



CABINET

10 December 2014

Subject Heading:

Havering Community Infrastructure Levy – Approval of Preliminary Draft Charging Schedule

Cabinet Member:

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Havering Corporate Plan 2014-2015

National Planning Policy Framework (2012)

London Plan (2011) and Draft Further Alterations to the London Plan (2014)

Draft Infrastructure Plan for London 2050 (2014)

Havering Local Development Framework (2008)

Various Havering regeneration strategies

Introduction of a Community Infrastructure Levy will enable the Council to secure developer contributions towards the provision of infrastructure within Havering. The level of CIL generated will be completely dependent on the type, size and quantity of development in the borough.

Policy context:

Financial summary:

Is this a Key Decision?

No

When should this matter be reviewed?

December 2017

Reviewing OSC:

Environment

The subject matter of this report deals with the following Council Objectives

Ensuring a clean, safe and green borough	[X]
Championing education and learning for all	[X]
Providing economic, social and cultural activity in thriving towns and villages	[X]
Valuing and enhancing the lives of our residents	[X]
Delivering high customer satisfaction and a stable council tax	[X]

SUMMARY

The Community Infrastructure Levy (CIL) is a new system of planning charges which local authorities can levy on nearly all new building projects to help fund a wide range of infrastructure to support development across their respective area.

In parallel, the Government has 'tightened' the use of Section 106 agreements so that they can only be used for site specific impacts.

In the light of this, if the Council wishes to maximise developer contributions for contributing towards infrastructure costs, it must progress the introduction of a Havering CIL.

The report seeks Member approval to proceed with the preparation of the Havering CIL and, as the first step in that, approval to publish the London Borough of Havering Community Infrastructure Levy (CIL) Preliminary Draft Charging Schedule (PDCS) and its supporting documents for public consultation.

A copy of the draft PDCS is attached as **Appendix 1**.

The draft PDCS is the first stage in the Council setting out its intentions regarding CIL charges. The PDCS must be underpinned by an infrastructure evidence base report and a supporting viability report which both need to be the subject of public consultation. These are included as **Appendices 2 and 3**.

Consultation on the Preliminary Draft Charging Schedule and supporting documents will be followed by a further statutory consultation and then an Examination to determine whether the CIL can be adopted.

RECOMMENDATIONS

That Cabinet approve:

- (1) The preparation of a Community Infrastructure Levy (CIL) for Havering ;
and
- (2) The London Borough of Havering Community Infrastructure Levy Preliminary Draft Charging Schedule (attached as Appendix 1) and the supporting documents on the infrastructure evidence base and viability (attached as Appendices 2 and 3, respectively) and authorise their publication for public consultation in accordance with Regulations 15 and 16 of the Community Infrastructure Levy Regulations 2010 (as amended).

REPORT DETAIL

1. Background

1. The Community Infrastructure Levy (CIL) allows local authorities to levy financial charges on new building projects to help fund a wide range of infrastructure to support development across their area.
2. In parallel, the Government has 'tightened' the use of Section 106 agreements so that generally they can only be used for site specific impacts.
3. In the light of this, if the Council wishes to maximise developer contributions for infrastructure costs it should progress the introduction of a Havering CIL.
4. The statutory basis of CIL is set out in Part 11 of the Planning Act (2008).
5. The detailed implementation of CIL is set out in the Community Infrastructure Levy Regulations (2010) which were subsequently amended in 2011, 2012, 2013 and 2014.
6. CIL is not a mandatory requirement for local authorities but many have started the preparation of CIL schemes in the light of continuing pressure for funding for infrastructure.
7. At the present time, it is understood that about a third of the 400 local planning authorities across the UK have a CIL scheme adopted.
8. Members will be aware that the London Mayor has introduced a CIL scheme to contribute towards the cost of Crossrail.
9. Members will also be aware that the London Mayor has published a draft Infrastructure Plan for London 2050 which focusses on the infrastructure that London will need to support its growth for the next thirty years. This

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estimates that the cost of London's infrastructure for this period may be in the region of £1.7trillion.

10. A copy of the latest Government CIL Guidance (2014) document is in the Members' Resource Room for information.
11. The Havering CIL has been progressed through a Working Group of officers from across the Council.

