

**Worthing Borough
Council**

**Community
Infrastructure Levy**

**Preliminary Draft
Charging Schedule**



January 2013

Worthing
BOROUGH COUNCIL

This consultation on the Preliminary Draft Charging Schedule is the first stage in preparing a CIL Charging Schedule. All responses will be considered before a draft Charging Schedule is prepared for further consultation and independent examination.

Comments on the Preliminary Draft Charging Schedule should be addressed to:

CIL Preliminary Draft Charging Schedule
Planning Policy
Worthing Borough Council
Civic Centre
Ham Road
Shoreham-By-Sea
BN43 6PR

You can also make your views known by emailing:
planningpolicy@worthing.gov.uk

For any queries, please call 01273 263009

This document is published for a six week consultation period starting on **30th January 2013 and closing on 13th March 2013.**

Please note that comments received cannot be treated as confidential as all comments must be publicly available in accordance with government regulations. Please be aware that Worthing Borough Council and Adur District Council work in partnership and information may be shared across the two organisations.

CONTENTS

	Page Number
Executive Summary Table	4
1.0 INTRODUCTION	5
1.2 What is the Community Infrastructure Levy?	5
1.5 Purpose of this document	5
1.6 Reasons for implementing a CIL in Worthing	5
1.9 Charging Area	6
1.11 Who will pay CIL?	8
1.15 What will CIL be spent on?	8
1.19 How will the levy be collected?	9
2.0 EVIDENCE BASE	10
2.1 The need for an evidence base	10
2.3 Relevant evidence	10
2.5 Infrastructure Funding Gap	10
2.9 Viability Assessment	11
3.0 THE PRELIMINARY DRAFT CHARGING SCHEDULE	12
3.1 The levy rates proposed	12
3.3 Residential	12
3.6 Commercial	12
3.9 Revenue projections	13
3.11 Overview of the CIL rates	13
4.0 NEXT STEPS	14
4.1 Next steps	14

Executive Summary Table

Charging Authority	Worthing Borough Council
Evidence Base	<p>The development of the Preliminary Draft Charging Schedule has been informed by a number of pieces of evidence, including:</p> <p><u>Viability Assessment (NCS) - December 2012</u> This contains a series of appraisals that have been undertaken to test the viability of different types of development.</p> <p><u>Land Value Appraisal Report (HEB Surveyors) – August 2012</u> The report identifies typical land values for geographical locations within the Borough as well as sales values. It also identifies potential charging zones.</p> <p><u>Construction Cost Study (Gleeds) - May 2012</u> The study provides an estimate of construction costs over a range of development categories, to support the CIL Viability Appraisal.</p> <p><u>Infrastructure Funding Gap Review (WYG) – August 2012</u> This report reviews background evidence documents and identifies infrastructure schemes that are potentially eligible for CIL funding.</p>
Rates (£m²) at which CIL is to be Chargeable	CIL will be charged in pounds sterling (£) per square metre at differential rates according to the type of development as set out Tables 1 (Residential) and 2 (Commercial) of this Schedule.
Charging Area	The charging area to which CIL will be applied is illustrated on Map 1 of this Schedule.
How the Chargeable Amount will be Calculated?	<p>The Borough Council will calculate the amount of CIL chargeable to a qualifying development utilising the formula set out in Part 5 of the CIL Regulations. In summary the amount of CIL chargeable will be calculated as:</p> $\frac{\text{CIL Rate} \times \text{Chargeable Floor Area} \times \text{BCIS Tender Price Index (at Date of Planning Permission)}}{\text{BCIS Tender Price Index (at Date of Charging Schedule)}}$ <p>The Chargeable Floor Area makes allowance for previous development on the site. The net chargeable floor area amounts to the gross internal area of the chargeable development less the gross internal area of any existing buildings that qualify for exemption on the site.</p>
Further Information	<p>Further information relating to CIL and copies of the evidence base are available to view at Worthing Town Hall and on the Council's website: http://www.adur-worthing.gov.uk/planning-policy/infrastructure.</p> <p>Alternatively please contact: Ian Moody 01273 263009 ian.moody@adur-worthing.gov.uk</p>

1.0 INTRODUCTION

- 1.1 This consultation document is the first key step in setting the Community Infrastructure Levy (CIL) for Worthing. It sets out the general principles of CIL, the background to the charging schedule and a summary of the methodology used to arrive at the proposed rates.

