

## 1.0 Introduction

- 1.1 The Community Infrastructure Levy (CIL) is a new planning charge to be set against the most viable forms of development and used to fund the provision, improvement, replacement, operation or maintenance of infrastructure across the Borough. The definition of infrastructure for the purpose of CIL spending includes, but is not limited to: roads and other transport facilities; flood defences; schools and other educational facilities; medical facilities; sporting and recreational facilities; and open spaces. Ipswich Borough Council, as the CIL Charging Authority for its area, is now seeking views on its proposed CIL rates as contained in Section 4 (Table 4.1) of this document.
- 1.2 This Preliminary Draft Charging Schedule is supported by a CIL Viability Study report dated November 2013 (the 'viability report') for the Borough, which examines the maximum viable CIL rates for different types of development. The viability report was carried out by the Council's appointed consultants, Peter Brett Associates LLP, and can be found alongside the Preliminary Draft Charging Schedule on the Council's website.
- 1.3 In addition to viability considerations, the CIL will only be charged where there would be a net gain in the internal floor space of a development site and where full or outline planning permission has been granted following the adoption of the levy, or alternatively where works commence on a chargeable permitted development scheme and there would be a net gain in floor space. A list of statutory exemptions to otherwise chargeable development is given in Section 4 of this report.
- 1.4 The table below provides an indicative timeframe of events leading up to the adoption of the levy.

**Table 1.1 – Timetable for implementing the CIL in Ipswich**

February 2013	Consultants appointed to assess development viability for purpose of setting CIL rates
April 2013	The Community Infrastructure Levy (Amendment) Regulations 2013 came into force and statutory guidance update published
October 2013	Further changes to the CIL Regulations announced
November 2013	CIL Viability Study report completed by consultants and Preliminary Draft Charging Schedule prepared
December 4 <sup>th</sup> 2013 – January 22 <sup>nd</sup> 2014	Preliminary Draft Charging Schedule public consultation (seven weeks)
Early 2014	<ul style="list-style-type: none"> <li>• CIL Regulations amendment laid before Parliament</li> <li>• Infrastructure Plan (IP) and Draft Charging Schedule (DCS) prepared in view of consultation comments and any changes to legislation / evidence base</li> <li>• 4-6 week consultation on IP and DCS</li> </ul>
Mid-late 2014	<ul style="list-style-type: none"> <li>• Consideration of consultation comments &amp; preparation of examination evidence</li> <li>• Independent examination on proposed CIL rates</li> <li>• Council adoption of CIL (possibly early 2015)</li> </ul>

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- 1.5 The purpose of this consultation is to invite comments on whether or not the proposed CIL rates and payment schedule contained in Section 4 are appropriate for new development in Ipswich. Representations will be invited from: Suffolk County Council; neighbouring local authorities; the East

of England Local Government Association; and local residents, agents, businesses, voluntary organisations and their representative groups.

- 1.6 Whilst the focus of this consultation is on the proposed CIL rates, it is important to note that local areas must receive a minimum 15% share of the levy arising from development in their area. As such, the matter of establishing local infrastructure needs in addition to more strategic provision is a significant consideration in the charge-setting process, and therefore will form part of the Draft Charging Schedule consultation in early 2014.
- 1.7 This document has been prepared in accordance with the relevant legislation, statutory guidance and government consultation response as listed below:
- The Planning Act 2008, as amended by the Localism Act 2011;
  - The CIL Regulations 2010, as amended in 2011, 2012 & 2013;
  - CIL Guidance, April 2013 (issued under Section 221 of the Planning Act 2008);
  - Community Infrastructure Levy: Consultation on further Regulatory Reforms – government response, October 2013.

