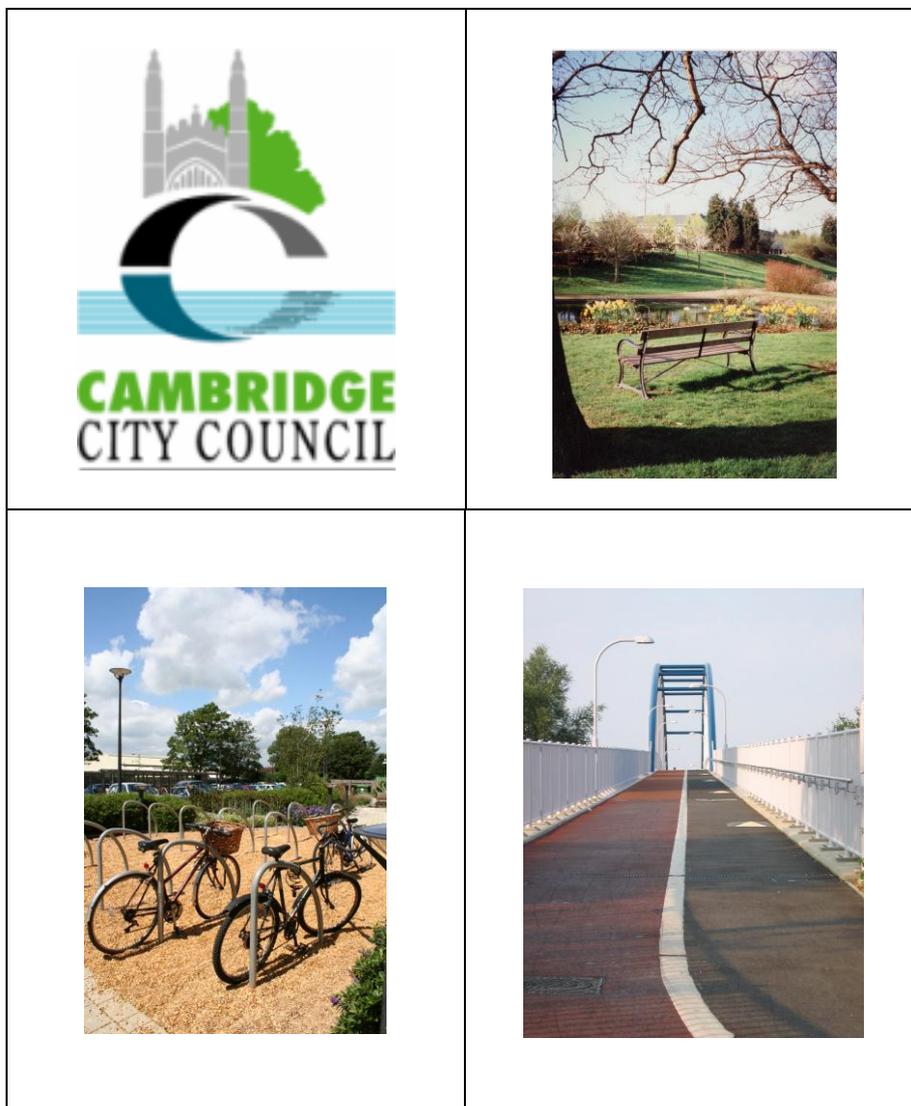


Cambridge Community Infrastructure Levy



Submission Draft CIL Charging Schedule - Supporting Information Summary

March 2014

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1. INTRODUCTION

1.1 BACKGROUND

- 1.1.1 This document provides a summary of progress to date with the introduction of Cambridge City Council's Community Infrastructure Levy (CIL).
- 1.1.2 The CIL regulations 2010¹ (as amended) and statutory guidance², give guidance to councils implementing the levy. Before a CIL Charging Schedule is adopted it must go through two formal rounds of consultation followed by an independent examination.
- 1.1.3 The first formal round of consultation, the [Preliminary Draft Charging Schedule \(PDCS\)](#), took place between 18 March 2013 and 29 April 2013.
- 1.1.4 Consultation on the Draft Cambridge CIL Charging Schedule (DCS) took place between 28 October 2013 and 9 December 2013.
- 1.1.5 The Draft Charging Schedule was submitted to the Planning Inspectorate for Examination in Public on 28 March 2014. In accordance with the CIL Regulations 2010 (as amended) the following documents were submitted alongside the Draft CIL Charging Schedule:
- [The Cambridge Draft CIL Charging Schedule – Submission Version](#);
 - [A Regulation 19\(1\)\(b\) Statement](#);
 - [A Regulation 19\(1\)\(c\) copy of representations made on the Draft Charging Schedule](#);
 - [A Draft Planning Obligations Strategy SPD](#);
 - [A Draft Regulation 123 list](#);
 - [A Draft Instalment Policy](#);
 - A Summary of Supporting Information (this document); and,
 - Copies of the relevant evidence (CIL Examination Library).
- 1.1.6 This document provides a summary of the Draft CIL Charging Schedule supporting evidence.
- 1.1.7 Cambridge City Council has set a timetable to adopt CIL by early 2015. Table 1 below outlines the key stages and timetable for adoption of CIL:

