

Community Infrastructure Levy

Gosport Draft Charging Schedule

September 2014



GOSPORT
Borough Council

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1. Purpose of this Document

- 1.1 The draft Charging Schedule has been prepared following consultation on the Preliminary Draft Charging Schedule. It sets out:
- Gosport Council's charging rate for its Community Infrastructure Levy (CIL) for developer contributions to help fund infrastructure in the Borough; and
 - A summary of the evidence base that was used to calculate the charges proposed in the charging schedule.
- 1.2 The consultation on the Council's Draft Charging Schedule provides a further opportunity for interested parties to comment on the appropriateness of the Council's proposed Community Infrastructure Levy, which has been prepared in accordance with the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010, and the Community Infrastructure Levy (Amendment) Regulations 2011, 2012, 2013 & 2014.
- 1.3 Once adopted, the CIL Charging Schedule will form the main basis for collecting developer contributions arising from new development in the Borough. It will be used to help fund provision of much-needed infrastructure to support development.

2. What is in this Document?

- 2.1 Sections 3-8 of this document set out the consultation process and the background to CIL. It then sets out a summary of the evidence base which has been used to set the levies proposed in the Charging Schedule (Section 9). The evidence base consists of three elements:
- the Gosport Local Plan 2011-2029 and its supporting evidence;
 - the Infrastructure Assessment Report and Infrastructure Delivery Plan; and
 - the CIL Viability Report and its Addendum.

The detailed evidence documents which support the Draft Charging Schedule are available to view at www.gosport.gov.uk/cil. In addition past performance of planning obligations under Section 106 in securing developer contributions has been monitored.

- 2.2 Sections 10-12 set out how CIL will be calculated, what it will be spent on and its relationship with section 106 planning obligations and how it will be monitored.

3. Consultation Process

- 3.1 The draft Charging Schedule (this document) is subject to six weeks' consultation from 19th September 2014 to 30th October 2014.
- 3.2 Representations should be sent by mail to:

Head of Planning Policy
Gosport Borough Council
Town Hall
High Street
Gosport PO12 1EB

or by email to:
planning.policy@gosport.gov.uk

There is also an online comment form which is available at www.gosport.gov.uk/cil

- 3.3 If you have any queries regarding the Draft Charging Schedule or about making any representations please contact the Planning Policy Section at the above postal or E-mail address, or by telephone on 023 9254-5228.

4. Process after Consultation

- 4.1 Following consultation a summary of representations together with the draft Charging Schedule and its supporting evidence will be submitted for examination.
- 4.2 It is likely that the examination in public will take place in 2015 by an independent inspector. They will consider any outstanding representations and whether the Council's proposed Charging Schedule is acceptable. Following the examination the Inspector will publish a report and if necessary propose changes to the Charging Schedule which they believe are required to make it acceptable in terms of legislation and Government planning policy.
- 4.3 Once the Charging Schedule has gone through the consultation and examination process described above the Borough Council must then formally adopt the Charging Schedule in order for it to come into effect.
- 4.5 The Charging Schedule will then be used to calculate and secure developer funding for necessary infrastructure to serve the types of developments permitted in accordance with the Gosport Borough Local Plan 2011-2029.

5. What is CIL?

- 5.1 The Community Infrastructure Levy (CIL) is a system to enable the Council to collect contributions from developers to help fund the infrastructure for which development creates a need. These contributions help fund a wide range of infrastructure such as transport schemes, flood defences, education and health facilities, open space and leisure facilities.
- 5.2 The power for local authorities ('charging authorities') to set and use CIL came into force in April 2010¹ and is required to be implemented on the basis of an up-to-date development plan. The Regulations allow a charging authority to base its Charging Schedule on a draft plan if they are planning a joint examination of their Local Plan and their Community Infrastructure Levy. This is the approach being taken by Gosport Borough Council, and the draft local plan can be seen at www.gosport.gov.uk/localplan2029.
- 5.3 The CIL works on the basis of a per-square-metre tariff with each developer paying a set amount for each additional square metre of development, in accordance with an adopted CIL Charging Schedule. The level of the tariff is set by local authorities for their area of jurisdiction, and is based on the needs identified through the authority's infrastructure assessment evidence relating to new development (the Infrastructure Assessment Report and Infrastructure Delivery Plan) and then tested to ensure that it is viable for the local market. It is acknowledged in accordance with the Regulations that CIL is not intended to pay for all infrastructure; instead it will assist in filling the gap between the cost of infrastructure and other sources of funding.

¹ Community Infrastructure Levy Regulations 2010 (as amended by the Community Infrastructure Levy (Amendment) Regulations 2011 and the Community Infrastructure Levy (Amendment) Regulations 2012, 2013& 2014).