- 1.8 These background documents are available to download on the following web links:

<https://www.gov.uk/government/policies/giving-communities-more-power-in-planning-local-development/supporting-pages/community-infrastructure-levy>

<https://www.gov.uk/government/consultations/community-infrastructure-levy-further-reforms>

## 2.0 Setting rates for Ipswich

2.1 The viability report includes a number of detailed residential and commercial development appraisals for differently sized and located schemes in Ipswich and as such forms the main evidence base for setting a CIL. Where it was found that the value of development sites in a particular area would have a greater value when completed less development costs and profit (the residual value) than the value that a landowner is likely to accept to release land for development (the benchmark land value), then it has been determined that a CIL rate above nil is viable. However, the government advises that the levy should not harm the economic viability of the majority of sites generally across a charging area, and therefore rates should not be set at or near the margins of assessed viability for a standard scheme.

### 2.2 Residential rates

2.2.1 With regard to the assessment of new residential development, the proposed CIL rates have been tested based on the Council's full affordable housing requirement being delivered alongside public open space and building to Code for Sustainable Homes Level 4. This has been done to ensure that CIL rates do not impact upon the deliverability of sustainable forms of development in accordance with the adopted Core Strategy and National Planning Policy Framework.

2.2.2 Furthermore, the Council considers that the standard assumptions on development costs used in the viability appraisals are either as it would normally expect for residential developments (e.g. land purchase fees, BCIS construction costs) or at the ceiling of what it would consider appropriate (e.g. financing costs, contingency and private dwelling profit used would normally only be accepted for smaller-scale or higher-risk developments). Therefore, it is satisfied that the overall conclusions on residential viability are based on sound judgements of cost across schemes of different size and risk.

2.2.3 The viability report indicates that house building is viable in all areas of Ipswich, and that new dwellings in charging zones 1 and 2 (as shown on the Charging Map in Section 5) and sites of less than 10 dwellings in zone 3 (where affordable housing provision is not required by Core Strategy Policy CS12) are sufficiently viable that differential CIL rates of £50, £85 and £120 per square metre of new floor space may be set whilst remaining below the maximum possible rate for any particular scale of development tested.

2.2.4 However, in order to ensure that the viability of the least profitable sites are not threatened by higher than expected costs or lower revenues than forecasted, a nil rate is proposed for developments of 10 or more dwellings in zone 3, which comprises over half of the Borough's land area. Whilst this rate may suggest that a large number of developments in Ipswich would struggle to fund any contributions towards new infrastructure, it must be remembered that the levy should not be set at or near the margins of assessed viability such that the proposed rates in each of charging zones 1 – 3 would allow for some additional site-specific infrastructure to be provided in most instances and where this is deemed necessary.

2.2.5 For example, a scheme of 25 dwellings in charging zone 3 would not provide for any off-site infrastructure through the CIL. However, if we assume that such a development would incur the costs and revenues as indicated in the viability report, it should still be able to provide the following:

- Code for Sustainable Homes Level 4 construction standard;

- 9 affordable houses (based on 35% provision);
- Public open space (proportionate to the size of the scheme); and
- Approximately £50,000 towards other site-specific infrastructure needs (which may be secured by planning condition or Section 106/278 Agreements).

2.2.6 The £50,000 figure has been calculated on the basis that the viability report indicates a ceiling CIL rate for a standard development of 25 dwellings in zone 3 to be £35 per square metre (sqm). Assuming an average dwelling floor space of 90sqm and applying this to 16 houses (as CIL is not levied on affordable houses), then the calculation of  $£35 \times 90 \times 16 = £50,400$  shows that there is scope for the development to provide for infrastructure even if the CIL rate for its area is set at nil.

2.2.7 However, if the Council was to levy a small CIL rate for developments of 10 or more dwellings in this zone at the margins of viability for a number of developments, then should sites experience abnormal costs not accounted for in the appraisal work (e.g. remediation) or if the expected sales revenue would be slightly lower than the average for the area, then a scheme would only be viable through compromising affordable housing numbers, public open space provision and/or Code for Sustainable Homes standards. Therefore, by allowing for a buffer to the maximum rate of the CIL that can be charged, the Council retains its flexibility to seek site-specific infrastructure contributions through a planning condition or obligation whilst not impacting upon the deliverability of sustainable development in the majority of cases. Section 3 of this document comments on how local authorities may continue to use planning obligations following the adoption of a CIL, although there is clearly a need to reduce this burden.