What is CIL?

- 1.2 CIL is a new tariff which will allow funds to be raised from new building projects in Worthing. The money raised must be used to help fund a wide range of infrastructure to support development across the Council's area. CIL is intended to supplement rather than replace other funding streams, and to provide infrastructure alongside residential and commercial development. Charges are meant to help fund new, or to upgrade existing, infrastructure to support growth, not to cover the cost of existing deficiencies.
- 1.3 CIL came forward through powers provided under Part 11 of the Planning Act 2008 and the CIL Regulations 2010, which govern this new charge, came into force in May 2010 (now amended by the CIL Amendment Regulations 2011).
- 1.4 Policy 12 of the Worthing Core Strategy (April 2011) provides the basis for the collection of developer contributions and the provision of on-site infrastructure associated with new development through Section 106 Planning Obligations. With the introduction of CIL, the use of S106 obligations will be limited to affordable housing and site specific mitigation measures which are required to make a development acceptable.

Purpose of this document

- 1.5 This Preliminary Draft Charging Schedule is produced for consultation as the first step in setting CIL in Worthing. The consultation document provides the first opportunity to comment on the proposed charges. The document is published for consultation under Regulation 15 of the CIL Regs 2010 (as amended 2011). The Council will take into account any comments made on this document before making any necessary amendments and then publishing a Draft Charging Schedule for further consideration and examination (see Next Steps -Section 4).

Reasons for implementing CIL in Worthing

- 1.6 The Levy is a fixed, non-negotiable charge relative to the size and type of the chargeable development. As such, it is expected that the levy will give developers more certainty over costs and to give councils and communities more choice and flexibility in how infrastructure is funded. A meaningful proportion of the Levy will be passed directly from the Council to the local community.
- 1.7 Section 106 Agreements are currently the main means by which new developments fund infrastructure. However, from April 2014, the regulations mean that S106 obligations cannot effectively pool infrastructure contributions (no more than 5

