

Havant Borough Council

Community Infrastructure Levy

Preliminary Draft Charging Schedule

December 2017

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1.0 Introduction

What is the Community Infrastructure Levy?

- 1.1 The Community Infrastructure Levy (CIL) is a tariff which allows funds to be raised from new developments towards the cost of infrastructure to support development of the Borough. Its purpose is to give developers more certainty over costs and to give councils and communities more choice and flexibility in how infrastructure is funded.
- 1.2 The Havant Borough Local Plan 2036 will provide the policy basis for the collection of developer contributions and the provision of on-site infrastructure to support new development through obligations, agreements and tariffs. Since the introduction of CIL, the use of Section 106 Planning Obligations is limited to site specific mitigation measures which are required to make a development acceptable, such as a new access road or the provision of affordable housing.
- 1.3 CIL is intended to supplement rather than replace other funding streams and will help provide infrastructure to support local growth. CIL income can be used to fund new infrastructure, or to upgrade existing infrastructure, but not to remedy existing deficiencies.

Background and Planning Context

- 1.4 The Council commenced charging the CIL on 1st August 2013. The preparation of the Havant Borough Local Plan 2036 with its new proposals for development to meet housing and other needs across the Borough, including the identification of a Strategic Site, has triggered the need to review the CIL Charging Schedule.
- 1.5 This Preliminary Draft Charging Schedule has been prepared in accordance with the CIL Regulations 2010 (as amended) and Government guidance. It is the first of two consultation stages in preparing a revised Charging Schedule for Havant Borough, alongside the preparation of the Havant Borough Local Plan 2036.

How to respond to this consultation

- 1.6 Havant Borough Council, as the 'charging authority' is required to consult on its proposed charging rates, initially through a Preliminary Draft Charging Schedule. The consultation period runs from 8 January until 16 February 2018.
- 1.7 Comments should be submitted in writing by the close of the consultation period, preferably by email to: cil@havant.gov.uk

Or by post to:
Planning Policy
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

- 1.8 All supporting evidence documents can be viewed on the Council's website at:
<https://www.havant.gov.uk/planning-and-environment/planning-policy/community-infrastructure-levy>

Next Steps

- 1.9 The Council will take into account any comments made on this document and assess the need to amend the proposed Charging Schedule. Consultation on a Draft Charging Schedule will follow as soon as practicable. An independent examiner must approve the Draft Charging Schedule before the Council can adopt a final Charging Schedule. The CIL charge will be applied to all liable planning permissions following the date of adoption. The CIL rates will be reviewed periodically thereafter.

2.0 Evidence Base

CIL Regulation Requirements

- 2.1 The CIL regulations¹ state that:
"In setting rates (including differential rates) in a charging schedule, a charging authority must 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."

Local Plan

- 2.2 In order to set the rates, and to take into account these requirements, three key documents are used. The Draft Havant Borough Local Plan sets out how much development will take place in the Borough to 2036 and the locations of that development. Policy IN1 of the document provides the basis for the collection of developer contributions and sets out the types of infrastructure which can be funded through obligations, agreements and tariffs.

Viability Assessment

- 2.3 The second is the Viability Assessment which has been prepared for the Council by consultants in two parts.
- 2.4 The Dixon Searle Partnership has provided a Viability Assessment as part of the evidence base for the Local Plan. This is based on up to date development value and cost assumptions and has tested a range of affordable housing scenarios using a series of relevant development scheme typologies (e.g. houses, flats, mixed schemes) at various broad locations (e.g. town centre, brownfield, greenfield).