2. Background to the Havering Community Infrastructure Levy

a) Havering Planning Obligations strategy (2013)

12. In Spring 2013, the Council adopted a 'standard charge' tariff based approach to secure funds towards the cost of infrastructure from developers through its Planning Obligations Supplementary Planning Document.
13. Its purpose is to secure monies to contribute towards the cost of the infrastructure necessary to support Havering's development. Receipts secured through this have helped to ensure that Havering provides a place where businesses can grow and prosper and residents can enjoy a high quality of life.
14. The London Plan and Havering's own planning and economic development strategies and plans (including the Havering Corporate Plan) set out how Havering is planned to develop over the next 20 years. Members will be aware that the main areas of growth for the borough are identified as Romford and London Riverside. These will be the main areas for infrastructure investment but other parts of Havering will also need investment, too. This may be in the form of new infrastructure or investment in existing facilities to upgrade and enhance them.
15. A separate report on this agenda outlines progress on the preparation of a new draft Havering Local Plan to replace the Havering Local Development Framework. The Havering CIL will have a close relationship with the new plan and this is set out in more detail later in this report (see Section 10).
16. To recognise wider economic circumstances, the standard charge tariff is discounted from its full amount of £20,444 per new residential unit. Furthermore, to reflect that development in the London Riverside part of Havering is more costly, a distinction is made between tariff charges for the London Riverside area of Havering and the rest of the borough. The discounted tariff applied in London Riverside is £4,500 per residential unit and in the rest of the borough it is £6,000 per residential unit.
17. The current planning obligations tariff is only applicable to new housing development where a new residential unit is approved. It does not apply to any other forms of development such as commercial premises.
18. At the time of preparing this report, the standard charge tariff approach in the planning obligations strategy had secured funds in the region of £5 million from developers (see Financial Implications section).

b) What is the Community Infrastructure Levy?

19. The CIL is a new statutory charge which local authorities can place on developers to help fund infrastructure needed to support new development in their areas. Havering's CIL will replace the tariff charge underpinning the existing Section 106 planning obligations strategy.
20. Havering will be able to use its CIL receipts to help provide infrastructure needed to support or mitigate the impact of new development in Havering whereas Section 106 planning obligations will be restricted to being used for site-specific infrastructure needs including the provision of affordable housing and mitigation measures. In general, CIL can only be charged on buildings / uses that are used by people and some types of uses / activities are exempt from it.
21. Havering will be able to use CIL funds for a wide range of infrastructure such as roads and transport schemes, flood defences, schools and education facilities, health and social care facilities, sporting and recreational facilities and open space.
22. CIL legislation will enable the Council to collect and allocate funding towards the cost of infrastructure which is provided by other stakeholders rather than the Council. However, it would be for the Council to decide whether to prioritise this type of development when allocating CIL funds.
23. The legislation allows for CIL to be charged on a square metre basis on all new buildings (and extensions to buildings) which are over 100 square metres gross internal floor-space and which fall within the specific 'uses' of an adopted CIL scheme. Additionally, all new dwellings are liable to CIL regardless of size.
24. CIL is not chargeable on changes of use of buildings that do not involve an increase in floor-space. The floor-space of any buildings that are demolished as part of development proposals will be off-set against overall liability. CIL cannot be charged on development that already has planning permission so schemes which have already been approved will not be 'caught' by CIL.
25. Affordable housing has 100% relief from paying CIL as do other charity related developments.
26. The Council as 'the charging authority' will have to set out the rates it intends to charge in its CIL scheme (and any other criteria) in a 'Charging Schedule' in order to be able to charge CIL on developments in Havering,
27. The Council will also be required to set out the types of infrastructure that it will spend CIL monies on in a Regulation 123 List. It will not be able to use any planning obligations funds on these specified projects. It will be able to review and revise this list at any time.

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28. When it sets its CIL rates, the Council must aim 'to strike a reasonable balance between the desirability of funding the total cost of infrastructure required to support development of its area and the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development'.
29. The Council will be able to set differential rates of CIL for different parts of Havering and / or for different intended uses of development. Its CIL scheme and its charges must be underpinned by robust evidence regarding infrastructure and development viability.