2.2.8 The building of new flats was also found to be viable in Ipswich, albeit in most instances the affordable provision would need to be reduced below the Council's policy objective. Consequently, the viability evidence suggests that a nil charge should be applied to flatted developments across all charging zones. In particular, flats would be expected to generate lower revenue in Ipswich than similarly-sized dwellings (by floor space), whilst additional communal floor space for shared hallways and staircases would result in higher development costs.

### 2.3 Commercial rates

2.3.1 The viability report comments that, despite the recent economic downturn, the convenience retail market (defined as a shop or store where the planning permission allows selling wholly or mainly everyday essential items, including food, drinks, newspapers/magazines and confectionary) has been very resilient in recent years and viability is generally insensitive to precise location. In line with this view, the appraisals for a variety of store sizes found that such new developments would be sufficiently viable across charging zones 1 – 3 to support a £120 per sqm CIL rate. Where no particular form of retail use is proposed or conditioned by the granting of planning permission, the Council will assume that the intended use for CIL charging purposes may encompass wholly or mainly convenience retail as the permission would allow for this.

2.3.2 CIL rates are not proposed for any further type of development, as outlined in the viability report.

### 2.4 Ipswich Garden Suburb

2.4.1 Statutory guidance on the CIL is clear that charging authorities may treat a major strategic site as a separate zone where it is supported by robust evidence on economic viability. In this regard, the viability report has found that the proposed Ipswich Garden Suburb urban extension (charging zone

4) should be excluded from all CIL rates, as the development of this site would require a significant level of site-specific infrastructure that should be secured through planning conditions and Section 106/278 Agreements to ensure the delivery of a sustainable scheme.

### **3.0 Relationship between CIL & legal agreements**

- 3.1 The CIL Regulations outline that a planning obligation or highway agreement (under Section 106 of the Town & Country Planning Act 1990 and Section 278 of the Highways Act 1980 respectively) secured following the adoption of a CIL cannot provide for a specific item of infrastructure that will be wholly or partly funded by the levy, with the exception of agreements relating to the trunk road network (e.g. the A14). Furthermore, on adoption of the levy or in any case from April 2015, local authorities may not pool more than five planning obligations in Section 106 Agreements towards an infrastructure project.
- 3.2 The government's updated CIL Guidance (April 2013) states that charging authorities should set out at examination a draft list of the projects or types of infrastructure that are to be funded by the CIL. They should also set out those known site-specific matters where planning obligations may continue to be sought, although the guidance is clear that obligations should be scaled back and secured only where this can be justified with reference to the underpinning infrastructure evidence presented at examination (paragraphs 15, 87 & 88).
- 3.3 Given that there are significant capacity issues in Ipswich schools, it will be important for the Borough Council and County Council as local education authority to make an informed assessment over the coming months on whether the CIL or viable planning obligations relating to new residential development would more likely meet the school building/expansion needs of the town. Whilst planning obligation funding towards broad definitions of infrastructure such as 'education facilities' will soon be limited by the aforementioned pooling restrictions, where a specific school infrastructure project can be identified within a Section 106 Agreement and this would directly relate to a particular development site, an unrestricted number of obligations may continue fund or part-fund education infrastructure where no more than five would contribute to any one project.
- 3.4 This matter will be further explored within a consultation version of an Ipswich Infrastructure Plan that will also include a draft list of projects that CIL may fund. This draft plan will be published alongside the Council's Draft Charging Schedule early next year as part of the second round of public consultation on its proposed CIL rates.

## 4.0 Proposed CIL rates

- 4.1 CIL rates are to be expressed as pounds (£) per sqm, as this will be levied on the gross internal area (GIA) of the net additional liable development (see Appendix A for calculating the chargeable amount). The following table outlines the Council's proposed CIL rates for new development.