Table 1: CIL Timetable

Stage	Date
CIL Preliminary Draft Charging Schedule Consultation	18 March 2013 – 29 April 2013
Environment Scrutiny Committee to publish Draft CIL Charging Schedule	8 October 2013

¹ The Community Infrastructure Regulations 2010, Statutory Instruments 2010 No. 948, <http://www.legislation.gov.uk/uksi/2010/948/contents/made>

² DCLG, CIL Guidance, April 2013(This has been updated by DCLG CIL Guidance, February 2014 since the consultation on the Draft Cambridge CIL Charging Schedule)

CIL Draft Charging Schedule Consultation	28 October to 9 December
Submission of Draft Charging Schedule to Planning Inspectorate for Examination in Public	28 March 2014 (same time as Local Plan)
CIL Examination	March – September 2014 (Same time as Local Plan)
Inspectors Report	October 2014
Adoption (subject to Inspectors Report)	January 2015
Commencement of CIL	1 April 2015

2. CONSULTATION TO DATE

2.1 INFORMAL CONSULTATION AND ENGAGEMENT

2.1.1 A wide range of stakeholders were consulted throughout the evidence gathering process. The [Infrastructure Delivery Study 2012](#) (and [update 2013](#)) and the [CIL Viability Assessment](#) contain further details on the informal consultation that has taken place with key stakeholders.

Stakeholder consultation on the Infrastructure Delivery Study

2.1.2 The Infrastructure Delivery Study (IDS) and update were produced in collaboration with infrastructure and community service providers in order to obtain first hand views on requirements. A list of stakeholders is included at Appendix 1 of the IDS 2012.

Stakeholder Meeting – CIL Viability Assessment

2.1.3 Together with South Cambridgeshire District Council, a Joint Stakeholder Consultation Meeting was held which had input from the development industry, the County Council, the University of Cambridge and Colleges and other key stakeholders on 8 December 2012. The purpose of this consultation meeting was to provide stakeholders with an opportunity to inform the CIL Viability Assessment and the assumptions used within it.

2.1.4 The Infrastructure Delivery Study 2012 (and update 2013) and the Local Plan CIL Viability Assessment 2013 informed the development of the Draft Charging Schedule.

2.2 PRELIMINARY DRAFT CHARGING SCHEDULE (PDCS) CONSULTATION (March – April 2013)

2.2.1 The first formal round of consultation, the Preliminary Draft Charging Schedule (PDCS), took place between 18 March 2013 and 29 April 2013. A total of 73 representations were received from 23 respondents.

2.2.2 A complete list of respondents, the full consultation responses and a detailed assessment of representations received can be found in the the [PDCS Statement of Consultation](#).

2.2.3 In general the comments concentrated on specific themes including:

- Funding/infrastructure;
- Spend;
- Process;
- CIL rates;
- Viability; and,
- The assumptions used in the viability study.

2.2.4 The PDCS Statement of Consultation can be found in the CIL Examination Library and on the [Council's CIL webpages](#).

2.3 DRAFT CIL CHARGING SCHEDULE (DCS) AND SUPPORTING INFORMATION CONSULTATION (October – December 2013)

- 2.3.1 The representations received on the PDCS provided the basis for the development of the Council's Draft Charging Schedule, which was the subject of a second formal round of consultation. Consultation on the [Draft Cambridge CIL Charging Schedule and Supporting Information – Consultation Document](#) (DCS) took place between 28 October 2013 and 9 December 2013.
- 2.3.2 Details of those parties who made representations to the consultation, details of those parties who expressed interest in appearing at the CIL Examination, and, a summary of the comments raised by the representations together with an initial response from the Council to issues raised are included with the Draft CIL Charging Schedule Regulation 19(1)(b) Statement. In addition further clarification is provided in the remainder of this report to the matters raised.
- 2.3.3 A broad range of comments and issues were raised in the representations received on the DCS. There were 59 representations received from 18 respondents in accordance with Regulation 17 of the Regulations. A complete list of respondents as well as the complete consultation responses can be found in the *Regulation 19(1)(c) Copy of Representations made on the Draft CIL Charging Schedule*.
- 2.3.4 The Regulation 19(1)(b) and 19(1)(c) Statements can be found in the examination library and on the Council's CIL webpages.

3. EVIDENCE BASE

3.1 JUSTIFICATION FOR A CAMBRIDGE CIL

3.1.1 Local authorities need to ensure that the CIL rate does not put at serious risk the overall development of their area. The CIL Regulations are clear that in setting rates, the charging authority must aim³ to strike, what appears to the charging authority to be, an appropriate balance between:

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

3.1.2 The Charging Schedule has to be informed by an appropriate evidence base. In order to adopt a sound Charging Schedule the Council either must or is recommended to:

- Have an up to date Local Plan for the area;
- Identify a local infrastructure funding gap;
- Demonstrate the proposed CIL rates will not unduly affect the viability of planned development across the city;
- Clarify how planning obligations policies will be varied after the introduction of CIL; and,
- Produce a list of infrastructure types/projects (known as a Regulation 123 list) it intends to fund in whole or in part through CIL and review more generally the Council's wider existing policies for collecting developer contributions.