c) Why Havering should prepare a CIL

30. New development in Havering will require the provision of infrastructure, for example residents in new houses may require schools, transport links, leisure and health facilities and businesses / industry may require investment in the public realm.
31. In short, the Community Infrastructure Levy (CIL) will enable the local authority to collect funds from developers to contribute towards the provision of such infrastructure.
32. Additional emphasis for taking the Havering CIL forward arises because of the continuing pressure on resources (including those of the Council) and the focus on infrastructure provision from items such as the draft London Infrastructure Plan 2050 from the London Mayor.
33. Havering will be able to utilise its CIL receipts towards the funding of a wide range of infrastructure necessary across the borough to support Havering's development in line with established planning, regeneration and economic development programmes and strategies. These are currently set out in documents such as the London Plan and the Havering Local Development Framework. In due course, CIL will assist in the implementation of the proposals and policies that will be set out in the new Havering Local Plan.
34. Aside from helping Havering to secure funding towards the cost of infrastructure, a CIL regime provides the following benefits :
 - It applies to nearly all development (other than affordable housing and development for charitable purposes).
 - As it is a fixed, non-negotiable charge there is greater transparency, predictability and certainty for developers and other stakeholders (including the Council).
 - It delivers additional funding to carry out a wide range of infrastructure projects that support growth and benefit the community in Havering.
 - It will provide the Council with flexibility and freedom to set priorities for CIL monies to be spent on as well as more certainty about the funding stream coming forward.
 - Developers will be provided with more 'up front' certainty which will encourage business confidence and higher levels of inward investment.

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It should, therefore, assist in the delivery of new homes and business floorspace and may assist in 'levering in' other funds

- Unlike Section 106, it does not stall or slow down the planning process and will help deliver efficiencies in the planning / development management system.
 - There may be scope for the Council to use CIL monies to secure additional borrowings to help deliver capital infrastructure items.
 - CIL is subject to extensive public consultation and an Examination by an Inspector and this helps to avoid CIL levels being set that are challenged by developers
35. A key 'driver' for taking the CIL work forward is the restriction that will be in place on Havering (and other authorities) for the 'pooling' of developer contributions from April 2015 and which may also capture 'pooled' funds collected since 2010.
36. From April 2015, a maximum of five Section 106 contributions can be 'pooled' for any one item of infrastructure. The 'pooling' restriction from 2015 onwards will result in a 'window' in which the ability for the Council to aggregate funding from several developments towards infrastructure will be constrained and this will last until the Havering CIL is formally adopted (see below).
37. This will make administration of Section 106 contributions more cumbersome and may also make it more difficult to utilise all receipts, especially if several small developments come forward at a time when there are only a few large capital projects.
38. The position with regard to 'pooled' funds from 2010 is that that developer contributions which have been pooled since then may be at some risk. In Havering, this could encompass contributions that were 'pooled' for 'education' from 2010 and funds secured towards infrastructure through the existing planning obligations tariff from 2012. Officers have sought advice from legal Counsel, the Council's retained consultants and other planning authorities about this. Obviously, every effort will be made to mitigate any adverse implications for the Council.
39. An adoption date for the Havering CIL cannot be predicted at this stage with certainty but it is likely to be late 2015 / early 2016 at the very earliest (depending on factors such as the outcome of the two rounds of consultation and how soon the Council can secure an Examination). It will also be linked to progress on the new Havering Local Plan.

3. How the Havering CIL will be prepared

a) Infrastructure planning evidence

40. A local authority preparing a CIL scheme has to have an up to date and comprehensive infrastructure planning evidence base of their area and it must be able to link this to the growth expected in the area. It is for the local

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- authority to determine the appropriate level of evidence required to support the preparation of its CIL.
41. The evidence base for the infrastructure requirements must be published alongside the Preliminary Draft Charging Schedule.
 42. For Havering, this work must:
 - Encompass identifying strategic infrastructure needs across the whole area having regard to known and expected development (including taking account of the changes taking place in the overall community) and establishing how much funding is expected to be available for this.
 - Take account of the current Havering Corporate Strategy and existing planning and regeneration strategies such as the London Plan (2011), the Draft Further Alterations to the London Plan (2014), the draft London Infrastructure Plan 2050 and Havering's own Local Development Framework (2008).
 - Encompass population and households forecasts as well as recent and on-going studies which are informing current planning and regeneration work including those supporting the preparation of the new Havering Local Plan.
 - Inform the Havering Infrastructure Delivery Plan which will support the Council's wider planning and regeneration strategies. It will need to reflect the emerging approach to planning and necessary infrastructure in Havering which will be set out in the new Local Plan.
 43. The evidence needs to demonstrate that there is a **funding gap** between what infrastructure is needed in Havering and what existing mechanisms are in place for the delivery of infrastructure. CIL will be one of a number of funding 'streams' which may be used to reduce the funding gap.
 44. The infrastructure funding gap list is not a prioritised list of infrastructure delivery and it does not identify the infrastructure which will necessarily be funded by CIL. Its sole purpose is to demonstrate that a funding gap exists.
 45. Havering will have to identify (in a Regulation 123 list) which infrastructure will benefit from CIL funding. There is no requirement for the Council to produce this at the same time as preparing the CIL Charging Schedule as it can be varied by the Council at any time independently from this process. This will not be a definitive list of what CIL may be spent on as it is a 'snapshot in time' of the type of infrastructure schemes that are presently 'costed' to demonstrate that there is a funding gap in the delivery of future infrastructure.
 46. The document in **Appendix 2** sets out the evidence base and a funding gap assessment for the Havering CIL. The report sets out the evidence on the scale and cost of infrastructure that will be required to meet the needs of development in Havering over the period 2015 to 2030.