6. Collecting Authority

- 6.1 The collecting authority for CIL tariffs in Gosport Borough will be Gosport Borough Council, as the determining authority and charging authority for the Borough. Depending on the location and nature of the development, part of the CIL may be passed on to Hampshire County Council or other relevant infrastructure providers.

7. Who will pay CIL?

- 7.1 CIL may be charged on the construction of most buildings that people normally use and where more than 100 square metres of floorspace (net), or a new dwelling is created (including dwellings of less than 100 square metres net floorspace). The tariff for each type of development is as set out in the CIL Charging Schedule (see Section 10).

- 7.2 The following do not pay the levy:

- development of less than 100 square metres (see Regulation 42 on Minor Development Exemptions) – unless this is a whole house, in which case the levy is payable
- houses, flats, residential annexes and residential extensions which are built by ‘self builders’ (see Regulations 42A, 42B, 54A and 54B, inserted by the 2014 Regulations)
- social housing that meets the relief criteria set out in Regulation 49 or 49A (as amended by the 2014 Regulations)
- charitable development that meets the relief criteria set out in Regulations 43 to 48
- buildings into which people do not normally go (see Regulation 6(2))
- buildings into which people go only intermittently for the purpose of inspecting or maintaining fixed plant or machinery (see Regulation 6(2))
- structures which are not buildings, such as pylons and wind turbines
- specified types of development which local authorities have decided should be subject to a ‘zero’ rate and specified as such in their charging schedules
- vacant buildings brought back into the same use (see Regulation 40 as amended by the 2014 Regulations)

Where the levy liability is calculated to be less than £50, the chargeable amount is deemed to be zero so no levy is due.

Mezzanine floors of less than 200 square metres, inserted into an existing building, are not liable for the levy unless they form part of a wider planning permission that seeks to provide other works as well.

- 7.3 The Council will prepare appropriate notices and protocols on these matters when the Charging Schedule is adopted.

8. Evidence Base

8.1 Draft Gosport Local Plan 2011-2029

- 8.1.1 The Draft Gosport Local Plan 2011-2029 is the key planning document which sets the development framework for the Borough during the period 2011-2029. It identifies quantum for residential, commercial, industrial and other forms of development and where this will be

accommodated. It also plans for land uses needed to support these forms of development, including open space and community facilities.

8.2 Infrastructure Assessment Report and Infrastructure Delivery Plan

- 8.2.1 The Infrastructure Assessment Report (IAR) sets out key issues relating to infrastructure in the Borough including current and proposed facilities as well as identifying key requirements to support both existing and new development.
- 8.2.2 The Infrastructure Delivery Plan (IDP) identifies the infrastructure which will be needed to cater for the development identified in the Local Plan. Some of this infrastructure needs, for a number of reasons, to be in specific locations or to be accommodated on specific sites, whereas there is a degree of flexibility in the location of other infrastructure.
- 8.2.3 The IDP contains estimates of the cost for each required piece of infrastructure, where known. Research to identify the infrastructure needed to support future development as indicated in the Local Plan included research into the costs of providing this infrastructure.
- 8.2.4 The Infrastructure Delivery Plan will be subject to monitoring and will be reviewed as more up to date information becomes available.
- 8.2.5 This work has identified the ‘funding gap’ as it presently stands between the estimated cost of key infrastructure and the secured funding for this infrastructure. The costs and shortfalls are summarised in Table 1.

Table 1: Funding gap for indicative infrastructure requirements

Infrastructure Category	Estimated Cost (£)	Estimated Funding Gap (£)
Coastal Defences (<i>see note 1</i>)	15,788,000	Significant
School Education (<i>see note 2</i>)	At least 4,000,000	At least 4,000,000
Transport (<i>see note 3</i>)	At least 18,791,000	At least 10,290,000
Green Infrastructure & Public Open Space (<i>see note 4</i>)	2,500,000	2,500,000
Due to the fact that some costs cannot be yet quantified, as they depend on work currently in progress, a total cannot be yet provided. For further project and cost details, see the Infrastructure Delivery Plan. The purpose of this table is simply to demonstrate the difference between known infrastructure costs and funding gaps. These numbers change over time.		