3.1.3 CIL Guidance⁴ also states that, as background evidence, the charging authority should provide information about the amount of funding collected in recent years through section 106 agreements. This information is contained in Appendix A of the Draft CIL Charging Schedule and Supporting Information Consultation Document.

3.2 AN UP TO DATE DEVELOPMENT PLAN

3.2.1 Statutory guidance sets out that Local Plans and charging schedules should inform and be generally consistent with each other.⁵ As set out in the National Planning Policy Framework, where practical, levy charges should be worked up and tested alongside the Local Plan.⁶

³ The CIL Regulations 2014 amended this test. However, the amended Regulation 14(1) does not apply in relation to a charging schedule if a draft charging schedule was published in accordance with Regulation 16 of the 2010 Regulations before the CIL (Amendment) Regulations 2014 came into force, as is the case for the Cambridge Draft CIL Charging Schedule

⁴ Para 2:2:2:3 Community Infrastructure Levy Guidance, DCLG, February 2014

⁵ Para 2:2:1, Community Infrastructure Levy Guidance, DCLG February 2014

⁶ Para 175, National Planning Policy Framework

3.2.2 In Cambridge, the CIL charging schedule has been worked up and tested alongside the emerging Cambridge Local Plan 2014. The Council submitted its Draft CIL Charging Schedule for Examination in Public at the same time as the Draft Cambridge Local Plan 2014. The Council's CIL proposals are consistent with and will support the implementation of the emerging Local Plan.

3.3 AN INFRASTRUCTURE FUNDING GAP

3.3.1 The CIL Regulations 2010 (as amended) require that any levy's rates should be based on evidence of the infrastructure needed. The charging authority must consider what additional infrastructure is needed in its area to support development and what other funding sources are available, based on appropriate evidence. The focus should be on providing evidence of an aggregate funding gap that demonstrates the need to levy the CIL.

3.3.2 Statutory CIL guidance also states that information relating to the infrastructure needs of a Charging Authority should, wherever possible, be drawn directly from the infrastructure planning that underpins the Charging Authority's development plan.

3.3.3 The Council has developed the infrastructure evidence supporting the emerging Cambridge Local Plan 2014 and the Draft Cambridge Charging Schedule (DCS) simultaneously. The infrastructure evidence supporting the Draft Charging Schedule has been drawn directly from the evidence underpinning the emerging Local Plan.

Infrastructure Delivery Study (IDS) 2012

3.3.4 In March 2010, the Council, in collaboration with South Cambridgeshire District Council, commissioned Peter Brett Associates to produce the Cambridge and South Cambridgeshire Infrastructure Delivery Study (IDS).

3.3.5 The IDS considered what additional infrastructure is needed in the Cambridge and South Cambridgeshire areas to support development and what other funding sources are available (for example, core Government funding for infrastructure, which will continue following the introduction of a levy, anticipated planning obligations and anticipated necessary highway improvement schemes funded by anyone other than the charging authority) based on appropriate available evidence.

3.3.6 In September 2012, the IDS was endorsed by the Council as an evidence base document for the Cambridge Local Plan Review and the Cambridge CIL. It was agreed as a 'live' document that can be updated over time to reflect changing circumstances such as changes in the planned level of housing and employment provision.

3.3.7 The objectives of the IDS and subsequent update (see below) were to establish the existing capacity of infrastructure provision in Cambridge and South Cambridgeshire, and identify what infrastructure would be required in order to serve proposed growth.

- 3.3.8 The IDS looks at the following infrastructure categories:
- Physical – Transport, energy, water and drainage, waste, and telecommunications;
 - Social – Education, health care, leisure and recreation, community and social, and emergency services; and,
 - Green – Green space

3.3.9 This document and subsequent update forms a key part of the Council’s evidence base for both the Submission Draft Cambridge Local Plan 2014 and Draft CIL Charging Schedule.

Infrastructure Delivery Study Update 2013

3.3.10 Since the consultation on the Preliminary Draft Charging Schedule the IDS has been updated to reflect the now agreed, planned levels of provision emerging through the Cambridge City Council and South Cambridgeshire District Council Local Plan Reviews.

3.3.11 The IDS Update 2013 should be read in conjunction with the IDS 2012 as the original study provides background in terms of the methodology used; what is meant by infrastructure for each category type; it provides context and support evidence; and, examines potential funding sources and delivery issues.

3.3.12 In the IDS Update 2013, the overall infrastructure requirements are broken down by development relationship into permitted development⁷, proposed development⁸, existing infrastructure deficiencies and aspirational infrastructure projects⁹. Where public or private funding was known or anticipated at the time of the study this has been included.

