followed by a 6 week period of formal consultation. Formal consultation on the preliminary draft charging schedule is taking between 5 September and 17 October 2012. As well as making the document available on the web and in local libraries, the council has written to around 3000 consultees in the Planning Policy team's database. The document has also been publicised at community council meetings and an event has been held with developers to raise awareness about CIL.

KEY ISSUES FOR CONSIDERATION

- 17 The CIL regulations specify that in setting their levies charging authorities must strike balance between the desirability of securing funding for infrastructure and the potential effects, taken as a whole, of the imposition of CIL on the economic viability of development across their areas. Levies must also take into account the requirement to pay the Mayoral CIL and should also consider impacts on planning policies, including the requirement to provide affordable housing.
- 18 The CIL levy rates and charging zones proposed by the council have been informed by an economic viability appraisal encompassing a series of viability appraisals of sites around the borough. The number of proposed zones and their locations reflect broad value ranges.
- 19 With regard to residential development, the appraisals generally suggest that development in the north of the borough (north of Union Street, Snowsfields and Jamaica Road) generates higher values which in turn would justify a higher residential CIL levy in these zones. Moving southwards, a separate zone is proposed comprising areas around Elephant and Castle, Bermondsey Spa, Canada Water, Camberwell, Nunhead, East Dulwich and Dulwich. The appraisals suggested that developments in this area would generally be able to support a CIL of £250 per square metre. This is consistent with the s106 tariff level recently agreed in the Elephant and Castle supplementary planning document (the CIL, when brought into effect, will replace the Elephant and Castle SPD tariffs).
- 20 A further residential zone is proposed around the Aylesbury estate, Burgess Park, Peckham and Old Kent Road. Many of the development sites tested in these areas were unviable at current values which would justify a lower CIL levy. The council currently negotiates around £130 per square metre through s106 agreements. The proposed CIL levy in this zone of £50 per square metre is lower than the current rate. However, when the Mayoral CIL of £35 per square metre is added and some allowance made for site specific s106 planning obligations, the

effect of CIL should be broadly neutral.

- 21 The boundaries of the residential zones have been informed by post code data on house prices which show average value bands and broad geographical breaks between areas. The majority of the residential developments which were subject to the viability appraisals were viable developments and would support the proposed CIL charges. Those developments which were currently unviable, would remain unviable irrespective of CIL. It is therefore not considered that the proposed residential charges would put development across the borough at risk or impede the council's regeneration efforts.
- 22 These CIL rates for residential development are comparable with those boroughs which have published rates. Wandsworth is proposing a rate of £250 per square metre across the borough, with a £575 per square metre charge in Vauxhall and Nine Elms (which have lower affordable housing requirements) and a nil charge in Roehampton. Brent has proposed £200 per square metre flat rate across the borough, Barnet a flat rate of £135 per square metre, Lewisham between £70 and £100 per square metre and Merton is proposing £385 per square metre in Wimbledon, dropping to £42 per square metre in Mitcham and Morden.
- 23 Student housing would be charged at the same rate as residential development. The charge for hotels is varied between the north of the borough (north of Union Street) and the remainder of the borough. This reflects differences in viability which in turn is borne out by the geographic concentration of hotel development in recent years.
- 24 The appraisals suggested that office developments across the borough are largely unviable at current values. However, large office developments north of Union Street and Snowsfields can command higher rental values and is the area in which new office floorspace has been concentrated over the last 10 years. A moderate levy of £100 per square metre for office space is proposed in this area, which would be comparable with the council's current s106 standard charges for office development. Outside this area however, a levy of £0 per square metre for office space would be justifiable. This would also be consistent with the approach taken on the tariff in the Elephant and Castle SPD. Similarly, the appraisals suggested that industrial and warehousing developments are largely unviable and therefore a CIL levy of £0 per square metre for these uses is justifiable.
- 25 The viability of retail developments depends to a large extent on the size of the proposed floorspace, with larger mall-type developments commanding much greater values than small corner shops. Given the marginality of the latter, a £0 per square metre charge is proposed for small shops below 280 square metres in size (this is the threshold at which shops are classed as "large" under Sunday trading laws). £125 per square metre is proposed for shops between 280 square metres and 2,500 square metres (which roughly equates to the current s106 planning obligations tariff for retail space) and this is doubled for the largest developments over 2,500 square metres. This would apply to large town centre and supermarket developments, such as those at Elephant and Castle, Canada Water and potentially Peckham. 2,500 square metres is the threshold identified in the National Planning Policy Framework for the largest developments which have the potential to generate more significant impacts. Appraisals of three large retail schemes at Canada Water and Elephant and Castle suggested that this charge would not put such developments at risk.
- 26 It is proposed that public libraries and leisure centres which charge at rates

equivalent to those charged by local authorities would have a nil charge (£0 per square metre). Education and health facilities would also be exempt. All other developments would pay £50 per square metre.