**Table 4.1 – Proposed CIL rates (based on proposed changes to the CIL Regulations)**

Development (location identified by Charging Map)	CIL rate - £ per sqm (GIA)	
	1 – 9 dwellings	10 + dwellings
Dwellinghouses (zone 1)	£120	£120
Dwellinghouses (zone 2)	£85	£50
Dwellinghouses (zone 3)	£50	£0
	All development sizes	
Convenience retail* (zones 1-3)	£120	
All other development	£0	

\* For the purpose of this consultation, convenience retail is defined a shop or store where the planning permission allows selling wholly or mainly everyday essential items, including food, drinks, newspapers/magazines and confectionary.

- 4.2 It is considered that setting differential CIL rates by reference to the proposed number of dwellings, as the government has indicated will be introduced by regulatory changes in early 2014, allows for higher charges (per sqm of new floor space) to be levied on smaller developments whilst not setting rates at the margins of viability or above so for larger developments in zones 2 and 3 in particular. The ability to set a higher rate for developments of less than 10 dwellings is largely due to these schemes being exempt from providing affordable housing in line with Core Strategy Policy CS12, such that development revenues per sqm of new floor space are found to be higher. Although now unlikely, should these regulatory changes not be introduced then only the lowest residential CIL rate in each defined charging area could be achieved based on the existing evidence base.
- 4.3 Notwithstanding the proposed rates as outlined in Table 4.1, these are subject to statutory exemptions (i.e. a nil charge will be applied in the following instances):
- (i) Those parts of a development which are to be used for affordable housing;
  - (ii) Development that will be used wholly or mainly for charitable purposes and where a charitable institution is an owner of a material interest in the relevant land, subject to some limitations as outlined in Regulation 43;
  - (iii) Self-build dwellings that have been built or commissioned by individuals or groups of individuals for their own use, either by building the home on their own or working with builders. Community group self-build projects will also qualify for relief;
  - (iv) Residential extensions or free-standing residential annexes;
  - (v) Where the GIA of any non-residential development will be less than 100 square metres;
  - (vi) The GIA of any existing building(s) on site will be deducted from the final liability where it has been in continuous lawful use for at least six months in the preceding three years (dates from which the three year period shall be taken will be confirmed by the 2014 amendments to the

Regulations), or where its planning use has not changed. It will be for the applicant/agent to demonstrate lawful use by providing appropriate evidence such as Council Tax records or Business Rate documentation;

(vii) The insertion of a new floor (mezzanine) within an existing building.

4.4 To provide some indication of the CIL revenue that could be generated from the building of new dwellings and comparison retail units that would not qualify for any statutory exemptions, the following table illustrates approximate charges for each new unit of development.