3.3.13 The updated IDS includes summary tables related to CIL eligible infrastructure. CIL eligible infrastructure (as defined in the updated IDS) is comprised of any infrastructure project that relates to a proposed development, an existing infrastructure deficiency¹⁰ or an aspirational infrastructure project. Infrastructure requirements related to existing planning permissions or projects that have any Section 106 funds allocated to them are not included in this list.

3.3.14 The CIL Eligible Infrastructure Schedule provides evidence of the aggregate funding gap required to levy a CIL charge. It also provides a starting point for future prioritisation of CIL funding.

Infrastructure Delivery Study - Key Findings

Cambridge City (excluding fringe sites)

⁷ Development in the pipeline that has planning permission

⁸ This relates to potential developments that do not have planning permission

⁹ Included so more aspirational schemes to support sustainable development could be included in the IDS

¹⁰ It is acknowledged that CIL funds cannot be used to remedy an pre-existing deficiency but infrastructure projects related to pre-existing deficiencies have been included in the CIL eligible list as CIL funds can be used where new development makes the deficiency more severe.

3.3.15 The cost of overall infrastructure requirements in Cambridge (excluding fringe sites) identified in the study is approximately £249 million. The aggregate funding gap is identified as £206 million.

3.3.16 The cost of infrastructure requirements for CIL Eligible Infrastructure in Cambridge (excluding fringe sites) identified in the study is approximately £161.5 million. The aggregate funding gap associated with CIL eligible infrastructure in Cambridge (excluding fringe sites) to 2031 is £161.5 million.

Fringe Sites (Both Local Authorities)

3.3.17 The cost of overall infrastructure requirements identified in the study on fringe sites is approximately £269 million. The aggregate funding gap is identified as £148 million.

3.3.18 The cost of infrastructure requirements for CIL Eligible Infrastructure on fringe sites is £121.3 million. The aggregate funding gap associated with CIL eligible infrastructure on fringe sites to 2031 is £121.3 million.

Strategic Infrastructure (Both Local Authorities)

3.3.19 The cost of overall infrastructure requirements identified in the study for strategic infrastructure for both authorities is approximately £230 million. The aggregate funding gap is identified as £98 million.

3.3.20 CIL eligible strategic infrastructure requirements to support both local authorities amount to £209million. The aggregate funding gap associated with CIL eligible strategic infrastructure in Cambridge and South Cambridgeshire to 2031 is £95.5million.

South Cambridgeshire District Council

3.3.21 For information, the study identified an overall infrastructure funding gap of £1.27 billion has been identified for South Cambridgeshire with a CIL Eligible funding gap of £1.178 billion.¹¹

Projected CIL Income and Residual Infrastructure Funding Gap

3.3.22 It is difficult to accurately forecast CIL receipts due to the complicated nature of levying the new charge and how often landowners will pursue CIL exemptions. Revenues will depend on the volume, rate of build and type of development undertaken.

3.3.23 CIL can only be charged on additional floorspace. This reduces the potential CIL for collection, particularly in an area like Cambridge where much of the development will take place on brownfield land.

3.3.24 The largest generator of CIL is likely to be residential development. The Submission Draft Cambridge Local Plan 2014 housing trajectory has been used to estimate potential CIL

¹¹ A large proportion of this funding gap (£1.134 billion) is attributable to the A14 Cambridge to Huntingdon improvement scheme. Central Government has since announced funding for this scheme. The scheme will be funded by a combination of DfT and Treasury funding, together with £100 million from local contributions.

revenue from residential development to 2031. Projected housing numbers are summarised in the table below:

Table 2: CIL Eligible dwellings

Source	Dwelling Numbers
Potential allocation sites (2015 – 2031)	3,028
Windfall (small sites) (2016 – 2031)	1,850
Total	4,878

3.3.25 To further refine the potential number of dwellings liable to pay CIL it has been necessary to make a number of assumptions. The assumptions used are as follows:

- A net floorspace reduction of 27%¹² (based on historic conversions, changes of use, rebuilds and demolitions);
- A discount of 40% affordable housing for affordable housing on sites over 15 dwellings;
- Discount of 15% affordable housing on sites less than 15 dwellings¹³;
- An average floorspace per dwelling of 85m² (consistent with a large two bedroom or small three bedroom house)
- A residential CIL rate of £125m²

3.3.26 The Submission Draft Cambridge Local Plan 2014 housing trajectory projects that **4,878** dwellings could come forward in the plan period to 2031 that are potentially liable for the CIL.