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47. It is of necessity a broad based assessment as the total scale, type and location of development over this period has yet to be established through the new Havering Local Plan which will replace the Havering Local Development Framework. Furthermore there are undoubtedly uncertainties surrounding projects of development and costs over the medium to long term so the costs identified so far relate mainly to needs over the forthcoming 10 year period.
48. The list of infrastructure identified is extensive and wide ranging and encompasses key items such as : a new station at Beam Park to support the development and regeneration of the London Riverside and south Hornchurch areas, improvements around other Havering rail stations, a bus bridge across Rainham Creek, structural improvements to Havering's highway network, public realm works in town centres, open space and parks improvements, additional educational and leisure facilities and flood protection measures.
49. The question of whether the Havering CIL should include a wide range of infrastructure items (including ones that are not the primary responsibility of the Council to provide) has been extensively considered. In summary, officers consider that the proposed range of infrastructure types included is satisfactory when tested against the relevant legislation for CIL (the Planning Act 2008 Section 216 (2)).
50. The draft Havering Evidence Base report identifies an infrastructure requirement for Havering for the period to 2030 with a total cost of around £534m. It recognises that there is potentially a wide range of funding sources towards the cost of providing infrastructure.
51. It is estimated that the aggregate funding gap for infrastructure in Havering is some £317m and this represents the CIL funding target for Havering.
52. Given that CIL will only fund a small proportion of the overall infrastructure needs of the community, it will be for the Council to decide its priorities for the allocation of CIL funds to given schemes. This may or may not include the passing of CIL funds that that the Council has collected to other bodies which are responsible for the delivery of certain types of infrastructure such as transport and health facilities.

b) Viability Assessment

53. The Council used consultants (ERM) to prepare its planning obligations strategy. ERM are retained to undertake the specialist work on Havering's CIL.
54. As well as the infrastructure evidence base work (above), ERM's work has included preparing a viability assessment as a key piece of evidence to inform the Preliminary Draft Charging Schedule. The Viability Assessment Study underpinning the PDCS is attached as **Appendix 3**.

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55. The main purpose of the study is to show that Havering's proposed CIL charges are set at a level that will not stop overall development coming forward and undermine the development proposed for the borough.
56. The basis of the study is an assessment of the economic viability of development (housing and commercial) across Havering using an approach based on residual land values.
57. ERM modelled a range of scenarios to explore the implications of adopting a range of different CIL charges and affordable housing levels taking into account the CIL implemented by the Mayor and residual site specific planning obligations.
58. The work identified that development values across Havering are modest due to capital construction costs, provincial sales values and low land values. These factors have an impact on the proposed Preliminary Draft Charging Schedule.
59. ERM concluded that the economic viability of development and its ability to afford a CIL charge varied across Havering both by type of development and, for residential development only, by location.
60. In summary, ERM's study recommends a differential rate of CIL be applied to each type of development proposed to be liable for CIL ranging from nil to £175 per square metre of floor-space.
61. As with the tariff based approach in Havering's planning obligations strategy, the study found that housing development in the London Riverside part of the borough will not support the level of CIL charges that could be imposed in the rest of Havering.
62. The study recommends that for residential uses only differential rates be applied to London Riverside and the rest of Havering with the A1306 road as the boundary. This is defined on a map in the recommended draft PDCS (see **Appendix 1**).