¹ CIL Regulations 2010 - Regulation 14(1) as amended by the 2014 Regulations

- 2.5 The assessment uses well-established methodology and principles and is based on residual valuation. This is how much money may remain for land purchase after all development costs (including reasonable developer's profit) have been deducted from the development sale proceeds. Judgements are then made about whether the residual land value (RLV) is likely to be sufficient to secure the release of a variety of site types by the landowners for development.
- 2.6 The appraisals are based on a range of scenarios that are considered representative of typical development types coming forward in the borough. This appraisal is not about testing the viability of individual sites. However, sensitivity testing is undertaken to assess the influence on RLV, and therefore on viability, of changes to key factors including sales values, varying proportions of affordable housing and the application of optional increased use of building regulations and levels of building specification. The latter may include changes such as adaptations to increase accessibility and usability of dwellings for less mobile and wheelchair users, or technical specifications such as dwelling sizes, or for reduced energy consumption and water efficiency.
- 2.7 Other aspects of the Draft Local Plan that would impact on viability have also been taken into consideration. These include increase in the financial contribution to the Solent Recreation and Mitigation Partnership² and the proposals for regeneration of the town centres of Havant, Waterlooville and Leigh Park.
- 2.8 The outcome at this stage is that the adopted CIL levels for residential development, as indexed, represent around the upper levels that development can support subject to the affordable housing requirements as set out in Policy H2 of the Draft Local Plan³.
- 2.9 Most of the scenarios involved ranges of housing but non-residential and commercial assessments were also carried out. These found that other types of development tested, including such as employment developments, hotels, community facilities and care homes were found not to be able to support a CIL charge for reasons of viability.
- 2.10 The exception to this concerns large scale retail (retail warehousing and foodstores) where the assessment found such developments could support a charge equivalent to the higher level of the residential charge. However any charge on small scale retail units could have a potentially damaging effect on their viability. The assessment suggested that the charging schedule need only differentiate by type and scale, using the recognised Sunday Trading related sales floor threshold of 3,000 sq ft / 280 sq m.
- 2.11 A separate Viability Appraisal for the Southleigh Strategic Site was undertaken by GVA to inform whether the development is able to cover the costs of providing the necessary associated infrastructure. This assessment was based on the

² Approved by the [Partnership for Urban South Hampshire Joint Committee](#) on 5 December 2017.

³ H2 Affordable Housing - residential development for a net gain of 11 or more dwellings:

- (a) 20% rented and intermediate in Havant, Waterlooville and Leigh Park town centres;
- (b) 30% rented and intermediate outside the Havant, Waterlooville and Leigh Park town centres;
- (c) tenure split of 70% rented and 30% intermediate (shared ownership).

proposed masterplan as prepared by Levitt Bernstein which seeks to deliver 2,100 homes, a three-form entry Primary School, a small retail centre, community facilities and unspecified class D1 uses⁴.

- 2.12 The assessment has sought evidence to enable setting of a 'benchmark land value' and has taken into consideration that the existing use of most of the area of the Strategic Site is 'greenfield' which may or may not be serviced. The assessment has also taken into account:
- an affordable housing target of 30% with tenure split of 70:30 affordable rent and intermediate (shared) ownership;
 - S106 contributions towards or payment for transport, health, community open space and other amenities (with the notable exception of any new access onto the A27);
 - the cost of building a three form entry primary school, accounted for as a construction cost;
 - private housing sales values based on typical local house types and examples;
 - retail unit and use class D1 property sales and rents based on local examples;
 - fees (legal, professional, sales and marketing); and
 - profit at 18% on Gross Development Value.
- 2.13 Aside from the costs of development, assumptions have also been made in the assessment on such as anticipated developments rates per annum; also phasing of infrastructure with costs weighted accordingly.
- 2.14 The appraisal results indicate that if CIL is applied at the current rate (with indexation) there is a slightly positive surplus in Residual Land Value over the Benchmark Land Value. However this margin leaves little room to allow for increasing costs, for example identification of additional requirements that are not currently factored in due to the high (rather than detailed) level nature of the proposed masterplan. Removing the CIL results in a relatively larger surplus and not putting the development at the margins of viability.

Infrastructure Delivery Plan

- 2.15 The third and final element of the evidence base is the Infrastructure Delivery Plan. This has been prepared in support of the Draft Local Plan setting out requirements for infrastructure types and costs to support the levels of development proposed as informed by liaison with infrastructure and service providers. It is required by the CIL regulations to demonstrate that there is a funding gap, or shortfall, between the cost of necessary infrastructure and identified funding and that the Council is therefore justified in charging the levy.

⁴ Class D1 – non-residential institutions include: health centres, crèches, day nurseries, libraries, museums and places of worship.