Table 3: Dwellings potentially liable to pay CIL

Potentially CIL liable dwellings (Draft Cambridge Local Plan 2014 housing trajectory)	4,878
Net floorspace deduction based on brownfield land development – 27%	1,317
Discount of 40% affordable housing on site over 15 dwellings (Potential allocation sites = 3028/100*40)	1,211
Discount of 15% on smaller sites (Windfall = 1850/100*15)	278
Number of dwellings potentially liable to pay CIL	2,072

3.3.27 Based on the assumptions outlined above it is estimated that for the period April 2015 – April 2031, the CIL revenue for residential development will amount to:

¹² Completion figures for the past 5 years (1 April 2007 to 31st March 2012) show that 27% of completions comprised conversions, changes of use or demolition/rebuilds.

¹³ Submission Draft Cambridge Local Plan 2014 Policy is for provision of a minimum of 10% affordable housing on sites between 2-9 dwellings and 25% on sites between 10 and 14 dwellings. An average of 17.5% has been applied to the small sites and this has been discounted by 2.5% to take account of single dwellings which will not provide for affordable housing

Table 4: Residential income from CIL

Total CIL liable floorspace	CIL Rate	Residential CIL Income April 2015 – April 2031
2072 dwellings * 85m ² = 176,120m ²	£125m ²	£22,015,000

3.3.28 The aggregate CIL eligible funding gap for Cambridge City and Fringe sites has been outlined above. To summarise, the aggregate CIL eligible funding gap identified in the IDS for Cambridge (excluding fringe sites) is £161.5 million, for fringe sites it is £121.3 million and for strategic infrastructure it is £95 million. The potential income from residential development from CIL is £22 million to 2031. There is a significant residual funding gap which justifies the introduction of CIL.

3.3.29 CIL funds will be raised from development types other than residential for which it is not possible to provide a reliable estimate. Nevertheless it is safe to assert that CIL raised by those other development types will not bridge the gap identified in this paper.

Other Funding Sources – addressing the funding shortfall

3.3.30 The IDS 2012 has considered a wide range of funding sources in Section 8 of the main report. Cambridge City Council and South Cambridgeshire District Council will have to consider the use of these sources, including prudential borrowing, user charges and New Homes Bonus to potentially address the funding shortfall.

3.3.31 Since the completion of the IDS 2012 and IDS Update 2013, both Councils have been working, in conjunction with Cambridgeshire County Council to secure a City Deal for Cambridge which would provide a package of funding for infrastructure. A City Deal for Cambridge (which looks to 2041) was announced in the Chancellor’s Autumn statement and confirmed in the Chancellor’s budget package in March 2014. Exact details relating to the funding package for the Cambridge City Deal and the infrastructure projects that will receive funding have yet to be confirmed.

3.3.32 While this funding will help secure delivery of both authorities’ Local Plans, financial resources will rarely meet all the identified needs for infrastructure at any given time and there will inevitably be a requirement to phase and prioritise projects across an area. The IDS and subsequent updates will be a key document in informing the prioritisation process.

3.3.33 The role of the IDS is not to provide absolute assurances as to how the Council intends to spend CIL, but to illustrate that the intended CIL targets are justifiable given local infrastructure need and based on appropriate available evidence. It is not a formal investment programme and does not entail commitment by the Council or other statutory providers.

3.3.34 Further detail can be found in the [IDS 2012](#) and [IDS Update 2013](#), which should be read in conjunction with the Draft Charging Schedule.

3.4 VIABILITY EVIDENCE BASE

3.4.1 The requirement to demonstrate that the proposed CIL rates will not unduly affect the viability of planned development across the city has been taken into account in a suite of viability documents produced on behalf of the Council. These are the Cambridge City Council Local Plan – [Community Infrastructure Levy Viability Assessment](#); the Cambridge City Council Local Plan - [SHLAA and Potential Site Allocations High Level Viability Assessment](#) ; the Cambridge City Council Local Plan – [Student Housing Affordable Housing Study](#); and the Cambridge City Council Local Plan – [Small Sites Affordable Housing Viability Study](#). These documents are available alongside and should be read in conjunction with the Draft CIL Charging Schedule.

Local Plan – Community Infrastructure Levy Viability Assessment

3.4.2 The CIL Regulations require that consideration is given to ‘the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area’. The NPPF states that where CIL is to be introduced, the development and consideration of the rate should be undertaken as part of the same exercise of viability testing as the Local Plan wherever possible.¹⁴

3.4.3 This is the approach that has been taken by the Council. Viability consultants Dixon Searle LLP were commissioned to undertake viability modeling work on planned development across Cambridge. Their work has also examined the viability of the Cambridge City Council Strategic Housing Land Availability Assessment (SHLAA) and emerging Local Plan policies.

3.4.4 The consultants used a residual land value appraisal approach to assess the financial capacity of a range of residential and non-residential development scenarios in Cambridge to pay a CIL charge. The methodology they used follows a standard development appraisal, using assumptions (worked up in consultation with the development industry) on land values, build costs, sales values and Local Plan 2014 planning policy considerations (affordable housing, high quality design standards). The methodology has been through successful CIL examinations with other authorities. Further detail is provided in the viability assessment.

