Item No.	Classification: Open	Date: 5 March 2013	Meeting Name: Planning Committee	
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Report title:		Community Infrastructure Levy (CIL) Draft Charging Schedule		
Wards or groups affected:		All		
From:		Interim Director of Planning		

RECOMMENDATION

That planning committee provides comments on the community infrastructure levy (CIL) draft charging schedule (Appendix A) and the Regulation 123 list (Appendix B), which are currently out for public consultation.

BACKGROUND INFORMATION

- 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.
- 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
- 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 involves 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.
- 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.

- 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. From time to time there will be site specific considerations or particular planning policy requirements which dictate provision or re-provision as a direct result of a specific development. In these cases, mitigation will not amount to strategic infrastructure of the sort specified on the Regulation 123 list. For example, if there is a loss of a sports field or a health facility because of a particular scheme, this will require site specific mitigation and may be dealt with by 106 obligations. Affordable housing will also continue to be delivered through s106 planning obligations.
- 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, the fact that the council will not be able to pool more than 5 obligations will place restrictions on this approach. 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 in 2013. The revised s106 Planning Obligations SPD would supersede the existing SPD and provide detailed guidance on the use of planning obligations alongside CIL.
- 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.
- 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 available on the website. The infrastructure plan is part of the evidence base needed to help justify levying a CIL. 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 At the point that the council adopts its CIL, it must publish a "Regulation 123 List". This list (which refers to Regulation 123 of the CIL Regulations 2010) sets out what the council intends to fund using CIL. If an infrastructure item is included on the Regulation 123 list, the council would not be able to seek s106 planning obligations for that item, once CIL has been adopted. After CIL has been adopted, the Regulation 123 List can be amended, subject to appropriate local consultation.
- 13 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.
- 14 Under the Localism Act, the council must indentify 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. The definition of a local area would also be subject to consultation. The government has recently confirmed that the "meaningful proportion" will comprise 25 percent of CIL funding in areas where there is an adopted neighbourhood plan in place and 15 percent elsewhere.
- This is the second stage of preparation of the CIL charging schedule. The first stage comprised consultation on the preliminary draft charging schedule which took place between 10 July and 17 October 2012. All comments received on the preliminary draft charging schedule have been considered and taken into account in preparing the draft charging schedule. Planning committee were consulted at this stage are their comments are reported in paragraph 21.
- Following consultation on the draft charging schedule, it is anticipated that the document will be submitted to the planning inspectorate for an examination in public in summer 2013. Subject to receiving a favorable report from the planning inspector, the council expects to adopt the CIL charging schedule by the end of 2013.

CONSULTATION

- 17 The Community Infrastructure Levy Regulations 2010 and our Statement of Community Involvement (SCI) 2007 set out consultation requirements for planning documents.
- In compliance with the SCI, the council consulted on the preliminary draft charging schedule for a period of 14 weeks, which included 6 weeks of formal consultation between 5 September and 17 October 2012. As well as making the document available on the web and in local libraries, the council notified around 3000 consultees in the planning policy database. The document was publicised at all the community councils between June and October 2012 and an event was held on 19 September 2012 with developers to raise awareness about CIL.
- In preparing the preliminary draft CIL it should be noted that Southwark cooperated with a range of organisations, including the Greater London Authority (GLA) and Transport for London (TfL), particularly in preparing the Infrastructure Plan. Infrastructure items such as the improvements to the Northern Line ticket hall and Elephant and Castle northern roundabout reflect this joint working. Further details of engagement which has taken place are set out in the Consultation Report (available on the website).
- 20 In all 273 representations were made by 39 objectors. The main areas of concern are summarised below:
 - The proposed charges may make development unviable, particularly for the strategic sites within the opportunity areas and growth areas in the borough. These areas should be assessed separately.

