Community Infrastructure Levy

Preliminary Draft Charging Schedule

Planning Future Cornwall
Summary

The Community Infrastructure Levy (CIL) is a means of collecting developer contributions. These contributions will be used to help pay for infrastructure that is needed to support new development.

This Preliminary Draft Charging Schedule forms the first formal step towards adopting a Community Infrastructure Levy. It proposes for consultation the level of developer contributions to be charged. It is prepared in accordance with the 2008 Planning Act and the Community Infrastructure Regulations and is based on two sets of evidence: the need for infrastructure and the development viability in Cornwall.

The Community Infrastructure Levy will sit alongside the Local Plan - ‘Planning Future Cornwall’ which is scheduled to be submitted to the Secretary of State shortly. The CIL will help provide the funds for the infrastructure required to deliver the development strategy for Cornwall over the next 20 years. Whilst the CIL makes an important contribution towards financing infrastructure, it will by no means provide all the necessary funding and together with our partners we will continue to pursue all other funding opportunities.

Consultation on this Preliminary Draft Charging Schedule will run between 11 March and 22 April. Cornwall Council will take into account any comments made in response to this document before publishing a Draft Charging Schedule for further consultation and public examination. It is the intention that the CIL Charging Schedule will be adopted by Cornwall Council following adoption of the Local Plan.

The schedule

Proposed CIL charges per square metre of development:

<table>
<thead>
<tr>
<th>Type of Development (Use Class)</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing² (C3 and C4) – Zone H1</td>
<td>£100</td>
</tr>
<tr>
<td>Housing² (C3 and C4) – Zone H2</td>
<td>£40</td>
</tr>
<tr>
<td>Housing² (C3 and C4) – Zone H3</td>
<td>£0</td>
</tr>
<tr>
<td>Residential Institution (C2)</td>
<td>£0</td>
</tr>
<tr>
<td>Office, Industrial and Distribution (B1, B2 and B8)</td>
<td>£0</td>
</tr>
<tr>
<td>Convenience Retail³ &gt; 280 sq m (Supermarkets) (A1-A5) - Zone S1</td>
<td>£250</td>
</tr>
<tr>
<td>Convenience Retail³ &gt; 280 sq m (Supermarkets) (A1-A5) - Zone S2</td>
<td>£150</td>
</tr>
<tr>
<td>All other Retail (A1-A5)</td>
<td>£0</td>
</tr>
<tr>
<td>Hotels (C1)</td>
<td>£0</td>
</tr>
<tr>
<td>Commercial Leisure (D2)</td>
<td>£0</td>
</tr>
<tr>
<td>Community Use (D1)</td>
<td>£0</td>
</tr>
<tr>
<td>Others (Sui Generis)</td>
<td>£0</td>
</tr>
</tbody>
</table>

² CIL will not be charged on affordable housing which meets the definition as set out in the 2012 National Planning Policy Framework

³ Supermarkets in this context are shops that are of a size, and offer a range of goods, that makes them into shopping destinations in their own right. Supermarkets sell a full range of convenience foods and usually also offer a choice of non-food items and some services such as banking.
Community Infrastructure Levy charging zones

The CIL charge varies geographically, based on varying development viability. The following maps, based on parish boundaries, show the CIL charging zones for housing development and for convenience retail supermarkets respectively.

CIL charging zones for housing development

1 is most expensive

- Charging zone - H1
- Charging zone - H2
- Charging zone - H3

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Calculating the chargeable amount

The chargeable amount is calculated in accordance with CIL Regulation\(^4\) 40 (as amended by the 2011 Amendment Regulations) as simplified below:

\[
\text{Chargeable Amount} = \text{Chargeable Development}^5 \times \text{Levy Rate}^6 \times \text{Inflation Measure}^7
\]

Where there is more than one use class in a development, the chargeable amount in each use class is calculated separately and then added together to provide the total chargeable amount.

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\(^5\) The Chargeable Development (per sq m) is the gross internal floor space of the development less the gross internal floor space of any existing buildings to be demolished, provided they have been in continuous use for at least six months in the past 12 months (Regulation 64). The amount of chargeable development should be broken down by use class.