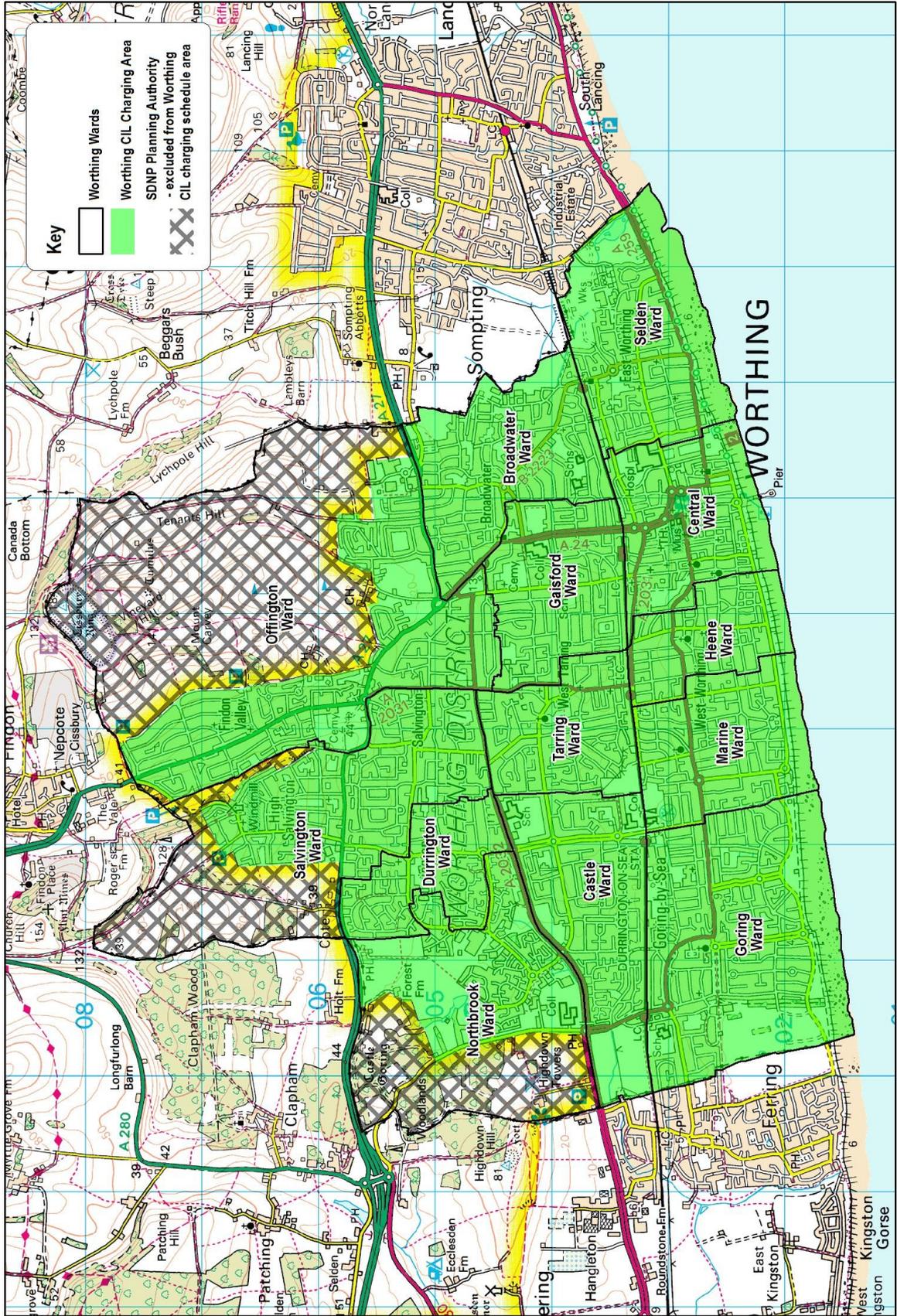
obligations) and CIL will be the main mechanism for delivering off-site community infrastructure from developer contributions. Although CIL will then become the dominant mechanism for collecting financial contributions from development, Section 106 obligations will still be used to deliver affordable housing and certain site-specific infrastructure needs and mitigation measures. In addition, Section 278 agreements will still be used to secure highway improvements to mitigate the impact of new development.

- 1.8 A further benefit is that the levy, expressed as a rate of pounds per square metre, will be charged on most new developments that involve a net increase in floorspace (100sqm). As such, there is expected to be an increase in total funding that would arise from the application of the levy to many more developments than are currently made the subject of planning obligations.

Charging Area

- 1.9 The charging area covers all of Worthing Borough with the exception of the areas of the South Downs National Park located to the north of the town. The National Park Authority is a local planning authority in its own right, although at present it has a delegation agreement with the Borough Council to determine planning applications in the parts of Worthing which lie within the Park.
- 1.10 Although the level of development within the National Park land that lies within Worthing Borough is likely to be extremely low it should be noted that the South Downs National Park Authority will be the charging authority for CIL in these areas once it has a Levy in place. Until the National Park CIL is in place, the Borough Council will continue to collect Section 106 contributions from any development in the National Park under the delegation agreement. The Worthing CIL rates therefore only apply to the areas of the Borough outside of the National Park where the Borough Council is the charging authority.

Map 1. Charging Area



© Crown Copyright and database right 2012 Ordnance Survey. Licence 100022288. Scale: 1:40,000 Date: 18/01/2013 Author: charlesl

Who will pay CIL?

- 1.11 Subject to viability considerations CIL can be levied on most types of new building projects to ensure that a significant amount of new development contributes towards the provision or enhancement of the infrastructure it relies upon. It will apply to 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).
- 1.12 There will be no CIL charge for change of use applications unless additional floorspace is created, as well as no charge for the sub-division of existing dwellings. The CIL regulations also make other exemptions and CIL is not payable on the following:
- structures into which people do not go or go only intermittently for the purpose of maintaining or inspecting machinery
 - all affordable housing
 - redevelopments that do not result in a net increase in floorspace
 - development for charitable purposes.
- 1.13 The Council can also choose to adopt a zero rate if viability testing shows that a particular use or area cannot withstand the charge.
- 1.14 It should be noted that for eligible sites CIL is non-negotiable. However, under the terms of the Regulations and statutory guidance the Council could offer discretionary relief from liability in very rare and exceptional circumstances. Offering exceptional circumstances relief would provide the Council with some limited flexibility to deal with individual sites where development is desirable, but which are proved to have truly exceptional costs or other requirements which make them unviable. Exceptional circumstances relief can be activated and deactivated at any time and a notice of intention will be published by the Council.