2.16 From the information received, it is clear that the cost of the infrastructure required to support development projects exceeds the known available funds. Projects which have been costed, but for which a funding source(s) has not been identified (in whole or part), or is uncertain at present, have been collated and set out in Table 1 below. This clearly demonstrates the ‘funding gap’ which justifies the preparation of the CIL Charging Schedule.

**Table 1: Aggregate funding gap for indicative infrastructure requirements –
Borough excluding the Southleigh Strategic Site**

Infrastructure Category	Infrastructure Type	Indicative Cost £	Identified Funding £	Funding Shortfall £
Education	Early Years	750,000	0	750,000
	Primary Schools	25,183,076	6,136,513	19,046,563
Emergency Services	Fire Station	6,002,000	0	6,002,000
Green & Blue	West Brook Flood Alleviation	900,000	900,000	0
	Coastal Defences, Flood Alleviation and Habitat creation	23,077,600	5,250,600	17,827,000
	Green Routes	8,350,000	2,428,000	6,072,000
Health	Oak Park Area Hub	12,500,000	0	12,500,000
Social	Community Centres	NK	-	NK
	Extra Care housing – 400 units	77,600,000	0	77,600,000
	Leisure – Built Sports Facilities	3,000,000	0	3,000,000
	Libraries	387,500	0	387,500
	Cemeteries and Crematoria	250,000	167,000	83,000
Transport	Buses – BRT	1,500,000	0	1,500,000
	Cycling & Walking	4,981,407	629,000	4,352,407
	Roads	NK	-	NK
Utilities	Water Supply - Havant Thicket Reservoir	70,000,000	0	70,000,000
	Waste Water – upgrade WTWs	NK	-	NK
	Telecommunications	NK	-	NK
TOTAL		234,481,583	15,511,113	219,120,470

- 2.17 The information presented in the table, however, is only a ‘snapshot’ of the current situation. The figures it contains will evolve and change as further information becomes available and the Plan will be updated and reviewed accordingly. It is also only a broad assessment of infrastructure needs (in scale and type) and is not any indication of the Council’s priorities in allocating CIL funds for particular projects.

3.0 Preliminary Draft Charging Rates

- 3.1 Charging authorities are strongly advised not to adopt CIL rates at or near the margin of viability. This is to allow for future fluctuations in market conditions and means that the Charging Schedule will not need to be reviewed with every minor change in conditions
- 3.2 The proposed rates are set out in the table at Appendix A together with the maps showing the areas (charging zones) to which the respective charges apply. For clarification, the charging zones are based on ward boundaries with the exception of the Strategic Site which follows the boundaries of the development area as proposed in the Draft Havant Borough Local Plan 2036.
- 3.3 As indicated by the Viability Assessments, taking account of the need for affordable housing, the residential development in the areas of Emsworth and Hayling Island should continue to support a higher rate of CIL (based on residential market value levels in new build properties) than Havant and Bedhampton, Leigh Park and Waterlooville. The rates being charged should continue at the current rate, including the applied indexation.
- 3.4 The residential rate does not include extra care housing but does apply to sheltered housing which is CIL liable. The Council recognises the additional services and facilities provided by extra care housing such as care facilities, kitchens, communal and shared areas, which are likely to impact on development viability.
- 3.5 Retail developments depend on their size as to their viability and are charged accordingly with charges only being applied to large (>250 sq m) developments. Other developments including offices, industry and warehousing, hotels, community and leisure uses continue to be zero rated.
- 3.6 The area of the Southleigh Strategic Site would be ‘zero rated’ for CIL due to the amount of infrastructure that would more appropriately be provided through planning obligations.