Notes:

1. The Eastern Solent Coastal Partnership recognises that a funding gap exists in respect of the required coastal defences.
2. A specific requirement has been identified in South Gosport to support expected development. However, in most cases it is likely that education will form a generic infrastructure requirement, in order that contributions can be directed towards providing and supporting additional school places required as a result of new development placing pressure on existing school places. In most cases it is not possible to identify specific schemes at this stage as it is not known which schools will experience this pressure over the Plan period as school rolls for individual schools can fluctuate over time.
3. It is important to note that these figures only include those schemes within Gosport Borough with the exception of the Daedalus site access scheme. There are numerous other schemes on the Gosport Peninsula (including the Newgate Lane improvements and proposals for a Western Access Road) which would benefit new developments and could potentially be funded partly from developer contributions. The

purpose of these figures is to emphasise that even without including these schemes there is a funding gap to provide necessary infrastructure required to support new development.

4. Includes provision for a Country Park at the Alver Valley.

8.2.5 As part of the background evidence information has been assembled about the amount of funding collected in recent years through section 106 agreements for the provision of infrastructure.

8.3 CIL Viability Report

8.3.1 The CIL Viability Report (July 2013) was prepared for the Council by independent consultants, Adams Integra and supplemented by an Addendum in July 2014. It assessed the ability of development for different types of uses to make a contribution towards funding new infrastructure. This evidence assesses the ability of a sample of different types of development across the Borough to make financial contributions to help fund infrastructure while remaining viable. The conclusions of the report are that:

- residential development on the sites allocated in the Draft Local Plan for residential development (Draft Local Plan Table 6.2) is sufficiently viable to be able to contribute towards infrastructure funding at present.
- the only other forms of development other than residential development which are able to support a CIL charge are supermarkets and retail warehouses.

8.3.2 It is not intended that CIL fully funds new infrastructure, and the proposed CIL level reflects this issue. The Council will continue to rely on other sources of funding to help pay for new infrastructure. In accordance with the requirements of the CIL Regulations, the CIL Viability Report demonstrates that the proposed level of CIL will not place an undue burden on new development. The amount expected to be raised by CIL will not exceed the new infrastructure requirements (eligible to be funded by CIL) identified in the IDP.

8.3.3 The methodology used for testing viability was to compare the residual land values resulting from a range of hypothetical developments with those sites' current use values. The residual land value was then compared with a benchmark valuation that represents the minimum value that a landowner might be willing to accept to release their site for development. If the residual value was above the benchmark value, the development was considered viable and the difference between the two valuations represents the maximum amount that could potentially be captured by CIL.

8.3.4 However, there are a number of reasons why CIL should not be set at the margin of viability. In other words, it should not seek to capture too much of the residual value above the benchmark value:

- i) The viability evidence undertaken is a snapshot in time and property markets change constantly over time, which means that the CIL rates that are set reflect this snapshot in time. Therefore CIL must remain appropriate for the life of the charging schedule, and not result in preventing significant amounts of development, for example, if there was a further downturn in the market. The Government guidance on CIL specifically requires charging authorities to take this aspect into account.
- ii) The viability appraisals are undertaken using generalised assumptions to find an 'average' valuation for the type of development being appraised. In reality, both values and costs vary significantly which means that the levy rates chosen must allow for the

fact that some developments have abnormally high costs, for example, where the remediation of contaminated land is required.

- iii) The viability appraisals themselves involve a relatively wide margin of error due to the assumptions that have to be made. Levy rates must take this into account when being set.

8.3.5 Taking these factors into account, the consultants have proposed charges that secure the best possible level of funding for infrastructure but avoid the problems of setting rates too close to the margin of viability.

8.4 Viable CIL Levels

8.4.1 The Council considers that the proposed rates put forward in the CIL Viability Report strike an appropriate balance between:

- the desirability of funding from CIL (in whole or part) the actual or expected total cost of infrastructure required to support the development of the area, taking into account other actual and expected sources of funding; and
- the potential effects taken as a whole of the imposition of CIL on the economic viability of the development across its area

Residential Development (Use Class C3)

8.4.2 The Viability Report tested a range of possible CIL charging rates and concluded that residential development in the Borough could support a charging rate of £100 per square metre and still remain viable, other than the Rowner Regeneration Area, where a rate of £60/m² is recommended. Although property values in this area have increased at a faster rate than the Borough average since the commencement of the Rowner Renewal Project (also known as Alver Village), they are not yet at a level which could sustain the same CIL rate as the rest of the Borough.

8.4.3 The Report recognised that where development is required by the Local Plan to make provision for affordable housing on sites of 10 or more dwellings its viability is reduced. The Report considered that the land values in the area in the south and west of the Borough as indicated on the map in Appendix 1 would be still be capable of sustaining a CIL charging rate of £100 per square metre if affordable housing is required. However, due to lower land values in the area to the north residential development with affordable housing would only be viable if the CIL charging rate was reduced to £80 per square metre, and in the Rowner Regeneration Area reduced to zero.