- Zones 1, 2 and 3 should be amalgamated and the proposed charge for those areas dropped to £250 sqm. The CIL in these areas should be phased in over time.
- Canada Water should be included in zone 2 and the proposed residential charge increased to £400.
- The proposed charges may compromise the provision of affordable housing.
- The assumptions used to prepare the site viability appraisals, such as the figures used for the existing use land values, the premiums, profit margins, professional fees, sales values were questioned.
- It is unclear whether non-residential s106 planning obligations have been taken into account in undertaking the viability appraisals.
- The regulations do not allow authorities to distinguish between uses on the basis of size. Therefore the proposed charges for retail uses are not compliant with the regulations.
- Affordable retail space is a not a distinguishable type of retail space. The proposed retail charges may breach state aid guidelines.
- In terms of use, there is no distinction between a private health facility and a public health facility, or a private school and a state school. The regulations do not allow authorities to vary levies on the basis of a funding mechanism.
- It is unclear whether the proposed charge for student accommodation takes into account the lower rents charged by universities. Student accommodation provided by universities should qualify for relief as development by charitable institutions.
- The proposed rate for offices and for "other uses" is not justified by evidence. Facilities provided by the police and fire brigade should be nil rated.
- It is not clear how the proposed charging zones were derived. They should be more aligned to planning policy area designations, such as the Elephant and Castle Opportunity Area and Canada Water Action Area.
- The council should set out a policy on installments and include more detail on the process for reviewing CIL.
- With regard to the supporting Infrastructure Delivery Plan (IDP) document, some respondents suggested there needed to be additional reference to specific items of infrastructure or the removal of some items, taking care that CIL is spent on genuine infrastructure projects that support the planned growth. TfL requested the inclusion of public realm improvements on Blackfriars Road.
- The preliminary draft CIL charging schedule was reported to planning committee for comment on 9 October 2012. The committee's comments were as follows:
 - Agreed that the proposed rates strike the right balance between development overall in the borough and the need to provide infrastructure.
 - Approved the indicative list of infrastructure projects identified in the infrastructure plan.
 - Noted that with the introduction of community infrastructure levy (CIL), the
 role of section 106 agreements (s106) will be diminished and they will be
 needed to respond to the detailed local impacts of developments. It also
 noted that there will be an opportunity to comment on the revised s106
 supplementary planning document (SPD) during the second round of the CIL
 consultation.

- Noted that there will be a second round of consultation in early 2013 on a
 draft charging schedule. It also notes that the CIL will be examined by an
 independent planning inspector and that it is anticipated that the CIL will be
 adopted and brought into effect in late 2013, with funding generated from late
 2013 onwards.
- Noted that once set the Southwark CIL along with Mayoral CIL is fixed and it is non-negotiable. It also notes that affordable housing, design and densities will be the main areas for negotiation in the future.
- Noted that Southwark's draft CIL has been approved for consultation by cabinet and been to community councils.
- Noted that individual members may submit comments as part of wider consultation.
- Noted that individual parties may submit comments as part of a wider consultation.
- Noted that further work is anticipated in finalising the charging schedule, infrastructure plan, governance issues and considering anticipated government statutory guidance on the Localism Act 2011 relating to CIL and the council defining the "meaningful proportion" that should be allocated to infrastructure that will be of benefit to those affected by development.
- A table of all comments received and the council's responses is provided in the consultation report (available on the website). The council is now consulting on the draft charging schedule over 4 weeks (20 February 3 April 2013). This complies with the statutory timeframe set out in the CIL Regulations. Including consultation at preliminary draft stage, the council will have consulted for 20 weeks in all, which complies with the SCI.

KEY ISSUES FOR CONSIDERATION

- The CIL regulations specify that in setting their levies charging authorities must strike a 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.
- 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. Since the preliminary draft CIL was consulted on, the council has retested the viability of a number of sites to ensure that future likely s106 requirements, including the Mayor's Crossrail s106 requirement are taken into account appropriately and to ensure that impacts on hotel uses, retail uses and leisure uses have been adequately tested.
- No changes have been made to the charges for residential floorspace which were previously proposed in the preliminary draft charging schedule. The three residential charges which are proposed are: £400 per square metre (p/sqm) in the north of the borough (north of Union Street, Snowsfields and Jamaica Road), £250 p/sqm in areas around Elephant and Castle, Bermondsey Spa, Canada Water, Camberwell, Nunhead, East Dulwich and Dulwich and £50 p/sqm around the Aylesbury estate, Burgess Park, Peckham and Old Kent Road. 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 charge for zone 3, which includes Elephant and Castle is both viable and consistent with the s106 tariff level agreed in the Elephant and Castle supplementary planning document 2012 (the CIL, when brought into effect, will replace the Elephant and Castle SPD tariffs).
- These CIL rates for residential development are comparable with those boroughs which have published rates. Wandsworth is proposing a rate of £250 p/sqm across the borough, with a £575 p/sqm charge in Vauxhall and Nine Elms (which has a lower affordable housing requirement), Hammersmith and Fulham is proposing charges ranging between £100 p/sqm and £400 p/sqm, Islington is proposing a charge of £300 p/sqm, Lambeth is proposing charges between £50 p/sqm and £369 p/sqm and Camden is proposing charges of between £150 p/sqm and £500 p/sqm.
- In response to consultation, several objectors stated that zones 1 and 2 should be amalgamated into zone 3 and the proposed charge for those areas dropped to £250 p/sqm. Others stated that a charge of £250 p/sqm would render development unviable or place affordable housing provision at risk and that consequently CIL should be phased in over a number of years. One representation requested that Canada Water be included in the £400 p/sqm zone. The council considers that the zonal charges are justified. The average maximum viable CIL that could be charged in zones 1 and 2 was about 50% higher than could be charged at Canada Water and 80% higher than could be charged at Elephant and Castle. There is a noticeable change of values in areas around Bankside, London Bridge, Shad Thames, Riverside ward north of Jamaica Road and Rotherhithe village which are close to the River Thames and which benefit from good public transport access.
- The CIL regulations do not allow authorities to phase in a CIL levy. Local authorities can review their CILs, although each review would be subject to two stages of consultation and an examination in public, which in all would take about 18-24 months. The majority of the residential developments tested were viable developments and would support the proposed CIL charges. Moreover, the proposed CIL charges are comfortably below the maximum viable charges. Those developments tested which were found to be currently unviable, would remain unviable irrespective of CIL. Inevitably in the first year or two of operation, there may be some sites where levels of affordable housing are impacted, while the market absorbs the new charge. Generally however, the outcome of the appraisals provides confidence that the proposed residential charges will not jeopardise development or impede the council's regeneration efforts.
- The council is not proposing to change the charges for either student housing or for hotels. Student housing would be charged at the same rate as residential development. Student accommodation provided directly by universities and which is used for charitable purposes may qualify for relief from CIL. 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.
- The council has amended the charge for office space in CIL zone 1 by reducing the levy from £100 p/sqm to £70 p/sqm. This change is proposed following retesting of office sites to incorporate the tariff for the Mayor's Crossrail s106 and