c) The proposed CIL charges in Havering

63. Based on ERM's work, Havering's CIL is proposed to be set at the following rates :

Type of Development	CIL Rates £ per square metre Net additional floor-space
Open Market Residential north of the A1306	£70
Open Market Residential south of the A1306	£50
Private care/retirement housing north of the A1306	£70
Private care/retirement housing south of the A1306	£50

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Office and Industrial	£0
Retail – supermarkets, superstores and retail warehouses above 2,000m ² gross internal area	£175
Retail – below 2,000 m ² gross internal area in Metropolitan, District and Local Centres as defined in the Havering Core Strategy, 2008.	£50
Hotel	£20
All other development	£0

64. ERM has said that in the light of challenging economic circumstances, office developments and industrial uses will not support paying a CIL charge at the current time (although this may change as the economy 'picks up').
65. In contrast, ERM suggest that larger retail uses with gross internal floor area above 2,000 square metres, would support paying CIL and recommend a CIL charge of £175 per square metre. Other town centre retail developments beneath this floor-space would support a modest CIL charge of £50 per square metre. ERM suggest a CIL charge of £20 per square metre for hotels.
66. Encouragingly, ERM suggest that there are emerging signs of positive economic growth and it is anticipated that the Havering CIL charges should be reviewed regularly to take account of these.
67. The Council will need to keep its approach to CIL and the CIL charges under review. This has been a feature of CILs that have been examined and adopted elsewhere. Indeed, some CIL schemes have been approved only on the basis that they would be reviewed at an early date.
68. Parallel work on the Havering Housing Zone bid suggests that in due course it may be necessary to review the CIL provisions for the bid area if its potential to contribute to infrastructure in that area is not to be prejudiced. Other concurrent planning and economic development work being progressed by the Council may also require some review of the CIL work as it is progressed through its various stages.
69. The proposed CIL rate for new homes is broadly equivalent to that set out in the existing planning obligations strategy notwithstanding that CIL is calculated by floor area and the planning obligations strategy is assessed by numbers of units. The proposed CIL charges include an element for private care / retirement housing with different rates either side of the A1306 (as with 'standard' housing).
70. The proposed CIL charges have been 'benchmarked' against other comparable authorities because this is an issue that will be considered at the Examination to ensure that Havering is not setting CIL charges that could offer incentives to developers to locate their schemes in Havering. Officers are satisfied that the proposed charges are broadly comparable and appropriate.

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71. In line with CIL legislation, it is recommended that certain types of development in Havering be exempted from CIL charges :
- Social (affordable) housing
 - Development by charitable institutions
 - Changes of use that do not increase floor-space
 - Buildings into which people do not normally go (or only intermittently) for the purposes of maintaining or inspecting machinery
 - Buildings with a temporary planning permission
 - Self-build houses, annexes and extensions

4. The London Mayor's CIL

72. Members will be aware that the London Mayor has implemented his own CIL scheme to assist with strategic transport projects, specifically the funding of the Crossrail project.
73. Mayoral CIL is expected to generate some £300m (towards the £16 billion overall cost of the original Crossrail scheme) and all development (except schools and health facilities) have to contribute.
74. Mayoral CIL applies to all London boroughs and there are differential rates across London. The Mayor's CIL has priority over any borough CIL and is a first charge on developments. The applicable rate for Mayoral CIL in Havering is £20 per sqm.
75. The proposed CIL rates for Havering will be over and above the payments that developers must pay in respect of Mayoral CIL.

5. Paying CIL

76. CIL legislation requires that CIL payments are *normally* made in full within 60 days of the start of the chargeable development.
77. To assist developers / businesses who are liable for CIL payments (including small scale developers bringing forward schemes with only 2-3 housing units) and to make sure that they do not suffer financial hardship from the implementation of the Havering CIL, it is recommended that the draft PDCS includes provision for CIL charges to be paid in instalments in line with the scope in the legislation for this.
78. It is also recommended that Havering's CIL includes provision for the Council to offer some discretionary relief from CIL charges in 'exceptional circumstances' to deal with circumstances where a development is desirable but which has exceptional costs or other requirements which make them unviable. The Council will also be able to allow the value of land to be offset against CIL charges where land is transferred to the Council. These issues are addressed in the recommended PDCS in **Appendix 1**.