8.4.4 In the case of the Gosport Waterfront Regeneration Area, the report recommends a rate of £40 per square metre due to identified abnormal site redevelopment costs. These reduce the profit margin of redevelopment on this site. However it is considered that affordable housing could be sustained at this rate so this rate would apply to residential development.

8.4.5 The Council is proposing to charge the following differential CIL rates in the zones identified on the map in Appendix 1:

Zone 1	£60 per square metre (£0 for developments of 10 and above dwellings);
Zone 2	£100 per square metre (£80 for developments of 10 and above dwellings)
Zone 3	£100 per square metre (all dwellings)
Gosport Waterfront	£40 per square metre (all dwellings)

Extra Care

- 8.4.6 The Council's consultants have investigated this issue and in their addendum to the Viability Report they have concluded that it not viable to charge CIL on extra care and sheltered accommodation within Use Class C2.
- 8.4.7 It further considered that Extra Care within the public sector which is designed to meet an identified need should benefit from the affordable housing exemption and therefore no CIL charged.
- 8.4.8 The addendum to Viability Report concludes that sheltered accommodation and extra care accommodation that is built for the private market within Use Class C3 should still be viable if subject to the residential CIL rates proposed in 8.4.5.

Service Family Accommodation

- 8.4.9 The Council's consultants have investigated this issue and in their Addendum to the Viability Report they have concluded that it not viable to charge CIL on Service Family Accommodation. The Council is therefore proposing a **zero** rate of CIL for Service Family Accommodation development.

Residential Institutions (Use Class C2) and Secure Residential Institutions (Use Class 2A)

- 8.4.10 The Viability Report looked at these types of institutions and considered that it was not viable to charge CIL. The Council is therefore proposing a **zero** rate of CIL for developments within Use Class C2 and C2A.

Hotel Development (Use Class C1)

- 8.4.11 The consultants assessed the viability of development for hotels. Whilst these are unlikely to be speculative developments, and thus will be built to the requirements of a client, the assessment showed that there is no scope to impose CIL on hotel development in Gosport. The Council is therefore proposing a **zero** rate of CIL for hotel development.

Student Accommodation

- 8.4.12 Like hotels, development for student residential accommodation is unlikely to be speculative, and thus would only occur for a client who had commissioned such development. The Report concluded that viability based on local values was such that there was no scope to impose CIL. The Council is therefore proposing a **zero** rate of CIL for student accommodation development.

Retail Development

- 8.4.13 Different locations, types and sizes of shops have different levels of viability. The Viability Report and its addendum showed that the only forms of retailing that would be viable subject to CIL are supermarkets² and retail warehouses³. Consequently the Report recommends a CIL rate of £60 per square metre for supermarkets and retail warehouses only. The Council is therefore proposing a rate of **£60 per square metre** for supermarkets and retail warehouses.

Office Development (Use Class B1a)

- 8.4.14 Assessment of the viability of speculative development for office use was also undertaken. The results indicated that there was a negative viability (ie at present it is unprofitable to build offices in Gosport) and therefore no potential for any levy charge at the present time. This is consistent with the findings in respect of other authorities outside central London

² The CIL Viability Report defines a supermarket as a food based, self-service, retail unit greater than 280 square metres and governed by the Sunday Trading Act 1994.

³ The CIL Viability Report defines retail warehouse as a large store, typically on one level, that specialises in the sale of bulky goods such as carpets, furniture, electrical goods or DIY items.

that have already introduced CIL. The Council is therefore proposing a **zero** rate of CIL for office development.

Industrial Development (Use Class B)

8.4.15 Assessment of the viability of speculative development for industrial use (including warehouses) indicated that although industrial development is occurring in Gosport, the low rate at which this is presently occurring suggests that there is not sufficient viability in this form of development to allow CIL to be levied on it. This is also consistent with the findings in respect of other authorities outside central London that have already introduced CIL. The Council is therefore proposing a **zero** rate of CIL for industrial development.

Leisure Development (Use Class D2)

8.4.16 The consultants examined commercially operated leisure facilities such as cinemas, bowling alleys and fitness centres. The profitability of these types of land uses depends largely on the amount of discretionary expenditure that consumers are able to undertake. The Viability Report considers that a combination of factors including the investment yields and rental values does not provide sufficient viability to charge CIL. The Council is therefore proposing a **zero** rate of CIL for commercially-operated leisure development.

Community Facilities (Use Class D1)

8.4.17 Community Facilities can include facilities for education, health, culture, youth and children community halls and places of worship. The provision of these facilities usually depends on public investment or subsidy in one form or another in order to be delivered, even when privately operated. They are therefore inherently unviable in developer terms, even without the imposition of CIL. Rather than helping fund CIL, these developments are funded by CIL. The Council is therefore proposing a **zero** rate of CIL for community facility development.