a reassessment of costs and capital yields. Outside CIL zone 1, the council is not proposing to amend the nil charge which was consulted on at the preliminary draft stage. The appraisals suggested that office developments outside the CIL zone 1 are largely unviable at current values. Similarly, the appraisals suggested that industrial and warehousing developments are largely unviable and therefore a CIL levy of £0 p/sqm for these uses is justifiable.

- Most boroughs have differentiated rates for office space. The charge proposed in zone 1 in Southwark is similar to the rates proposed by most other boroughs in their main office areas. These include: Islington (£150 p/sqm); Barnet (£135 p/sqm); Tower Hamlets (£125 p/sqm); Lambeth (£125 p/sqm); Croydon; (£125 p/sqm); Wandsworth (£100 p/sqm); Hammersmith and Fulham (£80 p/sqm); Camden (£45 p/sqm); Brent (£40 p/sqm); Hillingdon (£35 p/sqm); Richmond (£25 p/sqm); and Newham, Sutton, Lewisham, Harrow, Merton and Haringey (£0).
- The preliminary draft schedule sought to apply three charges for retail space: £0 p/sqm for space below 280sqm, £125 p/sqm for space between 280sqm and 2,500sqm and £250 p/sqm for space larger than 2,500sqm. Several objectors noted that the CIL regulations do not allow authorities to distinguish solely by floorspace size. The council is therefore proposing to make the schedule more robust by providing a more detailed description of those uses which would attract the higher charge of £250 p/sqm, namely supermarkets and shopping centres which have on-site parking facilities. The higher charge is justified on the basis of increased viability of these types of development. All other retail space would have a charge of £125 p/sqm. Of the sites tested, all of the 17 viable developments should be able to pay this charge and on that basis, the proposed charged should not put development at risk.
- It is proposed that the nil charge for affordable retail space proposed in the preliminary draft schedule is deleted on the basis while the affordability of the space affects viability, it is not in itself a distinct type of retail provision. Affordable retail space is only a requirement in large retail developments at Elephant and Castle. The testing indicated that any costs associated with affordable space should be absorbed within the overall retail element of the development and therefore this change should not put such development at risk.
- No changes are proposed to the nil charge proposed for public libraries. The preliminary draft schedule sought to make distinct charges for health and education floorspace which is predominantly publically funded. Several objectors however raised an objection that the CIL Regulations 2010 only allow authorities to distinguish between uses and not on the basis of funding sources. Having considered the issue, the council is proposing to apply a nil charge to all education and health floorspace.
- The preliminary draft charging schedule also sought to exempt public sports facilities. As in the case of health and education space, on reflection the council does not consider that the CIL regulations would allow this. Most other facilities, cinemas, bingo halls, sports facilities etc, replace existing space and provided the existing space had been in use, would not be CIL liable. Where some additional floorspace is provided, the appraisals suggest that a modest levy would not impact significantly on viability. To reflect this situation, the council is proposing to reduce the CIL charge for "all other uses" from £50 p/sqm to £30 p/sqm
- 37 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. Following consultation, several adjustments have been made to the infrastructure plan to update it. The infrastructure plan is a living document and can be updated regularly. CIL would play an important role in contributing to the infrastructure requirement, although would not be sufficient to cover the cost 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 to be used to monitor and administer the charge. As with \$106 planning obligations, once the CIL is brought into effect the council will monitor funding generated and publish regular monitoring reports on the website.