6. What are the potential receipts from CIL

79. Importantly, any funds secured through the Havering CIL scheme will only be a contribution towards the cost of infrastructure provision and will need to be augmented by funding from other sources. It is important to recognise that the Havering CIL, like the existing planning obligations infrastructure tariff, will only provide a relatively modest contribution towards the cost of new infrastructure in Havering.
80. ERM have indicated in the draft Preliminary Draft Charging Schedule if the level of development identified in the Further Alterations to the London Plan be delivered and pay a CIL charge under the proposed charging schedule, the revenue yielded could reach between £88m-123m for new homes in the period to 2015-2030 with an additional sum from other chargeable development. If development were evenly spread (which is unlikely), then this would represent some £5m-8m per year. However, it may be that the level and type of development expected in the future will be different to that which has occurred in the last couple of years.
81. With an infrastructure funding gap of at least £317m, the CIL receipts will make a worthwhile contribution towards funding infrastructure provision.

7. Implementation of the Havering CIL

82. CIL legislation enables local authorities to allocate a 'meaningful proportion' of the CIL receipts to local neighbourhoods where development has taken place. Outside of London and other metropolitan areas this generally involves CIL monies being passed to parish or community councils.
83. London boroughs do not have these and it is proposed that the Council will retain all CIL monies it receives as the 'charging authority' and spend these on behalf of the community. This may or may not include the passing on of CIL to other bodies which are responsible for the delivery of certain types of infrastructure such as transport and health facilities. The Council will periodically determine its priorities for spending CIL.
84. The provision of affordable housing cannot be funded through CIL. Therefore, no changes to the current position of affordable housing being provided on-site through Section 106 agreements are proposed in the draft Havering PDCS.
85. Additionally, the Council will be required to review its CIL charges to make sure that they are at the right level taking account of development viability. Any changes made will have to be made through the statutory process that introduces and adopts a Havering CIL.

8. How will Havering use its CIL monies (Governance)

86. The Council will be able to use CIL receipts on infrastructure needed to support new development across Havering.

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87. Unlike Section 106 Planning Obligations, CIL receipts will not be earmarked at the time of collection for particular infrastructure. Instead they will be 'pooled' into one overall CIL fund which will be used to contribute towards the cost of any infrastructure needed to support new development in Havering.
88. In addition to new infrastructure, the Council will also be able to use CIL receipts to expand and enhance existing infrastructure or for the on-going maintenance or operational costs of providing infrastructure. These costs must be directly related to the additional demands arising from new development.
89. The Council will have to make hard and difficult choices about its priorities for CIL funding and will have to establish clear, transparent and robust mechanisms for doing this. It will also have to publish an annual summary of how it uses CIL funds it collects as the 'charging authority' (see below).
90. The Council will also be able to draw upon CIL monies to contribute to the up-front and continuing costs of preparing and implementing its CIL.
91. Officers from across the Council have been involved in the preparation of the draft PDCS. In parallel to the work on the draft PDCS itself, work has also been taking place to develop robust processes and procedures to implement the Havering CIL when it is adopted. This will include work to ensure the necessary systems and processes are tested and in place to maintain development management performance, to ensure a smooth transition between Section 106 planning contributions and the receipt of CIL.

9. Monitoring the Havering CIL

92. The Council will be required to monitor its CIL performance including receipts and spending. It is recommended that this be done as part of the Havering Authority Monitoring Report which is published each year.

10. Links to the draft new Havering Local Plan

93. There are important dependencies between the work-streams for preparing the Havering CIL and the draft new Havering Local Plan because of the necessity for robust CIL work to be linked to up to date local plan work. A separate item on this agenda outlines the work recommended to prepare a new Havering Local Plan to replace the Havering Local Development Framework.
94. Government guidance for the preparation of a Community Infrastructure Levy highlights the importance and advantages of it being linked to work on a local plan.
95. Statutory CIL guidance includes that the Levy be worked up and tested "alongside" a Local Plan. On this basis, it is recommended that the Regulation 18 consultation on the new Havering Local Plan should be advanced together with the publication of the initial public stage of the

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Havering CIL (the Preliminary Draft Charging Schedule) so that the Council can say that it is working up each alongside each other. However, once so commenced, the sequence of the Local Plan and CIL “testing” / preparation may differ.

96. Approval of the Havering Local Plan report and this CIL report by Cabinet in December will allow for the Council to undertake consultation on the CIL Preliminary Draft Charging Schedule broadly alongside the initial consultation on the Local Plan in early 2015 and help to satisfy the requirement that the two documents are being “worked up” alongside each other.
97. Pending the adoption of the Havering CIL, Section 106 planning obligations will continue to be used to secure affordable housing and certain site-specific infrastructure needs and mitigation measures linked to specific proposals. Officers will, of course, continue to explore the opportunities through the definitions used for project and types of infrastructure to secure the best outcomes for the Council in terms of addressing the constraints provided through ‘pooling’ restrictions.