\(^6\) The Levy rate (£ per sq m) is the applicable rate as shown in the table

\(^7\) The inflation measure (%) is based on the annually updated national All-In Tender Price Index of construction costs published by the Building Cost Information Service of the RICS. It ensures that account is taken of the time delay between the grant of planning permission and commencement of development. The inflation measure is the index figure for the year in which planning permission was granted divided by the index figure for the year in which the charging schedule took effect.
Explanation, evidence and consultation questions

1. What is the Community Infrastructure Levy?

1.1 The Community Infrastructure Levy (CIL) allows local authorities to raise funds from developers to pay for the infrastructure that is needed as a result of development. Guidance is available from the Government as to what comprises a CIL, and the regulations that need to be followed in preparing a CIL.

1.2 CIL takes the form of a set tariff per square metre (sq m) of additional floor space. The level of the tariff is set by the local authority based on the needs identified through infrastructure planning, but also tested to ensure that it will not affect the viability of development coming forward. The local levy rate(s) must be set out in a CIL Charging Schedule, and payments will be collected into a fund to pay for infrastructure. CIL is not intended to pay for all infrastructure but to fill the funding gap that remains once other sources of funding have been taken into account.

2. Who will have to pay CIL?

2.1 The charge will be levied on development of more than 100 sq m of floor space (gross internal floor space) and those creating one or more dwellings even if the floor space is less than 100 sq m. In principle, this affects all types of development that involve buildings ‘into which people normally go’.

2.2 The levy will not be charged on changes of use that do not involve an increase in floor space. Sub-divisions of existing dwellings to form other dwellings will also not be charged. Structures which are not buildings, or which people do not regularly go into will not be liable. Affordable housing development and development for charitable purposes will also be exempt.

2.3 In addition, based on development viability, the charging authority may choose to set the CIL charging rate for certain uses or certain areas at £0 (zero).

3. Why should development pay for infrastructure?

3.1 Almost all development has some impact on the need for infrastructure, services and amenities, or benefits from them, so it is only fair that such development pays a share of the cost. It is also fair that those who benefit financially when planning permission is given, should share some of that gain with the community which granted it. By paying a contribution, developers will help fund the infrastructure that will support their development and make the development acceptable and sustainable.

4. Benefits of a Community Infrastructure Levy

4.1 New development needs to be supported by physical, social and green infrastructure. CIL provides a funding stream for this infrastructure, and a mechanism for ensuring that new development bears a proportion of the cost of new infrastructure that will serve the area.

4.2 Establishing a tariff will give developers certainty about the costs for infrastructure beyond their site. CIL creates a system under which the cost of infrastructure does not rest unfairly just with the large developments, as small developments will also pay.

4.3 The Levy will allow the Council and its partners to plan ahead for infrastructure delivery more effectively.

4.4 In accordance with the Localism Act, a meaningful proportion of the Levy will be passed directly from the Council to the local community in which it was raised. It was recently announced by Government that this proportion will be 15% for communities with a parish or town council whilst communities with an adopted Neighbourhood Plan will receive 25%.

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5. **Relationship with Section 106 developer contributions**

5.1 Once in place, CIL will become the main source of developer contributions towards infrastructure beyond the immediate needs of the development site. Section 106 obligations will remain, alongside the CIL, for infrastructure requirements linked to the development site itself, such as local access or connection to services. S106 agreements will also remain the vehicle through which affordable housing is delivered. Developments will not be charged for the same item of infrastructure through the S106 and the CIL.

5.2 Currently, Cornwall Council operates a system of pooled contributions for certain types of S106 monies, including for education. The new CIL regulations have however drastically reduced the scope for pooling S106 contributions beyond April 2014. After this time CIL will be the only means of pooling infrastructure contributions from more than five development sites.

5.3 In order to clarify what types of infrastructure will in future no longer fall under S106, Cornwall Council will publish a list of infrastructure projects or types of infrastructure that it intends will be, or may be, wholly or partly funded by CIL. This is known as the Regulation 123 list. This list is not included in this document, but will be published on the council’s website when the CIL is adopted. It will be kept up to date to take into account any changes in circumstances and / or infrastructure needs identified in the future.

6. **Evidence base for the preliminary draft charging schedule**

6.1 The evidence underpinning the preliminary draft charging schedule should examine the need for infrastructure and development viability in the area.

6.2 To this end, Cornwall Council has produced the following evidence which is further explained below:

- An Infrastructure Needs Assessment, which identified the infrastructure required to support development over the Local Plan period and the gap in funding this infrastructure; and

- A Strategic Viability Assessment which encompasses:
  - A Residential Development Viability Assessment, and
  - A Non-Residential Development Viability Assessment

7. **The Infrastructure Needs Assessment**

7.1 An Infrastructure Needs Assessment (previously called the Infrastructure Delivery Plan) was produced for a number of reasons, including:

- To help demonstrate that the council’s development strategy - ‘Planning Future Cornwall’ is deliverable and that the necessary social, physical and green infrastructure can be provided to support the planned development;

- To inform the CIL charging schedule, the starting point of which is an identification of the required infrastructure.