- Statutory guidance issued by the government on 14 December 2012 indicates that charging authorities should also make a draft Regulation 123 List available for the examination in public. Southwark's draft list (Appendix B) contains those projects from the infrastructure plan which could be funded only by CIL and not, once CIL is adopted, by s106 planning obligations. Projects not referred to on list could be funded by either CIL or planning obligations. However, it is anticipated that s106 planning obligations would only be used to pay for site specific infrastructure, such as an access road, improvements to the public realm around the site or instances where a developer were not able to meet planning policy requirements for on-site infrastructure, such as children's play space or amenity space. The government's December 2012 CIL guidance advises that charging authorities should be as clear as possible about what will be funded by CIL to avoid a scenario where a developer is charged twice for the same piece of infrastructure, once through CIL and again through s106 obligations.
- Overall it is considered that the proposed levy 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

- 40 An equalities analysis was undertaken as part of the preparation of the CIL preliminary draft charging schedule. This has been updated to reflect the changes proposed in the draft 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.
- 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 impact on a range of groups including BME communities. We propose to adopt 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.
- While the nil charge for small shops is deleted, the testing of sites showed that a modest charge, which is comparable to charges in the s106 Planning Obligations SPD, would not impede such development.
- There is a small risk that CIL will drive up values which will make it harder to access housing which is affordable. However, the proposed charging schedule has been informed by viability appraisals and the level of CIL reflects existing values and is not reliant on any increase in values. Moreover, we have also set the level of CIL significantly below the maximum level which could be charged which will help mitigate impacts on land values.
- 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.

Sustainability appraisal

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.

Financial implications

- In the first year of operation a Southwark CIL it is expected to secure about £7-8m which is broadly comparable to the non-affordable housing S106 income for 2011. There is a time delay in securing either S106 or CIL actual income, but CIL will replace the majority but not all s106 income over time. We expect the CIL income to increase overtime as house prices and viability improves. The expenditure of CIL income is far less restrictive than s106 funding and allows the council to apply it for infrastructure that supports growth in the borough.
- The proposed Southwark CIL is a direct response to previous changes in legalisation prevent using S106 tariffs (such as the current s106 toolkit and E&C tariff) from April 2014.
- Costs associated with both managing, monitoring and establishing Southwark CIL can be recouped from up to 5% of any CIL income.

- 49 Regulation 123 lists under review. Should the charging schedule be reviewed, the charging authority must follow the same process of consultation, examination and approval as for the initial schedule.
- In view of the need to keep development viability and indeed infrastructure provision up to date over the charging schedule's lifetime until 2023, it is advisable for the council to monitor and review the charging Schedule at appropriate intervals, probably as part of the authority's monitoring report.

APPENDICES

No.	Title				
Appendix A	Community infrastructure levy (CIL) draft charging schedule (circulated separately to planning committee members)				
Appendix B	Draft Regulation 123 list (circulated separately to planning committee members)				

BACKGROUND DOCUMENTS

Background papers	Held at	Contact
Statement of Community Involvement 2008 (available on the council's website at http://www.southwark.gov.uk/downloads/download/1339/statement of community involvement)	160 Tooley Street SE1 2QH	Sandra Warren 0207 525 5471
CIL viability study 2013 update (available on the council's website at https://www.southwark.gov.uk/downloads/download/3323/draft cil chargingschedule)	160 Tooley Street SE1 2QH	Sandra Warren 0207 525 5471
Infrastructure Plan (available on the website at https://www.southwark.gov.uk/downloads/download/3323/draft_cil_chargingschedule)	160 Tooley Street SE1 2QH	Sandra Warren 0207 525 5471
Equalities Analysis (available on the website at https://www.southwark.gov.uk/downloads/download/3323/draft cil chargingschedule)	160 Tooley Street SE1 2QH	Sandra Warren 0207 525 5471
Consultation Plan (available on the website at https://www.southwark.gov.uk/downloads/download/3323/draft cil chargingschedule)	160 Tooley Street SE1 2QH	Sandra Warren 0207 525 5471
Consultation Report (available on the website at https://www.southwark.gov.uk/downloads/download/3323/draft_cil_chargingschedule)	160 Tooley Street SE1 2QH	Sandra Warren 0207 525 5471

AUDIT TRAIL

Lead Officer	Simon Bevan, Interim Director of Planning					
Report Author	Tim Cutts, Team Leader, Planning Policy					
Version	Final					
Dated	15 February 2013					
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		No	No			
Corporate Services						
Cabinet Member		No	No			
Date final report sent to Constitutional Team			15 February 2013			