

# **Preliminary Draft Charging Schedule**

## **London Borough of Harrow**

### **Planning Act 2008 - Community Infrastructure Levy Regulations 2010**

The Community Infrastructure Levy (CIL) is a new system of securing developer contributions through the planning system which local authorities are empowered, but not required, to charge on new development in their area.

The purpose of the levy is to help pay for infrastructure such as schools, transport, libraries, parks, leisure facilities and other strategic infrastructure that is required to support new development and to create sustainable communities.

### **Preliminary Draft Charging Schedule**

The London Borough of Harrow is a charging authority according to Part 11 of the Planning Act 2008. The Council is proposing to implement a Community Infrastructure Levy in respect of development across all of the London Borough of Harrow. The Council is proposing to charge differential rates of CIL to be determined by the land use of a proposed development (expressed as pounds per square metre). This Preliminary Draft Charging Schedule has been issued, approved and published in accordance with Part 11 of the Planning Act 2008 and the Community Infrastructure Regulations 2010, as amended.

### **Clear messages from the CIL Regulations**

Keep it simple: the Regulations state that CIL should not be overly complex. As CIL is based on a charge on additional floorspace per square metre, and as many developments planned for in Harrow are of mixed use schemes on sites with existing floorspace, a wide variety of different charges would make CIL calculation and collection increasingly difficult. Most London councils are therefore setting one or two different charges for all the uses in their area.

The charge(s) must be justified by objective viability assessments: it can not be based on wanting to encourage or restrict certain development types or promote specific regeneration locations.

Unlike with Section 106 agreements, the CIL Regulations do not allow for CIL to be easily waived or renegotiated on a site-by-site basis: it is a charge on the land and if it makes development unviable then the development may not go ahead. Therefore the Council should avoid trying to set CIL charges that are close to the ceiling of what might be viable for the majority of development within Harrow.

### **Requirements**

In order to set a CIL charging schedule, the Council must have an appropriate evidence base to support the proposed levy. This includes:

**Evidence of an infrastructure funding gap:** Harrow total infrastructure bill to support new development is £137m (Education £36m; Burial & Cremation £0.8m; Health £9.8m; Leisure Centre £9m; Libraries and Archives £6.1m; Transport £60.6m; Green Space £14.4m). Traditional funding will raise £47.1m towards the cost, so the **funding gap is £61.2m, which justifies Harrow introducing a CIL**

**Evidence of an assessment of development viability:** Viability demonstrates that residential development can absorb a maximum CIL of £180 (in South Harrow) to £400 per sq m (in Harrow on the Hill); Retail development to a maximum of £200 per sq m; and hotel and student accommodation £100 per sq m. All other forms of development are not viable.

**Regulations are clear, CIL should not be set at maximum limits – a midway point is**

**appropriate, ensuring vast majority of development can afford CIL and remain viable – noting also that Mayoral CIL at £35 per sq m is top-sliced**

**Harrow's proposed CIL rates**

Based on the research findings and guidance, Harrow's CIL Preliminary Draft Charging Schedule is set out in the table below. Please note the stated figures do not include the Mayor's CIL which is an additional £35 per square metre for most development in Harrow, and has been applicable since 01 April 2012).

**Preliminary Draft Charging Schedule – Rates of CIL**

<b>Use</b>	<b>Charge per sqm</b>
Residential (Use Classes C3),	£110
Residential Institutions, except Hospitals, (Use Class C2), Student Accommodation, Hotels, Hostels and HMOs (Sui Generis)	£55
Retail (Use Class A1), Financial & Professional Services (Use Class A2), Restaurants & Cafes (Use Class A3), Drinking Establishments (Use Class A4), Hot Food Take-aways (Use Class A5)	£100
All other uses	Nil

The proposed CIL rate(s) strike an appropriate balance between helping to meet the identified infrastructure funding gap and the potential impact of the charge on development viability across the borough.

**How have the CIL Rates been determined?**

The Council has considered the findings of the viability assessment and the need to address the estimated infrastructure funding gap in making a balanced judgement on appropriate CIL rates. There has been a conscious effort to keep the rates relatively simple whilst securing an appropriate contribution of funding for local infrastructure made necessary by planned new development.