**Table 4.2 – Indicative CIL receipts per unit of new development**

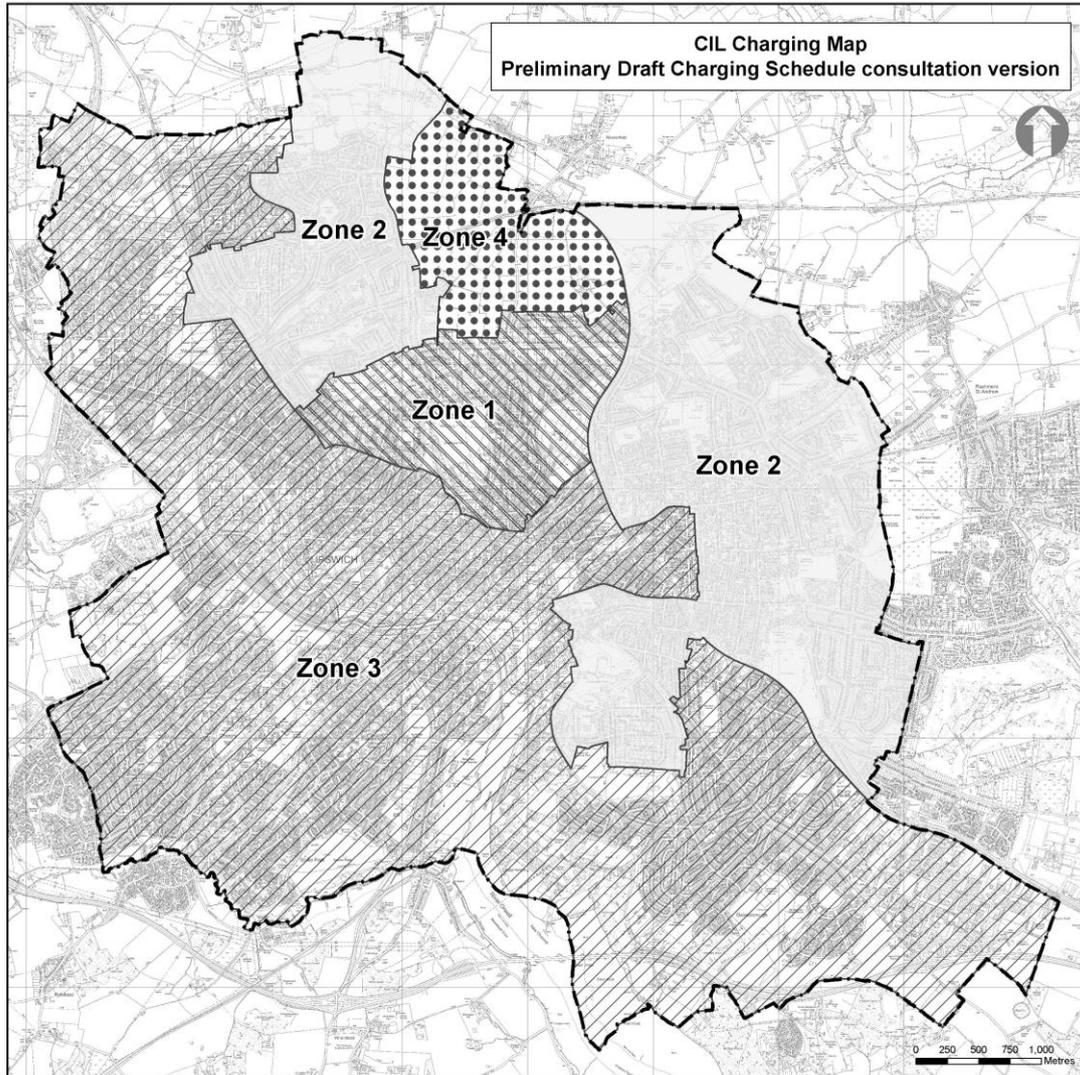
Development & CIL rate	Potential CIL charges (subject to changes in the BCIS Tender-Price Index)		
	2-bed (c. 75sqm)	3-bed (c. 90sqm)	4-bed (c. 105sqm)
Dwellinghouses £50 per sqm	£3,750	£4,500	£5,250
Dwellinghouses £85 per sqm	£6,375	£7,650	£8,925
Dwellinghouses £120 per sqm	£9,000	£10,800	£12,600
	Small (c. 500sqm) e.g. Little Waitrose, Corn Exchange	Medium (c. 1500sqm) e.g. Sainsbury's, Upper Brook Street	Large (c. 6000sqm) e.g. Asda, Stoke Park
Comparison retail £120 per sqm	£60,000	£180,000	£720,000

4.5 In line with the suggested approach in the CIL Regulations that charges should generally be collected by instalments (over a period of 240 days from the commencement of development), the Council is proposing its own payment schedule as permitted by Regulation 69. In particular, the schedule as outlined below would ensure that no more than £40,000 is due within the first six months of a development commencing, or phase of development commencing where the Regulations allow for this, so as not to adversely impact upon developer cash flows. The proposed instalment schedule is as follows:

- a) Where the chargeable amount is less than £40,000, the total amount is payable within 180 days of commencement of development;
- b) Where the chargeable amount is more than £40,000, the first £40,000 is payable within 180 days and the remaining balance payable within 360 days of commencement of development.

## 5.0 Proposed CIL Charging Map

5.1 The map below indicates the four proposed charging zones of the Borough and should be viewed alongside the proposed CIL rates included in Table 4.1 (note that zone two is split into two areas).