9. Draft Charging Schedule

Table 2: Proposed CIL rates (see map in Appendix 1 for locations of residential charging zones)

Development Type	CIL charge £ per m ²
1. Residential:	
Developments with less than 10 dwellings or units	
Charging Zone 1	£60
Charging Zone 2	£100
Charging Zone 3	£100
Developments with 10 or more dwellings or units	
Charging Zone 1	£0
Charging Zone 2	£80
Charging Zone 3	£100
2. Non Residential:	
Retail warehouses and supermarkets ¹	£60
Other non-residential	£0
3. Gosport Waterfront site	

All Residential	£40
Retail warehouses and supermarkets	£60
Other non-residential uses	£0

1. A simple definition of a Supermarket for this purpose is a food based, self-service, retail unit greater than 280 square metres and governed by the Sunday Trading Act 1994. A retail warehouse can be defined as a large store, typically on one level, that specialises in the sale of bulky goods such as carpets, furniture, electrical goods or DIY items.

10. Calculating the Chargeable Amount

- 10.1 The amount to be charged for each development will be calculated in accordance with Regulation 40 of the Community Infrastructure Levy Regulations 2010, as amended. CIL applies to the gross internal area of the net increase in development.

11. The Regulation 123 List and future Section 106 Contributions

- 11.1 CIL is required to be spent on infrastructure to benefit the Borough. This includes facilities for transport, education, and health, flood defences and green infrastructure (land identified as performing a role in protecting or enhancing biodiversity). The Council is required to publish a 'Regulation 123' list, which lists infrastructure projects or types of infrastructure that it intends to fund through CIL. It can specify that CIL income from certain sites or from certain areas will not be spent on specific items or any of the items on the list. A draft Regulation 123 list has been prepared to accompany this charging schedule.
- 11.2 Once the CIL charging schedule is adopted, or no later than 6th April 2015 if a charging schedule is not adopted by then, the scope for pooling financial contributions secured by section 106 planning obligations is reduced. It will no longer be possible to pool contributions from five or more developments for each infrastructure project or type. However, notwithstanding this condition, there will still be instances in which the Council will collect contributions through section 106 rather than through CIL. This will be most likely where the development has site-specific requirements which are essential to enable the development to commence (for example flood management measures).
- 11.3 The Council has prepared a Planning Obligations and Developer Contributions Strategy setting out further details on the likely circumstances when a development will be subject to a Section 106 Agreement.
- 11.4 The legislation requires that developments are not charged for the same items of infrastructure through Section 106 agreements and through CIL, so the wording of the Regulation 123 list and the Planning Obligations and Developer Contributions Strategy will make it clear that they fund different infrastructure.

12. Implementation and Monitoring CIL






- 12.1 Once the Charging Schedule is adopted the Council will produce a number of protocols outlining the various procedures involved in collecting CIL. These will include details of exemptions (social housing, self-build homes and charities), payment by instalments and payments in kind.

- 12.2 Charging authorities are under an obligation to keep their CIL rates under review to ensure that they remain appropriate, for instance as market conditions change or as changes in the Borough's planning context give rise to significantly different gaps in infrastructure funding. This means that the Council recognises that, if market conditions improve and therefore margins increase, the CIL rates would need to be reviewed, subject to regulatory procedures.
- 12.3 CIL could also be reviewed as part of an overall review of developer contributions, because it is recognised that Section 106 contributions also affect development viability and together they must not exceed a level which makes development unviable.
- 12.4 The Council will monitor the factors affecting the proposed CIL charging schedule, and there may be circumstances that will necessitate an early review. These could include changes in land values, interest rates, development costs, construction costs or affordable housing requirements.
- 12.5 In addition the Council recognises that CIL will form part of the long term financial planning for developments and infrastructure investment to keep pace with growth and recognises that infrastructure projects will be added and delivered. Therefore the infrastructure programme needs to be updated regularly.
- 12.6 The Council is committed to ensure that the use of CIL income is open and transparent, and will therefore monitor CIL income and expenditure and report on these in its annual monitoring reports.

APPENDIX 1: Map of CIL Residential Charging Zones

105000N



- - - Gosport Borough Boundary
-  Gosport Borough Urban Area
-  Zone 1 : £60/m² (£0 for 10 and above dwellings)
-  Zone 2 : £100/m² (£80 for 10 and above dwellings)
-  Zone 3 : £100/m² all dwellings
-  Waterfront : £40/m² all dwellings