3.4.5 The consultants have found that it is viable at the current time to levy a CIL charge on new residential development, retail development and student accommodation development. When setting the proposed rates the Council has borne in mind the viability advice and also some overriding messages from the Government and CIL front-runners. These messages are as follows:

- Keep it simple – Increasing the complexity of the charge makes CIL calculation and collection increasingly difficult;

¹⁴ NPPF, para 175

- The CIL charge is mandatory; if it makes development unviable then development may not go ahead. Therefore authorities should carefully consider where they set the CIL charge to avoid making desired development unviable; and,
- Bear in mind the type of development that is likely to come forward in the next three to five years, the standard time frame of a charging schedule before it is reassessed.

3.4.6 The CIL Regulations allow for different rates to apply for different zones in which development would be situated or by reference to intended use of development. It is not proposed to differentiate charging rates by zones in Cambridge but there is some differentiation by use.

3.4.7 **Residential development** - The headline finding is that suitable overall parameters for charging CIL in the city were found to be between £100m² to £150m². Within those parameters, the consultants have suggested that there are two possible approaches to charging a CIL on residential development:

- A single city wide residential rate;
- Differential residential charging rates based on three zones. A lower value zone (north east and east of the city), a medium value zone (northwest and south west) and a higher value zone (Market and Newnham)

3.4.8 The Council proposed to have a single city wide residential charging rate of £125m². This decision was taken bearing in mind that a differential charging approach across a small city like Cambridge could get quite complicated, unwieldy and difficult to administer; that there is not much planned growth in the higher value area and so a higher charge in that area would be of little value; and, taking the emerging development strategy into account.

3.4.9 This was considered the most appropriate solution because it best represents the mix and balance of local circumstances within the relatively small overall city area, and the blurring between very localised characteristics. The approach to stay within the higher rates that DSP and the Council consider could have been justified within the Council's charging schedule, as were mooted as part of an alternative differential route, respects the viability aspects within the overall question of seeking the right balance in setting up the CIL.

3.4.10 The Council also considered the wider CIL implications, such as the difficulties associated with arriving at suitable differential rates boundaries (in itself telling in terms of weighing up the options), the clarity of the system, administrative side and potential CIL receipts estimates. Along with the opposing tension to viability, of optimal contributions towards the scale of infrastructure needs through the identified funding gap, this all formed part of the consideration of balance and the selected single rate approach.

3.4.11 The Council has carefully considered the distribution and type of sites expected to contribute to its overall land supply, benefitting also from the extensive review of sites

viability carried out at an appropriate level and related to its SHLAA work¹⁵. Whilst this always has to be accepted as an evolving picture that will be kept under review, at present it calculates that in terms of generally lower value areas, the overwhelming majority of dwellings in these areas are proposed for sites that either the finer-grained viability work indicated medium or high viability prospects for or are proposed for greenfield land without previously developed land type existing use value expectations (and in those cases without significant site-specific infrastructure requirements (s.106/278)).

- 3.4.12 Overall, given the typical levels of viability expected to support development costs across the city, together with the blurring of characteristics and values over short distances within this quite compact urban area (including the difficulty in assigning some areas to a clear grouping), the single rate proposal is a fitting approach. This is all as discussed in the assessment report and has been arrived at after also considering the way in which increasing property values tend to drive increasing land values; so that site value expectations in the lower value areas should reflect the inherent lower viability outcomes; with the higher property prices driving the opposite effect in higher value situations. These, together with the city's wider relationship to surrounding areas (and therefore again the need to avoid unnecessary multiple rates if possible), are also balancing factors to be considered. They add weight to the soundness of the single CIL charging rate position selected after careful assessment and review.
- 3.4.13 **Retail** - Parameters for retail charging are recommended in the range of £0m² to £125m² so that a rate or rates within that range could be selected/aligned to the balance of supply. At £0m² to £75m² a charging rate would be responsive to city centre comparison retail and out of centre smaller convenience stores. At the upper end of these parameters, £125m², retail warehousing, supermarkets, and new city centre convenience shop development have the potential to remain viable. Further detail is contained in the CIL Viability Assessment.
- 3.4.14 The Council proposes a single approach based on a retail rate set at the relatively low level of £75m². The type of retail development that is most relevant to plan delivery, city centre comparison retail, informs this rate.
- 3.4.15 The Draft Cambridge Local Plan 2014 does not contain any proposals for large out of centre retail developments and so a simple (in line with CIL Guidance) single rate approach has been proposed. This is in line with the CIL principles aim for simplicity; avoiding complication where it is not necessary.
- 3.4.16 **Student accommodation** – The CIL Viability Assessment found that purpose built student accommodation in Cambridge was to be broadly equivalent to residential (market housing) development in viability terms. The Council therefore recommends consideration of a student housing CIL charging rate of not more than £125m².