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- Charging zone 1 = St Margaret's ward excluding Ipswich Garden Suburb urban extension site (shown as zone 4)
- Charging zone 2 = Bixley, Castle Hill, Holywells (east)\*, Rushmere, St John's and Whitton (east) wards\*\*
- Charging zone 3 = All areas of the Borough excluding charging zones 1, 2 & 4
- Charging zone 4 = Ipswich Garden Suburb urban extension site and small parcels of land abutting this

\* the western boundary follows the line of the IP-One area (as shown on the Council's Draft Site Allocations & Policies DPD Map) and Landseer Road, whilst a small portion of the site identified as IP010a in the Draft Site Allocations & Policies DPD has been excluded as government guidance on CIL advises that charging boundaries should not intersect a proposed development site (IP010a lies mainly within charging zone 3).

\*\* from the south, the CIL boundary follows the line of Macaulay Road, Defoe Road, the western boundary of Ormiston Endeavour Academy and the Super Output Areas (Lower) boundary between Ipswich 001C & Ipswich 001D through agricultural land to the north.

## 6.0 Further information

6.1 This consultation document was submitted to the Council's Executive on November 26<sup>th</sup> 2013 for authority to consult. It represents a first draft in the production of a CIL Charging Schedule for Ipswich and the rates proposed may change as a result of comments received from this consultation and/or updates to the background evidence.

6.2 This consultation will run from Wednesday 4<sup>th</sup> December 2013 until **5pm on Wednesday 22<sup>nd</sup> January 2014**. Representations on the Preliminary Draft Charging Schedule or the viability report are invited by e-mail or post to:

[planningandregeneration@ipswich.gov.uk](mailto:planningandregeneration@ipswich.gov.uk)

Head of Development and Public Protection  
Ipswich Borough Council  
Grafton House  
15-17 Russell Road  
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6.3 Please note that representations made on this consultation cannot be treated in confidence. Under the Local Government (Access and Information) Act 1985 any comments you make will be made available for public inspection. In accordance with the Data Protection Act 1998 we will not publish your signature, e-mail address or phone number. However, if you do not provide, or do not wish your name and address to appear on the website or within the case file, then your comments will be considered anonymous and your views will not be taken into account. By submitting a representation you confirm that you agree to this and accept responsibility for your comments.

## Appendix A – Calculating the chargeable amount

Charges will be calculated in accordance with CIL Regulation 40, which can be summarised as follows:

$$\text{CIL charge} = \frac{[\text{CIL Rate} \times \text{Chargeable Floor Area} \times \text{BCIS Tender Price Index at date of permission}]}{\div \text{BCIS Tender Price Index at date of Charging Schedule adoption}}$$

More specifically, the chargeable amount will be equal to the aggregate of the amounts of CIL chargeable at each of the relevant rates set out in Section 4 of this document, and will be index-linked using the Royal Institution of Chartered Surveyors' Building Cost Information Service (BCIS) All-in Tender Price Index figures for the year in which the planning permission was granted and the year in which the charging schedule took effect (a given year is the figure for 1<sup>st</sup> November of the preceding year).

Whilst some minor changes are expected in calculating the chargeable amount in line with the government's response to its regulatory reform consultation, Regulation 40 currently states that the amount of CIL chargeable at a given relevant rate (R) must be calculated by applying the following formula:

$$\frac{R \times A \times I_p}{I_c}$$

Where:

A = the deemed net area chargeable at rate R;

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

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

The value of A must be calculated by applying the following formula:

$$G_R - K_R - \left( \frac{G_R \times E}{G} \right)$$

Where:

G<sub>R</sub> = the gross internal area of the part of the development chargeable at rate R;

K<sub>R</sub> = an amount equal to the aggregate of the gross internal area of all buildings (excluding any new build) on completion of the chargeable development which –

a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use;

b) will be part of the chargeable development upon completion; and

c) will be chargeable at rate R.

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

a) on the day planning permission first permits the chargeable development, are situated on the relevant land and in lawful use; and

b) are to be demolished before completion of the chargeable development; and

G = the gross internal area of the chargeable development.