What will CIL be spent on?

- 1.15 'Infrastructure' is generally considered to be any facility, service or development which supports or enables proposed development and growth. The Core Strategy uses the definition used within Policy CC7 of the South East Plan and includes transport, education, health, flood defences and green infrastructure.
- 1.16 The Council will publish a 'Regulation 123' list, which lists infrastructure projects or types of infrastructure that it intends to fund through CIL. S106 contributions can still be sought for infrastructure directly related to a development, provided that the infrastructure is not part of the Regulation 123 list. The use of the Regulation 123 list therefore provides the flexibility to address any exceptional on site infrastructure requirements.
- 1.17 Local authorities are required to spend CIL funds on the infrastructure needed to support the development of their area. Local authorities will need to work closely with neighbourhoods to decide what infrastructure they require and balance neighbourhood funding with wider infrastructure funding that supports growth. Through the Localism Bill, the Government are proposing to allocate a meaningful

proportion of levy revenues raised in each neighbourhood back to that neighbourhood (between 15 and 25% of the revenue collected).

- 1.18 In line with CIL regulations the Council proposes that it will apply up to 5% of CIL funds to 'administrative expenses' incurred in connection with CIL.

How will the levy be collected?

- 1.19 The Council will need to calculate the 'chargeable amount' of CIL using the locally-set rates above multiplied by the 'gross internal area' of new buildings and enlargements to existing buildings, taking demolished floorspace into account. The formal calculation methodology is set out in the Regulations. The Council will use the HMRC Valuation Office Agency's definition of Gross Internal Area. The CIL rates will be index linked to the 'All-in Tender Price Index' published by the Building Cost Information Service of the Royal Institute of Chartered Surveyors.
- 1.20 Worthing Borough Council will collect the levy as the 'Collecting Authority'. The charge will be imposed at the time the planning permission is granted and will be payable on the commencement of development or for larger developments, over an agreed phased period (see para 1.23). 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.
- 1.21 When planning permission is granted, the Council will issue a liability notice setting out the amount of the levy due for payment when the development is commenced, the payment procedure and the possible consequences of not following this procedure – which may include enforcement action.
- 1.22 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.
- 1.23 The Council proposes to permit the discretionary payment of CIL by instalment that will help to provide greater flexibility in dealing with certain applications. An 'instalment policy' containing details of the number of instalments permitted, the timing and dates of payments, the amount payable in any instalment and a minimum monetary threshold will be published with the adopted Charging Schedule. Although this will apply to all development the setting of thresholds will exclude relief for many developments.
- 1.24 There may also be circumstances where it will be more desirable for a charging authority to receive land instead of monies. The 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 by the value of land acquired as 'payment in kind' will be determined by the District Valuer (at the cost of the developer).

2.0 EVIDENCE BASE

The Need for an Evidence Base

- 2.1 In order to charge a Levy on development in Worthing, the Borough Council must set the rate(s) and any other criteria in a 'charging schedule'. The Council can determine the format and content of the charging schedule but this must be in accordance with Part 3 of the CIL Regulations 2010 (as amended).
- 2.2 Regulation 13 of the CIL Regulations (2010) allows the Council to set differential rates of CIL for different geographical zones and/or for 'different intended uses of development'. There is also provision for supplementary charges, nil rates, increased rates or reductions to be set. Guidance is clear in that differential rates can only be set when justified by reference to economic viability evidence. It is important to note that differential rates should not be related to the costs of infrastructure in different areas nor used to make political or economic decisions that could encourage or discourage development in particular locations.