11. Timetable for preparing the Havering CIL

98. Subject to Member approval, the PDCS will be the subject of public consultation in early 2015 (concurrent with initial consultation on the new Havering Local Plan).
99. CIL regulations / legislation require that this be followed by the preparation of a Draft Charging Schedule which must also be the subject of public consultation. There will be the opportunity in preparing the Draft Charging Schedule to take into account changes in economic circumstances and viability as well as emerging issues such as Havering’s Housing Zone submission to the GLA (if it is being progressed). It is envisaged that the Draft Charging Schedule stage may be in Spring-Summer 2015.
100. Subsequently, the Council must submit its Charging Schedule for an Examination with an independent Examiner. It is envisaged that this will be in Summer / Autumn 2015 with the Examination in Autumn 2015 (although the latter will be dependent on the allocation of an Examiner by the Planning Inspectorate (PINS)).
101. Subject to the conclusions of the Examiner, the CIL may be adopted by the Council (by full Council) in winter 2015 / 2016.

12. Conclusions and next steps

102. A Havering Community Infrastructure Levy scheme provides the opportunity for the Council to secure funding towards the cost of infrastructure needed to support the borough’s development.
103. The charges set out within the Preliminary Draft Charging Schedule are fully supported by the infrastructure evidence base and the viability assessment.

104. Subject to Member approval, public consultation on the PDCS will enable Havering to seek views from the community, infrastructure providers and any other interested party. The consultation has to last for a six week period and will be concurrent with the initial consultation on the new draft Havering Local Plan.
105. Following this, the Council will need to review any responses prior to publishing a draft Charging Schedule for further consultation for at least four weeks. At this stage the Council should also publish its draft Regulation 123 list to set out the types of projects that it envisages CIL receipts contributing towards.
106. The Council must review responses on the draft Charging Schedule before submitting a final document for Examination with an independent inspector.

REASONS AND OPTIONS

Reasons for the decision:

Improved infrastructure provision is necessary to support development in Havering and to ensure that it is a place where people want to live and businesses want to invest.

The Council has to look at every opportunity to secure funding towards the cost of infrastructure given the constraints on resources.

A Community Infrastructure Levy scheme provides the opportunity for the Council to secure funding towards the cost of infrastructure.

Other options considered:

The option of not progressing a Community Infrastructure Levy scheme for Havering was rejected because of the importance of the Council being able to secure funding from developers towards the cost of infrastructure needed to support Havering's development and regeneration.

IMPLICATIONS AND RISKS

Financial implications and risks:

a) Overview

Introduction of a CIL will enable the Council to secure developer contributions towards the provision of infrastructure within the borough. The level of CIL

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generated will be completely dependent of the type, size and quantity of development in the borough.

The level of contributions received under CIL will represent only a proportion of the cost of the infrastructure needs of Havering and as such funding will need to be allocated to projects which are identified as having the highest priority.

b) Likely level of CIL receipts

ERM have indicated in the draft Preliminary Draft Charging Schedule if the level of development identified in the Further Alterations to the London Plan be delivered and pay a CIL charge under the proposed charging schedule, the revenue yielded could reach between £88m - £123m for new homes in the period to 2015-2030 with an additional sum from other chargeable development. If development were evenly spread (which is unlikely), then this would represent some £5 - £8m per year. However, it may be that the level and type of development expected in the future will be different to that which has occurred in the last couple of years.

As a broad comparison, in recent years the level of tariff generated from the Section 106 planning obligations tariff (based on £4,500 – 6,000 per housing unit depending on location) has been as follows:

Year	Amount received £	No. of contributions
12/13	192,000	5
13/14	4,348,035	46
14/15 (to end Oct)	750,888	43
TOTAL TO DATE	5,290,923	94

CIL is intended to supplement but not replace mainstream funding such as grants, capital receipts etc.

c) Use of CIL

The most significant difference between Section 106 and CIL proceeds is that the former must be directly related to the development whereas CIL payments will go to an accumulated fund to help finance infrastructure projects generally.