The viability evidence<sup>1</sup> suggests **residential** schemes are able to absorb a **maximum** CIL rate of between £180 to £400 per square metre. While there are differences in residual land values across the borough, account also needs to be had to the level of development planned for or anticipated to come forward in the different locations. Within both the highest and lowest value areas of the borough (Harrow on the Hill and South Harrow respectively) the planned levels of development are modest, and therefore do not warrant a differential charging rate being applied. The vast bulk of Harrow's planned development is to come forward within the Harrow and Wealdstone Intensification Area. The suggested rate within this area is £110 per sqm. Taking account of CLG guidance that charging authorities do not set their CIL at the margins of viability, and taking a broad view across the evidence and the desire to continue to support growth and new homes in the area in accordance with the Core Strategy, the Council is proposing to apply this as a flat rate for residential uses across the whole of the borough.

High quality **office development** on sites in Harrow town centre have the potential to generate some value based on higher rents, however, this is very sensitive to small shifts in rents and yields and given the current context of over supply of low quality, outdated and unsuitable office space in the Borough the Council's evidence indicates that no CIL could be levied. At current rent levels, office development elsewhere in the Borough is unlikely to come forward in the short to medium-term as the capital values generated are insufficient to cover development costs. The Council therefore proposes to set a zero rate for office development in the Borough.

<sup>1</sup> Harrow CIL Viability Report, BNP Paribas, July 2012

Residual values generated by **retail developments** are higher than current use values in certain areas. Those areas coincide with the locations where growth is proposed. Consequently, the Council is proposing a simple flat rate for all retail and town centre uses.

The appraisals of developments of **industrial and warehousing** floorspace indicate that these uses are unlikely to generate positive residual land values. The Council is therefore proposing a zero rate for industrial floorspace.

**Student housing and hotel development** in the Borough generates sufficient surplus residual values to absorb some CIL. After allowing for a buffer for site-specific factors, the Council proposes a rate of £55 per square metre.

**D1 and D2** uses often do not generate sufficient income streams to cover their costs. Consequently, they require some form of subsidy to operate. This type of facility is very unlikely to be built by the private sector. The Council therefore propose that a nil rate of CIL be set for D1 and D2 uses.

#### **Calculating the Chargeable CIL**

CIL applies to the gross internal area of the net increase in development (Regulation 14). The amount to be charged for each development will be calculated in accordance with Regulation 40 of the Community Infrastructure Levy Regulations 2010. For the purposes of the formulae in paragraph 5 of Regulation 40 (set out below), the relevant rate (*R*) is the differential rate relating to each specific use as set out in this Preliminary Draft Charging Schedule.

#### **Calculation of chargeable amount**

(1) The collecting authority must calculate the amount of CIL payable (“chargeable amount”) in respect of a chargeable development in accordance with this regulation.

(2) The chargeable amount is an amount equal to the aggregate of the amounts of CIL chargeable at each of the relevant rates.

(3) But where that amount is less than £50 the chargeable amount is deemed to be zero.

(4) The relevant rates are the rates at which CIL is chargeable in respect of the chargeable development taken from the charging schedules which are in effect –

- (a) at the time planning permission first permits the chargeable development; and
- (b) in the area in which the chargeable development will be situated.

(5) The amount of CIL chargeable at a given relevant rate (*R*) must be calculated by applying the following formula—

$$\frac{R \times A \times I_P}{I_C}$$

where—

*A* = the deemed net area chargeable at rate *R*

*I<sub>P</sub>* = the index figure for the year in which planning permission was granted; and

*I<sub>C</sub>* = the index figure for the year in which the charging schedule containing the rate *R* took effect.

(6) The value of *A* in paragraph (5) must be calculated by applying the following formula –

$$\frac{C_R \times (C - E)}{C}$$

Where –

$C_R$  = the gross internal area of the part of the chargeable development chargeable at rate  $R$ , less an amount equal to the aggregate of the gross internal area of all buildings (excluding any new build) on completion of the chargeable development which –

- (a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use;
- (b) will be part of the chargeable development upon completion; and
- (c) will be chargeable at rate  $C$

$C$  = the gross internal area of the chargeable development; and

$E$  = an amount equal to the aggregate of the gross internal areas of all building which –

- (a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use; and
- (b) are to be demolished before completion of the chargeable development.

(7) The index referred to in paragraph (5) is the national All-in Tender Price Index published from time to time by the Building Cost Information Service of the Royal Institution of Chartered Surveyors; and the figure for a given year is the figure for 1st November of the preceding year.

(8) But in the event that the All-in Tender Price Index ceases to be published, the index referred to in paragraph (5) is the retail prices index; and the figure for a given year is the figure for November of the preceding year.

(9) Where the collecting authority does not have sufficient information, or information of sufficient quality, to enable it to establish –

- (a) the gross internal area of a building situated on the relevant land; or
- (b) whether a building situated on the relevant land is in lawful use, the collecting authority may deem the gross internal area of the building to be zero.