Relevant Evidence

- 2.3 This Preliminary Draft Charging Schedule and the proposed CIL rates in the next section have been informed by a variety of documents. The primary ones being: the Worthing Core Strategy (April 2011); the Infrastructure Development Plan (September 2010) and subsequent infrastructure planning work; the CIL Viability Assessment and its various components (see paragraph 2.11). Copies of all evidence base documents can be viewed on the Council's website.
- 2.4 The Worthing Core Strategy sets out how much development will take place in the Borough to 2026 and the broad locations of that development. Policy 12 provides the basis for the collection of developer contributions and indicates the types of infrastructure which can be funded through obligations and tariffs. Supporting the Council's Core Strategy, the Infrastructure Development Plan identifies the type, location and estimated cost of the infrastructure required to support the development of Worthing.

Infrastructure Funding Gap

- 2.5 An infrastructure review formed part work undertaken by the Nationwide CIL Service (NCS) who were commissioned by the Council to undertake a CIL Viability Assessment for the Borough.
- 2.6 The consultants were provided with a comprehensive set of documentation from which to produce a schedule of infrastructure schemes potentially eligible for CIL funding. The Infrastructure Funding Gap Review report (August 2012) estimated that the total estimated Infrastructure Funding Deficit from schemes that were currently considered to have the potential for CIL funding stands at approximately £20m (although it should be noted that this figure is likely to increase as further infrastructure assessment is completed).

- 2.7 Although an initial conclusion reached was that ‘reasonable infrastructure planning’ has been undertaken in compliance with the principles of the NPPF additional infrastructure planning work is now being undertaken. This work will help determine which of the currently identified schemes can reasonably be included in the Infrastructure Funding Deficit and to identify any further infrastructure required to support growth that CIL may be justified in funding.
- 2.8 At this stage it is considered there is sufficient evidence of a potential Infrastructure Funding Deficit to progress publication of this Preliminary Draft Charging Schedule to demonstrate potential CIL rates based on a viability assessment. It is acknowledged that additional evidence (consultation and/or cost estimation) will be required to support the Infrastructure Funding Deficit at Submission and Examination stage.

Viability Assessment

- 2.9 The Viability Assessment prepared by NCS is a key piece of evidence to inform the Preliminary Draft Charging Schedule in that it assesses the economic viability of housing and commercial development across the Borough. The report assesses the viability of the principal categories of development in Worthing and the ability of those developments to make contributions to new infrastructure through a Community Infrastructure Levy. Only developments that are shown to be viable will be charged CIL.
- 2.10 NCS were commissioned to provide a CIL viability study that met the requirements of guidance and legislation and, informed by relevant evidence, make recommendations that struck an appropriate balance between:
- the desirability of funding from CIL the actual and expected estimated total cost of infrastructure required to support development in Worthing, taking into account other actual and expected sources of funding.
 - the potential effects of the imposition of CIL on the economic viability of development across the Borough.
- 2.11 The key stages undertaken in the study included: an infrastructure funding gap review; land valuation survey; construction cost survey; the viability testing of options (using baseline assumptions and agreed scenarios). Ultimately, the consultants were asked to set out the maximum and recommended rates of CIL in Worthing for each category of development.
- 2.12 The study specifically assessed the scope for differential rates of CIL across different parts of the Borough and for different uses of development. A bespoke CIL viability model was used for the assessment and assumptions were defined and reviewed for Worthing including: residential values from recent transactions; a broad range of site densities; fees; base construction costs; Code for Sustainable Homes requirements; profit; and a range of existing use values. A series of scenarios were then modelled using combinations of the above variables and a range of CIL charges.

3.0 THE PRELIMINARY DRAFT CHARGING SCHEDULE

The Levy Rates Proposed

- 3.1 Informed by the relevant background evidence the Council proposes to set differential rates of CIL for different intended uses of development based on economic viability.
- 3.2 The results set out in the Viability Assessment illustrate the maximum potential CIL rates which could be applied without threatening the economic viability of development. However, it should be noted that the appraisals are necessarily generic tests which do not make allowance for site specific abnormal costs or other planning obligation contributions. As such the recommended CIL rates are set significantly within the identified viability margins to take account of these unknown factors. In addition, the proposed rates set out below are balanced and set against the context of Worthing where there is a clear and over-arching aim to deliver regeneration across the Borough.