¹⁵ DSP on behalf of Cambridge City Council, SHLAA and Potential Site Allocations High Level Viability Assessment 2013

- 3.4.17 **Other uses:** The viability assessment concludes that, in the current depressed market conditions, many commercial uses would not be viable if a CIL charge was applied to them at this time. The viability results were typically poor for these scenarios, such that only the most favourable combinations of assumptions produced potentially viable scenarios, and then only in particular site and scheme circumstances which were not considered to be sufficiently consistent to support meaningful CIL charging. These findings are a reflection of the poor relationship between development values and costs, compounded by uncertain market conditions, and are consistent with a wide range of other Local Authority areas. DSP concluded that, regardless of any potential area based variation, viability would be unlikely to improve sufficiently to clearly evidence CIL charging scope for commercial uses (e.g. including potentially higher rental and capital values for some development forms in the heart of the city or in science park type locations).
- 3.4.18 Detailed comments were made during the Preliminary Draft Charging Schedule consultation in relation to the viability testing and assumptions used, including professional fees; finance costs; build costs; Section 106 and fees. Comments were also raised in relation to the proposed rates. A summary of these comments and detailed responses on behalf of the Council can be found in the Preliminary Draft Charging Schedule Statement of Consultation which should be read alongside this document.
- 3.4.19 Detailed comments were made during the Cambridge Draft CIL Charging Schedule and Supporting Information consultation in relation to the viability testing and assumptions used, including professional fees; finance costs; build costs; Section 106 and fees. Comments were also raised in relation to the proposed rates. A summary of these comments and detailed responses on behalf of the Council are included in the Regulation 19(1)(B) Statement, which should be read alongside this document.

SHLAA and Potential Site Allocations High Level Viability Assessment 2013

- 3.4.20 Dixon Searle LLP were commissioned by Cambridge City Council to carry out a high level viability assessment on a range of sites within the Council's Strategic Housing Land Availability Assessment and a number of potential allocations sites in addition. All sites were appraised using Submission Draft Cambridge Local Plan 2014 policy standards as well as assuming a CIL residential rate of £125m².
- 3.4.21 This study found that, 'on the whole good levels of sales values are available to support development viability, so that schemes can proceed and frequently still bear planning obligations at significant levels as promoted by existing and proposed policies. This appears to be borne through the relatively high level of development interest and activity in the city, particularly compared with that seen in many other areas recently'¹⁶.

¹⁶ Para 2.1, SHLAA and Potential Site Allocations High Level Viability Assessment 2013, Dixon Searle LLP

Student Accommodation – Affordable Housing Financial Contributions Viability Study

- 3.4.22 This study was undertaken to investigate the potential to introduce an affordable housing contribution for new student accommodation development in Cambridge. It did this by testing the financial viability of a number of potential student accommodation development sites across the city.
- 3.4.23 This study appraises a number of sites (9) on the basis that the site could accommodate either residential development or student accommodation. All the appraisals included an assumed CIL rate of £125m² for both residential and student accommodation. The study found that while it might not be viable to have both a CIL charge and an affordable housing financial contribution towards student accommodation one or the other would be viable. This provides further evidence of the viability of both a residential and student accommodation CIL charge of £125m² in the Cambridge City Council area.

Small Sites Affordable Housing Viability Study

- 3.4.24 The Small Sites Affordable Housing Viability Study was completed in 2013 to inform the development of the Council's affordable housing policy. It considered the lowering of thresholds for affordable housing.
- 3.4.25 The Council has subsequently decided to pursue a lower affordable housing threshold in the emerging Cambridge Local Plan 2014. This study provides evidence that a residential CIL charge of £125m² is viable alongside the reduced affordable housing threshold.

3.5 THE RELATIONSHIP BETWEEN CIL AND SECTION 106

- 3.5.1 Although CIL replaces some elements of Planning Obligations, they will still have an important on-going site-specific role. Planning Obligations will still be used for site-specific infrastructure or mitigation required to make a development acceptable in planning terms. This could include the provision of affordable housing, open space, access roads, habitat protection etc. The principle is that all eligible developments must pay a CIL as well as, any site specific requirement to be secured through Section 106 Agreements.
- 3.5.2 Added to this, CIL Guidance advises that, for transparency, charging authorities should have set out at CIL Examination how their Section 106 policies have been varied¹⁷ and the Council's Submission Draft Cambridge Local Plan 2014 Policy 85 – Infrastructure delivery, planning obligations and the Community Infrastructure Levy states that the introduction of CIL will be accompanied by a review of the Council's guidance on planning obligations.
- 3.5.3 Furthermore, one of the key issues raised during the Preliminary Draft Charging Schedule consultation was the relationship between CIL and Section 106 contributions and the potential issues of 'Double Counting' of Section 106 contributions and CIL, which is not permitted by law.