7.2 The INA looks at the impact of Local Plan growth on:

- Physical Infrastructure: such as transport, utilities, and waste;

- Green Infrastructure: such as children’s play areas and open spaces; and

- Social and Community Infrastructure: such as education, health and emergency services.

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7.3 Infrastructure required to support growth identified in ‘Planning Future Cornwall’ has been collated into a number of schedules:

- **Strategic Schedule**: this schedule identifies those key projects that have a significant impact on development stretching across all or most of Cornwall.

- **Community Network Area Schedules**: these schedules identify what is required in terms of infrastructure to meet the growth proposed in each of the nineteen community network areas. Highlighted within the majority of these schedules is the ‘strategic integrated package’ of projects that are required or desirable to meet the needs of the growth proposed in the main urban areas.

7.4 Each project has been allocated a priority in order that decisions can be made about the level of need for that project to be implemented. These priority categories are:

- **Critical**: critical infrastructure is that which is fundamental to development, such as electricity, water and road access, without which planning permission would not be granted and the development could simply not take place. These projects are of the highest priority for achieving growth as set out in the Local Plan.

- **Necessary**: necessary infrastructure is infrastructure that is required as a priority to make the development function properly but is not needed ‘upfront’.

- **Desirable**: desirable infrastructure reflects the full range of infrastructure needs that are required to deliver sustainable places.

7.5 The INA is a ‘living’ document and is continually updated. In relation to the CIL, the INA does not provide a definitive list of infrastructure schemes to be funded through CIL, but instead provides a justification for levying a charge from development to help pay towards infrastructure.

7.6 The INA currently demonstrates an indicative funding shortfall of £510 m for critical and necessary projects for transport, education, green and blue infrastructure, post 16 education and skills, health, emergency services and flooding infrastructure. CIL at the proposed rates is expected to raise some £62 m over the Local Plan period and it is considered that the INA demonstrates sufficient justification for the imposition of the CIL.

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7.7 It should be noted that it was never expected that CIL would be able to fund the entire funding gap at the preliminary stages of the CIL work. The Council and its partners will have to continue to identify alternative sources of funding and prioritise its CIL revenue spending to ensure that those infrastructure schemes it considers most important are brought forward. Delivery and funding of infrastructure will be monitored regularly and reported on the Council’s website.

**Question 1**
Do you agree that the funding gap for ‘critical’ and ‘necessary’ infrastructure demonstrates a sufficient justification for introducing CIL in Cornwall?

7.8 The CIL regime does not limit CIL spending to the items in the INA. Authorities can respond to changing local circumstances, such as changes in infrastructure requirements or funding sources, and spend revenue from the levy on different projects from those identified during the rate setting process.

7.9 The schedules should not in any way be considered to be the council’s programme for spending on infrastructure. Neither is it a definitive list of the infrastructure items that CIL will contribute to. The infrastructure projects or types of infrastructure that Cornwall Council intends will be, or may be, wholly or partly funded by CIL will be set out in its Regulation\(^\text{13}\) list, which will be published on the council’s website when CIL comes into force.

**8. Strategic viability assessment**

8.1 Government guidance\(^\text{14}\) is clear that CIL should strike a balance between the desirability of funding infrastructure from the levy and the potential effects of the imposition of the levy upon the economic viability of development across the council’s area. Cornwall Council commissioned consultants Three Dragons and Opinion Research Services (ORS) to assess the level at which CIL could be set alongside other planning obligations so that development remains viable.

8.2 The consultants prepared:
- a housing strategic viability assessment to inform the development of both the CIL Charging Schedule and Local Plan affordable housing policy.
- a non housing strategic viability assessment, (assisted by local commercial property consultants Alder King)

**9. Housing strategic viability assessment**\(^\text{15}\)

9.1 The housing viability assessment considered the combined impacts of a CIL levy together with affordable housing requirements on development viability.