(10) For the purposes of this regulation a building is in use if a part of that building has been in use for a continuous period of at least six months within the period of 12 months ending on the day planning permission first permits the chargeable development.

(11) In this regulation “building” does not include –

- (a) a building into which people would not normally go;
- (b) a building into which people go only intermittently for the purpose of maintaining or inspecting machinery; or
- (c) a building for which planning permission was granted for a limited period.

(12) In this regulation “new build” means that part of the chargeable development which will comprise new buildings and enlargements to existing buildings.

## Draft Instalments Policy

In accordance with Regulation 69B of the Community Infrastructure Levy (amendment) Regulations 2011, the Council is proposing to allow payments of CIL by instalments according to the total<sup>2</sup> amount of the liability as follows:

Amount of CIL Liability	Number of Instalments	Payment Periods and Amount
Any amount less than £100,000	No instalments	<ul style="list-style-type: none"> <li>Total amount payable within the 60 days of commencement of development</li> </ul>
Amounts from £100,000 to £250,000	Two instalments	<ul style="list-style-type: none"> <li>£100,000 payable within 60 days of commencement of development</li> <li>Balance payable within 120 days of commencement of development</li> </ul>
Amounts from £250,000 to £500,000	Three instalments	<ul style="list-style-type: none"> <li>£100,000 payable within 60 days of commencement of development</li> <li>Balance payable in a further two instalments of equal amount within 120 and 180 days of commencement of development</li> </ul>
Any amount greater than £500,000	Four instalments	<ul style="list-style-type: none"> <li>£100,000 payable within 60 days of commencement of development</li> <li>Balance payable in a further three instalments of equal amount within 120, 180 and 240 days of commencement of development</li> </ul>

## Draft Regulation 123 List

The following table comprises Harrow Council's Draft Regulation 123 List. It includes the strategic infrastructure that the Council currently considers it is likely to apply CIL revenues to. However, it is important to note that Harrow is not due to implement CIL until mid 2013, and therefore the contents of the Regulation 123 List may change depending upon the following:

Changes to local or national funding stream that may occur prior to the CIL implementation date; and

The requirements of the regulations governing the level of the "meaningful proportion" of CIL that is to be passed to local communities.

Infrastructure currently considered likely to benefit from the application of CIL funding	
Education	Early years, primary and secondary schools
Health Services	GPs, acute healthcare
Social Care	Supported accommodation
Emergency Services	Police, Ambulance and Fire Services
Culture and Community facilities	Libraries and community halls
Open Space	Parks, natural green space, amenity space and green corridors and green grid
Biodiversity	
Recreation and Leisure	Play space, sports and leisure centres, swimming pools and playing pitches
Cemeteries and Burial Space	
Transport	Roads, buses, cycling, rail and underground)

<sup>2</sup> The total amount of CIL is the amount shown on the Liability Notice and may include components for London Borough of Harrow and the Mayor of London

A final version of the Regulation 123 List, which will take account of any issues mentioned above, will be published on the Council's website immediately prior to the CIL implementation date.

#### **Consultation**

Public consultation on the Draft Charging Schedule will take place from **X November to X December 2012**. The purpose of this consultation is to invite further comments on the proposed CIL rates for the different planning uses having regard to Council's response to representations made to the Preliminary Draft Charging Schedule and also to the appropriate available evidence which includes:

- The adopted Local Development Framework Core Strategy, February 2012
- The revised Infrastructure Assessment and Delivery Plan, June 2012
- The CIL Infrastructure Report, July 2012
- The CIL Viability Study, July 2012

These supporting documents are available to view on the Council's website and at all libraries and the Civic Centre throughout the consultation period.

All comments should be received in writing by **5pm on X December 2012**.

Following the close of consultation, all comments received will be submitted, alongside the proposed charging schedule for independent examination in public (EIP), programmed for early 2013.

For further information on the proposed Harrow CIL Charging Schedule, and to submit comments on the document please visit the Council's website at [www.harrow.gov.uk/ldf](http://www.harrow.gov.uk/ldf)

Alternatively, comments can be submitted via e-mail to [ldf@harrow.gov.uk](mailto:ldf@harrow.gov.uk) or by post to LDF Team, Civic 1, 3<sup>rd</sup> Floor East Wing, Civic Centre, Station Road, Harrow HA1 2UY. For any queries please call 020 8736 6082.

Please note that comments cannot be treated as confidential. They will be made available as public documents.