- 27 Using the council's development capacity assessment, it is estimated that CIL could generate around £7m-£8m per year (at today's prices). The council has made an assessment of infrastructure required to support growth over this period. Sources of committed funding to support infrastructure have also been identified. Inevitably, there is more certainty over funding sources for projects to be delivered in the short term and much less certainty over mid and longer term projects. The infrastructure plan is a living document and can be updated regularly. Overall, the infrastructure plan shows a funding shortfall of £517m over the period. CIL would play an important role in contributing to this infrastructure requirement, although would not be sufficient to cover it entirely and the council will continue to need to explore other sources of funding to deliver all the infrastructure set out in the infrastructure plan. The CIL regulations allow up to 5% of CIL generated will be used to monitor and administer the charge. As with s106 planning obligations, once the CIL is brought into effect the council will monitor funding generated and publish regular monitoring reports on the website.
- 28 Overall it is considered that the proposed levies represent an appropriate balance between generating funding to secure provision of infrastructure and ensuring that CIL does not put development and regeneration in the borough at risk.

Community impact statement

Equalities analysis

- 29 An equalities analysis has been undertaken as part of the preparation of the CIL charging schedule. The equalities analysis considered the potential impacts arising as a result of the boundaries of the charging zones and the different levels of charge that would be applicable to different types of development within these zones. In accordance with the Equality Act 2010, the analysis considers the potential impacts of the charging schedule on those groups identified within the Act as having protected characteristics. The main issues are summarised below.
- 30 The range of CIL charges proposed and the boundaries of the charging zones are considered to give rise to limited impacts on the individual groups that are identified in the Equality Act. The imposition of a CIL charge could have potential impacts on small businesses in some parts of the borough, which could, in some areas, have a disproportionate effect on BME communities. We propose to adopt a nil charge for small shops across the borough and also a nil charge for office floorspace in all areas except for the commercial areas adjoining the river. As well as benefitting new businesses directly, this approach will ensure that CIL does not act as a barrier to job creation or as a disincentive to provide local services, which are important to those with reduced mobility, such as older people, disabled people and those who are pregnant or have young children.
- 31 The proposed lower tariff in the centre of the borough acknowledges the need for new and improved infrastructure, but also aims to ensure that CIL does not hinder regeneration attempts, for instance in Peckham and at the Aylesbury Estate. Ultimately, CIL is a mechanism intended to raise money to fund infrastructure that will contribute to sustainable development in the borough. In

this sense, the adoption of CIL should have an overall positive impact on the various equalities groups. More specific impacts may arise depending on the types of infrastructure that are ultimately funded through CIL, but such issues are not broached as part of the charging schedule and will be considered in due course in the context of decisions concerning expenditure.

- 32 The Regulations stipulate that social housing is to be exempt from paying CIL. This exemption will have particular benefits to certain protected groups in Southwark since our housing requirements study 2008 identifies that a high proportion of certain minority ethnic groups and a higher proportion of older people typically reside in social rented housing.

Sustainability appraisal

- 33 The Core Strategy 2011 was subject to a sustainability appraisal incorporating a strategic environmental assessment to ensure that principles of sustainable development were thoroughly considered. The Southwark CIL is an extension of the spatial vision and policies set out in the Core Strategy and should not raise additional implications for sustainable development objectives which have not been previously considered. CLG guidance on Charge setting and charging schedule procedures, 2010, states that because CILs are short financial documents, separate sustainability appraisal for CILs is not required.

BACKGROUND DOCUMENTS

Background paper	Held at	Contact
Core strategy April 2011	Planning Department 5 th floor 160 Tooley Street SE1 2QH	Sandra Warren 0207 525 5471
Statement of Community Involvement 2008		
CIL viability study 2012 (available on the council's website)		
Equalities Analysis (available on the website)		
Consultation Plan (available on the website)		

APPENDICES

No.	Title
Appendix A	Community infrastructure levy (CIL) preliminary draft charging schedule (available on the internet at http://www.southwark.gov.uk/downloads/download/3112/community_infrastructure_levy)
Appendix B	Infrastructure Plan (available on the internet at http://www.southwark.gov.uk/downloads/download/3112/community_infrastructure_levy)

AUDIT TRAIL

Lead Officer	Simon Bevan, Interim Director of Planning	
Report Author	Tim Cutts, Team Leader, Planning Policy	
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Dated	25 September 2012	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	No	No
Strategic Director of Finance and Corporate Services	No	No
Cabinet Member	No	No
Date final report sent to Constitutional Team	28September 2012	