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9.2 The viability assessment explored housing viability in Cornwall using a Residual Land Value model - this model follows the steps as outlined below:

Total development value (market and affordable housing)  
\[ \text{Min} \]  
Development costs (including build costs and return to the developer)  
\[ \text{Equals} \]  
Gross residual value  
\[ \text{Min} \]  
CIL and other planning obligations  
\[ \text{Equals} \]  
Net residual value (amount available to pay for land)

9.3 Bespoke variables and assumptions were defined for Cornwall including residential land values from recent transactions; a broad range of site densities; base construction costs; Code for Sustainable Homes requirements; profit at 17% and 20%; a range of existing use values, a range of affordable housing targets plus £3,000 per dwelling for on site S106 contributions. Discussions and workshops with a range of residential developers, land agents, builders and land owners were undertaken to ensure that Cornwall specific issues have been taken into account in the preparation of this viability assessment.

9.4 The following summary box identifies the main conclusions from the housing viability assessment study:

**Summary box – Overview of findings from the Strategic Housing Viability Assessment**

Economic viability of development, and therefore the ability to afford a CIL charge, varied geographically across Cornwall for residential development. Cornwall was initially split into different five price zones for housing development, as based on parish boundaries. These five price zones are indicated on the map in Appendix 2.

Development viability in these 5 zones (with Zone 1 the highest value area and Zone 5 the lowest):

- **Zones 1 and 2** are generally capable of delivering £100 per sq m of CIL and 50% affordable housing;
- **Zone 3** is generally capable of delivering £100 per sq m of CIL and 35% affordable housing;
- **Zone 4** is generally capable of achieving £40 per sq m of CIL and 20% affordable housing;
- **Zone 5** generally struggles to achieve viability in terms of housing development, and it is suggested that £0 per sq m of CIL and 20% affordable housing should be achievable.

**Overall conclusion:**
Reasonable CIL charges that would overall retain development viability in the area are £100, £40 and £0; the zones where these CIL charges apply are shown on the map ‘CIL charging zones for residential development’ in the Schedule.

Following consideration of the report’s recommendations it was decided to set an affordable housing target of 40% in zones 3, 4 and 5, as a basis for negotiation, to enable the higher rate to be delivered in pockets where viability allows. The CIL is non negotiable and setting a negotiable target is therefore not recommended for the CIL.

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17 Smaller urban sites are more variable in performance and an alternative affordable housing contribution may be required (e.g. introduction of more equity share) to achieve a combined 35% AH/£100 CIL.
Question 2

a) Do you agree with the key assumptions that underlie the Housing Viability Assessment (summarised above and available as part of the evidence base)? If not, what alternatives would you suggest and why?

b) Do you agree with the rates as proposed for the different parts of Cornwall? If you disagree please explain which ones you disagree with and why.

10. Non housing strategic viability assessment

This element of the work looked at all other types of new development that could potentially fall within the CIL regime. The types of development considered include offices and industrial uses, retail, hotels and residential institution and community uses.

10.2 As for housing, a Residual Land Value model was used for the non residential viability assessment. Bespoke variables and assumptions were defined for Cornwall, as informed by discussions and workshops with a range of commercial developers, land agents, builders and land owners. Assumptions include commercial land values from recent transactions, build costs, other development costs such as external works (15%), professional fees (12%), sales and marketing costs (4%), interest on build costs (7.5%) including commercial land values from recent transactions; base construction costs; developer profit (20%) and a range of existing use values.

Summary box – Overview of findings from the Non Residential Viability Assessment

1. A number of sub-markets for non residential uses exist in Cornwall:
   - Truro
   - Camborne/Pool/Redruth
   - Bodmin
   - Falmouth
   - Penryn
   - St Austell
   - Penzance
   - Newquay
   - ‘Rest of Cornwall’

2. Rents and yields for different uses vary significantly across Cornwall with the highest values generally found in Truro.

3. Development viability for non housing development:
   - The majority of non residential uses are not viable or only marginally viable across Cornwall
   - Only three main non residential uses show positive viability: supermarkets, town centre retail uses and out-of-town non-food retail.
   - Out of these three, only supermarkets (convenience stores over 280 square metres) produce sufficiently positive residual values to support a CIL charge. In Truro a higher CIL charge can be justified than elsewhere in Cornwall: up to £250 per square metre in Truro and up to £150 elsewhere.

Question 3

a) Do you agree with the key assumptions that underlie the Non Residential Viability Assessment (summarised above and available as part of the evidence base)? If not, what alternatives would you suggest and why?

b) Do you believe there are other uses for which we should consider a CIL levy? If so, which uses?

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10.3 The viability assessment conclusions underpin the rates as proposed in the preliminary draft charging schedule.