Residential

- 3.3 The residential viability testing illustrated that, in general terms, most forms of residential development in all locations in Worthing are viable and can accommodate CIL charges.
- 3.4 Although the variations in residential values in Worthing could potentially justify a differential zone approach to setting residential CIL rates the evidence also supports the use of a single rate for the borough. Given the difficulties in justifying charging zone boundaries in a constrained urban area, it is considered that a single residential rate would be appropriate in Worthing at a level that reflects overall viability across the identified sub-markets. Taking account of the viability results, the generic nature of the tests and acknowledging that much of the new development in Worthing is likely to emerge on brownfield sites a single residential CIL rate of £100 sqm is recommended.
- 3.5 **Table 1** - The recommended rate for residential development is:

Use	Proposed Levy (£/m2)
Residential	£100sqm

Commercial

- 3.6 The valuation study concluded that any variations in the value of commercial locations in Worthing are not significant enough to warrant a differential charging zone approach to commercial CIL rates. Therefore, the rates proposed for these uses would also apply to all parts of the Borough.

3.7 Industrial, food supermarket retail and general retail were all assessed to be viable and capable of accommodating CIL (see table 2 below). However, the appraisal illustrated that many other forms of categories of commercial development such as hotels, leisure use and offices are not viable or only marginally viable and could not support a levy charge in current market circumstances in Worthing. This is evident by the lack of activity in these sectors. A nil rate has therefore been set for these uses. It should be noted, however, that even these uses may still be liable under S106 for on-site improvements or S278 for off-site highway improvements.

3.8 **Table 2** - The recommended rates for commercial uses are:

Use	Proposed Levy (£/m2)
Industrial (B1b, B1c, B2, B8)	£30sqm
Retail (A1-A5)	£150sqm

Revenue Projections

3.9 Should the expected level of development identified in the Core Strategy for the period beyond which CIL is in place be delivered and based on the above rates for each chargeable category it is estimated that the following CIL revenues could be raised over the plan period:

Table 3 – Revenue Projections

Use	Projection	
Residential	£10,404,300	
Industrial	£420,000	
Retail	£6,536,250	
	Total	£17,360,550

3.10 The total projected CIL revenue of approximately £17.3m does not exceed the currently identified Infrastructure Funding Deficit of £20 million (which is likely to increase as further infrastructure assessment is completed).

Overview of the CIL rates

3.11 The rates proposed have been informed by the appropriate evidence and, as such, and in line with regulations, they are considered to strike the most appropriate balance between the desirability of funding infrastructure in the area and the potential effects on the economic viability of development in the Borough.

- 3.12 The infrastructure review provided clear evidence that the cost of the required or proposed infrastructure exceeds the known available funds. The information it contains will evolve and change as further information becomes available.
- 3.13 The Viability Assessment showed that, for certain types of development in particular areas, much higher CIL rates than those proposed in the schedule could be applied without affecting viability. There are, however, several reasons for the Council not adopting rates significantly above the baseline figure. 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.
- 3.14 The assessment also showed that some types of development are inherently unviable and that charging CIL will obviously not change this. In other examples, developments may start off viable, but charging CIL will make them unviable. A zero rate will be applied for these uses.
- 3.15 While the assessment builds in sensitivity testing to ensure the proposed levels of CIL are robust, the Council recognises that, if market conditions improve and therefore margins increase, the CIL rates would need to be reviewed, subject to regulatory procedures.

4.0 NEXT STEPS

- 4.1 The CIL Regulations require the Council to carry out two stages of consultation on the proposed CIL Charging Schedule. The first of these, the Preliminary Draft Charging Schedule, will be subject to a 6 week consultation period, starting on the 30th January and ending on 13th March 2013 at 5pm.
- 4.2 Following this consultation the Council will review and report on the comments received with a view to publishing a final consultation Draft Charging Schedule in spring / summer 2013. An examination in public is then expected in the autumn and, if found sound, it is likely that CIL will be adopted for Worthing towards the end of the year and, following a transitional period, implemented by April 2014.