Appendix A: Preliminary Draft Charging Schedule

Charging Authority

The Charging Authority is Havant Borough Council

Date of Approval

This Charging Schedule was approved by the Council on

Date of Effect

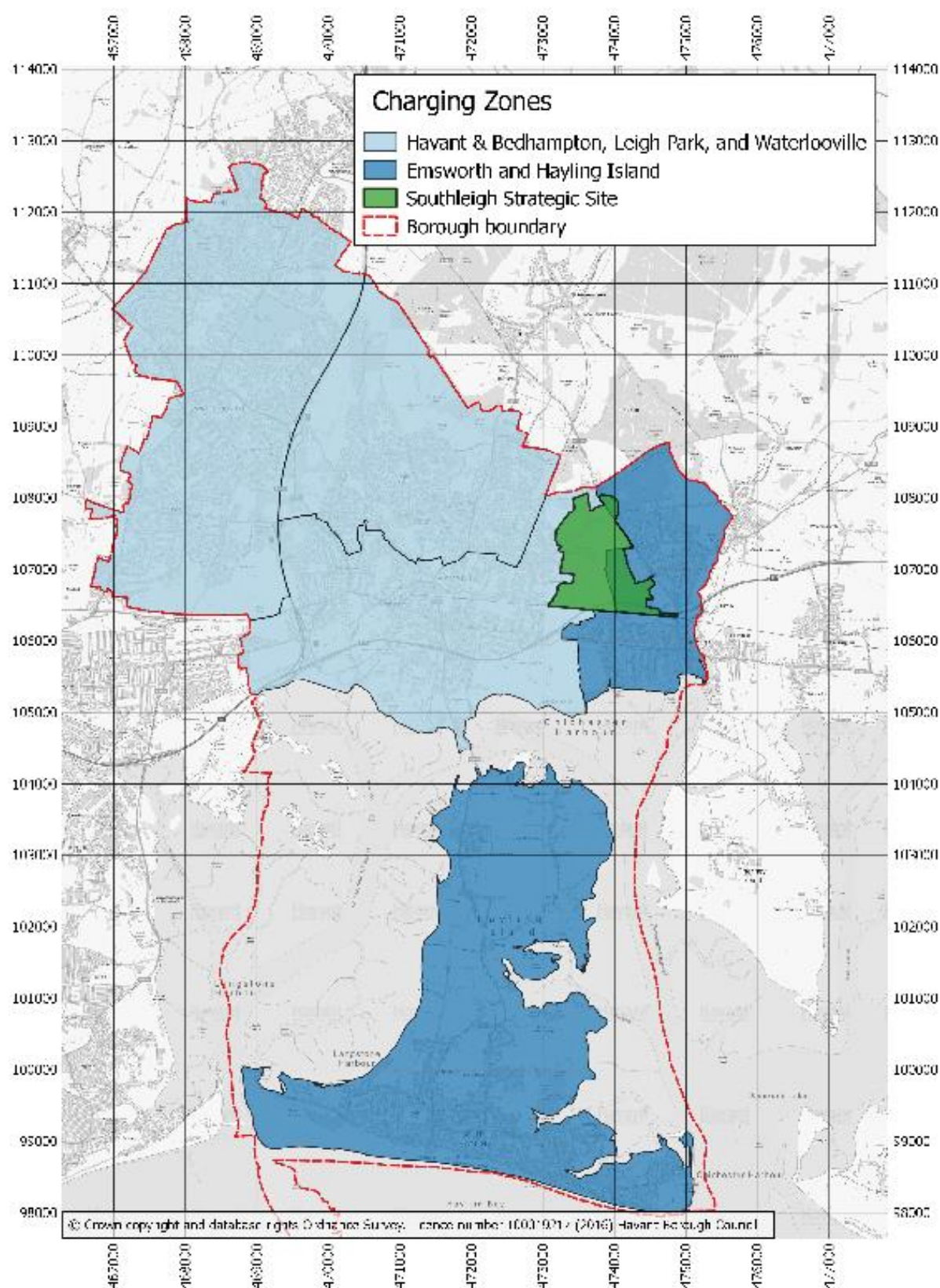
This Charging Schedule will come into effect on