10.4 Imposition of the CIL at the proposed rates would mean the following charges for an average 76 square metre 3 bed semi-detached housing in each zone:

- Zone 1 - £7,600
- Zone 2 - £3,040
- Zone 3 - £0

These appear to be reasonable and proportionate in terms of a contribution towards the infrastructure necessary to support the development.

10.5 For a medium size supermarket of 3,000 square metres outside the Truro area the CIL charge would be £450,000. For the same sized supermarket in the Truro area the CIL charge would amount to £750,000.

**Question 4**

a) Do you support the proposed CIL rates? Please explain.

b) Do you agree that the proposed CIL rates represent an appropriate balance between the desirability of funding infrastructure through CIL and ensuring that development remains viable? Please explain.

11. **Discretionary relief for exceptional circumstances**

11.1 The CIL regulations provide 100% relief from the Levy for affordable housing development: qualifying dwellings are specified in Regulation 49.

11.2 An application for partial or full relief from the CIL may be made by charitable institutions. To qualify for charitable relief the chargeable development must be used wholly or mainly for charitable purposes.

11.3 In exceptional circumstances, CIL Regulation 55 allows a charging authority to grant relief to a developer, where a planning obligation has been entered into for a sum that is greater than the total CIL charge, and that payment of the Levy would have an unacceptable impact on the economic viability of the development. The developer will be expected to demonstrate this by providing ‘open book’ accounts to the Council. Offering exceptional circumstances relief would provide the Council with some flexibility to deal with individual sites where development is desirable, but which are proven to have exceptional costs or other requirements which make them unviable. Guidance on the CIL is however clear that this relief is to be made available in very exceptional circumstances only.

**Question 5**

Do you think that Cornwall Council should grant discretionary relief? If so under what circumstances?

12. **Payment by instalment, payment in kind and deferred payments**

12.1 The Council can permit the discretionary payment of CIL by instalments. An ‘instalments policy’ containing details of the number of instalments permitted, the timing of payments, the amount payable in any instalment and a minimum monetary threshold will be published with the adopted Charging Schedule. The ‘instalments policy’ may be amended or removed at any time.

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12.2 The Council can, at its discretion, allow the value of land (but not the value of any works carried out by the Developer on that land) to be offset against the chargeable amount of CIL, where the land is transferred to the Council. The value of land acquired as 'payment in kind' will be determined by the District Valuer.

**Question 6**

a) Do you think Cornwall Council should offer payment by instalments? If so, how should this be structured?

b) What are your views on the option to 'pay in kind'?

13. **Stages of consultation - next steps**

13.1 Comments received as part of this consultation will form part of the preparation of the Draft Charging Schedule.

13.2 The Cornwall Draft Charging Schedule will then be published and submitted for a formal Examination. The timescale of the CIL will closely follow the Local Plan timetable, with examination of the CIL quickly following the examination of the Local Plan, anticipated in early 2014.

13.3 Once the Draft Charging Schedule is approved it will then be adopted by Cornwall Council and a date will be set for its implementation.

14. **How to comment on this consultation**

14.1 The consultation period for this Preliminary Draft Charging Schedule will run from 11 March to 22 April. This consultation is in accordance with Regulation 15 of the CIL Regulations (as amended) and the Council will take into account any representations made to it by the closing date. A Draft Charging Schedule will be published in due course.

14.2 Comments are invited using the following methods:

- **Online:** [consultation@cornwall.gov.uk](mailto:consultation@cornwall.gov.uk)
- **By post to:**
  CIL/Strategic Planning Policy Team  
  Cornwall Council  
  Circuit House  
  St Clements Street  
  Truro  
  TR1 1DT
- **By Email:** [localplan@cornwall.gov.uk](mailto:localplancornwall@cornwall.gov.uk) (please put CIL in the subject line)

14.3 Accessibility: Documents related to this consultation can be viewed on the Council’s CIL web page at [www.cornwall.gov.uk](http://www.cornwall.gov.uk)

**A large print version is available on request**
Appendix

Appendix 1
CIL charging Zones for supermarkets (Truro inset)

Appendix 2
The five residential price zones, resulting from the Strategic Viability Assessment, that underlie the affordable housing policy in the Local Plan and the CIL. The three highest price zones (1, 2 and 3) were amalgamated for purposes of the CIL into a single CIL charging zone.

Value Zones
1 is most expensive
- Band 1
- Band 2
- Band 3
- Band 4
- Band 5