The Council will need to determine its priorities for spending CIL. This may or may not include the passing on of CIL to other bodies which are responsible for the delivery of certain types of infrastructure such as transport links/health facilities. It is proposed that this prioritisation forms part of the annual budget setting process and that CIL is one of the funding streams used to fund the overall approved Capital Programme.

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The Council will be required to demonstrate and exercise proper governance and monitoring arrangements to be able to show what CIL monies have been received and how they have been spent.

d) 'Set –up' costs for the Havering CIL

The consultant's fees for undertaking the specialist work to Preliminary Draft Charging Schedule stage has been £65K. (This has included complex and detailed viability modelling and development appraisals).

Further involvement of ERM is likely to depend on the extent to which further specialist expertise is needed to address consultation responses and any review of the proposed CIL charges and the approach to CIL arising from this (or from other Council related work).

The Council will have to pay for the Inspector who conducts the Examination. Based on recent evidence from other authorities, this is likely to be in the region of £20 - 25K (depending on the length of the Examination).

In addition there will be the modest costs of publishing consultation & collating responses.

Costs to date have been met from existing budgets and it is envisaged that future costs can be met from existing budgets within Regulatory Services..

e) On-going costs

The Council will be able to use CIL monies towards the cost of administering and collecting the CIL.

f) Other

Havering CIL charges will be collected from developers alongside any relevant Mayoral CIL charges as one overall CIL obligation. Havering must then forward Mayoral CIL monies to the Mayor.

Section 106 contributions are negotiated on a case by case basis with developers so it is not possible to say with certainty whether the introduction of CIL will have a beneficial impact on developer costs. As the CIL is based on a charging schedule, developers will have greater certainty and this may be helpful for them.

g) Risks

The delay in 'implanting' CIL beyond April 2015 means that the Council will face a restriction for the 'pooling' of developer contributions from April 2015. From this date, a maximum of five Section 106 contributions can be 'pooled' for any one item of infrastructure. This will make administration of Section 106 contributions more cumbersome and may also make it difficult to utilise all receipts, especially if lots of small development come forward at a time when there are only a few large capital projects. Work is currently underway to mitigate the impact of this as much as possible.

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It is also recommended that CIL be adopted as soon as possible in order to limit the amount of time these pooling restrictions must be followed.

There is, however, a risk that Havering's CIL will not pass the examination process and/or that the consultation process takes longer than envisaged thus increasing Havering's exposure to the 'pooling' restrictions.

The level of contributions received under CIL will represent only a proportion of the cost of the infrastructure needs of the borough and as such funding will need to be allocated to projects which are identified as having the highest priority.

Legal implications and risks:

Work on the Havering Community Infrastructure Levy including consultation on a Preliminary Draft Charging Schedule and publication of a draft Charging Schedule will be in accordance with the Planning Act 2008 and Community Infrastructure Regulations 2010 since amended by the CIL (Amendment) Regulations of 2011, 2012, 2013 and 2014.

Human Resources implications and risks:

There are no specific implications for the Council. The work involved in progressing the CIL will be undertaken by officers in Regulatory Services except where it is necessary to engage the specialist skills provided by the consultants retained to advise on the preparation of the Havering CIL.

Equalities implications and risks:

The Department for Communities and Local Government (DCLG) undertook an Equalities Impact Assessment of Community Infrastructure Levy (CIL) legislation and regulations in January 2012 and concluded that:

The Community Infrastructure Levy is unlikely to have an adverse impact on any social group. By making communities more sustainable, the Community Infrastructure Levy will facilitate economic growth and liveability and so create opportunity for all. The infrastructure and services that the Community Infrastructure Levy will provide will enhance accessibility and liveability for all sectors of society, and could help to deliver new infrastructure that serves different needs within the community, for example by increasing mobility and accessibility.

The Havering Community Infrastructure Levy, including the Preliminary Draft Charging Schedule will be subject to public consultation and will be informed by the emerging new Havering Local Plan and its Equalities Impact Assessment.

If after the consultation and the Examination the Council decides to adopt the CIL it must ensure that:

- There is a transparent governance structure in place (including clear priorities and criteria) for allocating CIL funds or granting discretionary relief from CIL charges.

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- All decisions on allocating funds or granting discretionary relief are fair and consistent, consider the needs of local communities and businesses, and adhere to the Council's Public Sector Equality Duty.
- The Annual Authority Monitoring report reflects on relevant E&D aspects and reports on adverse impacts identified, if any.

BACKGROUND PAPERS

Residential CIL Viability Results – 15% Affordable Housing