CIL Rates

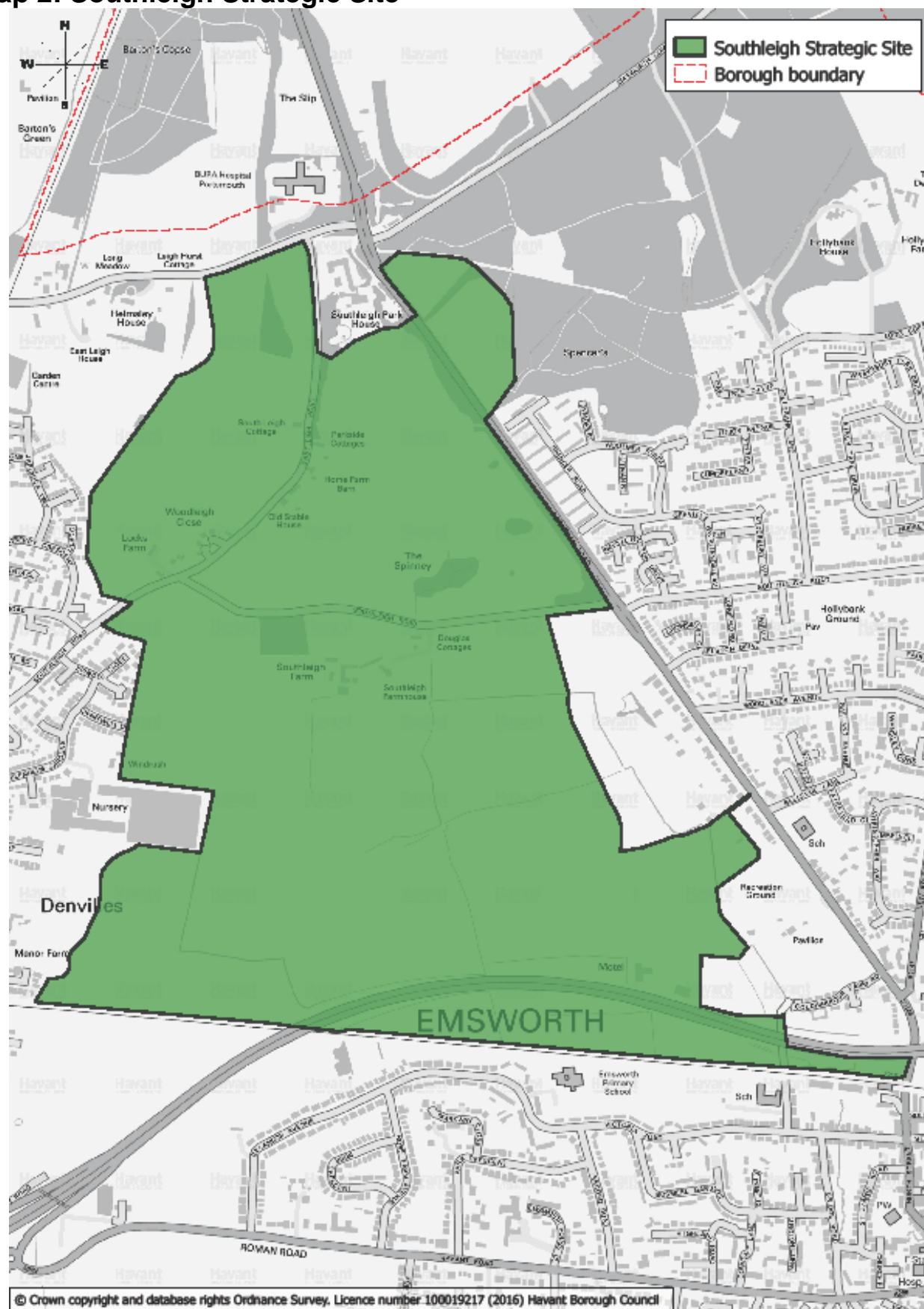
The rate at which CIL is charged shall be:

Development Type	CIL Rate (£ per sq m)
Residential* (one dwelling or more):	
- Emsworth (excluding Strategic Site) and Hayling Island	£125
- Havant (excluding Strategic Site), Leigh Park and Waterlooville	£100
- Southleigh Strategic Site	£0
Retail (retail warehousing and foodstores) over 280 sq m	£125
All other retail, and retail within Southleigh Strategic Site	£0
All Other Uses	£0
* The residential rate excludes extra care housing.	

Map 1: Differential Rate Zones



Map 2: Southleigh Strategic Site



Appendix B: Frequently Asked Questions

What developments will CIL be charged for?

- B.1 CIL will be applied to the majority of new developments. This includes most buildings that people normally use and where more than 100 square metres of floorspace (net) or a new dwelling is created (even if it is less than 100 square metres). CIL will be payable on the commencement of development or for larger developments, over an agreed phased period. Details of instalment periods will be included in the Havant Borough Developer Contributions Guide. The tariff for each type of development is set out in the Charging Schedule (see Section 3.0).

What developments will not pay CIL?

- B.2 There will be no charge for change of use applications unless additional floorspace of at least 100 square metres is created, or for the sub-division of existing dwellings. The regulations also prescribe the following other exemptions from the charge:
- Structures into which people do not go;
 - All affordable housing;
 - Redevelopments that do not result in a net increase in floorspace (subject to caveats);
 - Development for charitable purposes
 - Self Build Homes

Who will pay CIL?

- B.3 The responsibility to pay the levy runs with the ownership of land on which the liable development will be situated. That benefit is transferred when the land is sold with planning consent, which also runs with the land. Although ultimate liability rests with the landowner, the regulations recognise that others involved in a development may wish to pay. To allow this, anyone can come forward and assume liability for the development.

How is the chargeable amount calculated?

- B.4 The Council will calculate the amount of CIL payable ('chargeable amount') in respect of a chargeable development in accordance with the relevant formulae in the CIL regulations.

How will the levy be collected?

- B.5 In most cases, Havant Borough Council will collect the levy as the 'Collecting Authority'. The levy's charges will become due from the date that a chargeable development is commenced in accordance with the terms of the relevant planning consent. The definition of commencement of development for the levy's purposes is the same as that used in planning legislation, unless planning consent has been granted after commencement.

- B.6 When planning permission is granted, the Council will issue a 'Liability Notice' setting out the amount of the levy that will be due for payment when the development is commenced, the payment procedure and the possible consequences of not following this procedure.

Statutory and discretionary Exemptions

- B.7 Where the levy is charged, it will be a fixed cost and relief will only be granted in exceptional circumstances, in accordance with CIL Regulation 55. Havant Borough Council intends to grant discretionary relief for exceptional circumstances in accordance with Regulation 55 and full details will be provided in the Havant Borough Developer Contributions Guide. The Council can also choose to set a zero rate in its Charging Schedule if viability testing shows that a particular use or area cannot withstand the charge. Further details on exemptions will again be set out in the Havant Borough Developer Contributions Guide.

Is there an alternative to making financial payments?

- B.8 There may be circumstances where it will be more desirable for a charging authority to receive land instead of cash payments. The CIL regulations provide for charging authorities to accept transfers of land as a payment in kind for the whole or part of the levy. This will be subject to negotiation with the Council. Full details of the collection process and payment in kind will be included in the Havant Borough Developer Contributions Guide.

What will CIL be spent on?

- B.9 The definition of infrastructure is set out in the adopted Core Strategy in Table 9.1. It includes transport, education, health, flood defences and green infrastructure and is reproduced in Table 3 below. The Council can choose to publish a 'Regulation 123' List, which lists infrastructure projects or types of infrastructure that it intends to fund through CIL. If a Regulation 123 List is not published, it is assumed that the authority intends to use CIL funds for any type of infrastructure capable of being funded by the levy. In this instance, the Council could not seek a S106 Planning Obligation towards the same infrastructure. Havant Borough Council intends to produce a Regulation 123 list and will continue to collect S106 contributions for infrastructure which is necessary and directly related to a development, provided that the infrastructure is not part of the Regulation 123 List.
- B.10 Local authorities are required to spend CIL funds on the infrastructure needed to support the development of their area. Havant Borough Council will need to work closely with neighbourhoods and organisations such as Hampshire County Council and the Environment Agency to decide what infrastructure is required and balance neighbourhood funding with wider infrastructure funding to support growth.
- B.11 The government is proposing to allocate a 'meaningful proportion' of levy revenues back to neighbourhoods. The definition of 'meaningful proportion' is

yet to be confirmed, but the outcome of a government consultation on the CIL regulations should provide clarification. Further details will be provided in the Havant Borough Developer Contributions Guide.

Where else to look for information?

Planning Practice Guidance – Community Infrastructure Levy

<https://www.gov.uk/guidance/community-infrastructure-levy>

Havant Borough Council – Developer Contributions Guide

<http://www.havant.gov.uk/sites/default/files/documents/Havant%20Developer%20Contributions%20Guide%20Oct%202016.pdf>

Planning Portal – About the Community Infrastructure Levy

https://www.planningportal.co.uk/info/200126/applications/70/community_infrastructure_levy