¹⁷ Para 2:6:2:2, CIL Guidance, February 2014, DCLG

- 3.5.4 It has therefore been necessary to commence a parallel review of the Council's procedures for Section 106 Planning Obligations. A table was published at Appendix A of the DCS and Supporting Information Consultation Document. This table set out how CIL might work alongside Section 106 in Cambridge once CIL is adopted. This table set out the broad areas of infrastructure which, first, will continue to be matters which the developer will be responsible for delivering and, second, which could benefit from CIL funding.
- 3.5.5 This table at Appendix A of the DCS and Supporting Information Consultation Document and comments received as a result of its consultation have formed the basis for a revised planning obligations strategy SPD.
- 3.5.6 A Consultation Draft Planning Obligations Strategy SPD has been published alongside the Submission Version CIL Charging Schedule. The Draft SPD has not been subject to public consultation yet but the Council approved its submission to the Planning Inspectorate in support of the Draft CIL Charging Schedule at Development Plan Scrutiny Sub-Committee on 25 March 2014.

3.6 DRAFT REGULATION 123 LIST

- 3.6.1 CIL guidance¹⁸ requires the Council to 'set out at Examination a draft list of the projects and types of infrastructure that are to be funded in whole or part by the levy'. This list is known as the Regulation 123 list (the title being taken from the Regulation number which requires the publication of such a list).
- 3.6.2 The need, in the eyes of the development industry, to consult on a Draft Regulation 123 list as soon as possible to ensure the view of landowners and developer are taken on board was one of the key issues raised during the consultation on the PDCS. Publication of a Draft Regulation 123 List for consultation at DCS stage was something that was welcomed by consultees.
- 3.6.3 The Council took the opportunity to consult on a Draft Regulation 123 during the public consultation into the Draft Cambridge CIL Charging Schedule between 28 October 2013 and 9 December 2013. Key issues raised and a detailed Council Response can be found in the Regulation 19(1)(b) Statement.
- 3.6.4 Taking into account responses received on the consultation and also the development of policy on planning obligations through the Draft Planning Obligations SPD the Council approved an updated Draft 123 List for at Development Plan Scrutiny Sub-Committee on 25 March 2014.
- 3.6.5 The updated Cambridge Draft CIL Regulation 123 has been submitted to the Planning Inspectorate alongside and in support of the DCS. The key changes from the Reg. 123 list published at Draft Charging Schedule Consultation Stage are the inclusion of outdoor sports facilities, allotments, and strategic green infrastructure.

¹⁸ Para 2:2:2:2, CIL Guidance, February 2014, DCLG

- 3.6.6 The Cambridge Draft Regulation 123 is not a comprehensive detailed list of specific infrastructure projects. Instead, a common approach is one whereby the Regulation 123 list identifies both broad areas of infrastructure (and as such, anything which falls under that broad area would be able to be funded by CIL, but not by Section 106).
- 3.6.7 The starting point for the prioritisation of projects, or broad areas of infrastructure, to go on the Draft Regulation 123 list is the IDS. The subsequent decision as to which infrastructure projects receive CIL funding from the finalised Regulation 123 List will ultimately lie with the City Council. However, input from the County Council and other key stakeholders will be essential on all these matters. As such, sound governance arrangements around maintaining the Regulation 123 list, the prioritisation of CIL spend and the policy mechanism around developer contributions in general are essential. The Council is committed to working with key stakeholders to ensure appropriate governance arrangements are in place for the administration of CIL once it is adopted.

3.7 SUMMARY

- 3.7.1 In summary, the Council has used appropriate available evidence to demonstrate that it has struck an appropriate balance between:
- a. The desirability of funding from CIL (in whole or part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and
 - b. The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

4. IMPLEMENTING THE COMMUNITY INFRASTRUCTURE LEVY

4.1 PAYMENT BY INSTALMENT

4.1.1 Regulation 70(7) of the CIL Regulations (as amended) sets a default of full payment of the Levy within 60 days of commencement of development. The CIL Regulations also enable a charging authority to set an Instalment Policy that allows payments to be spread over longer periods. The Council has concluded that it is reasonable to spread payment instalments according to the scale of development that is proposed.

4.1.2 A Draft CIL Instalment Policy has been drawn up and consulted on to enable interested parties to consider its implications on development finance and delivery.

3.3.1 It has not been considered necessary to amend the Draft Instalment Policy following consultation on the Draft Charging Schedule and supporting information consultation document. The Draft Instalment Policy has been submitted to the planning inspectorate in support of the DCS.

4.2 PAYMENT IN KIND

4.2.1 The Regulations provide the potential for a charging authority to accept payments in kind for CIL, in the form of a transfer of land to be used for infrastructure provision (as set out in Regulations 73 and 74). The value of the land needs to be equal to the amount of the CIL that would have been paid – with the land value being assessed by an independent valuer. It is in lieu of CIL, and is in addition to any transfer of land which may be required via Section 106 Agreements.

4.2.2 The Council will publish a payments in kind policy prior to the introduction of the CIL charge. It is the Council's prerogative to agree to a payment in kind.

4.3 DISCRETIONARY RELIEF FROM CIL

4.3.1 The regulations allow charging authority's to permit discretionary relief from CIL (e.g. where a reduced or nil payment may be accepted). These cases are likely to be rare but could include the following:

- Development by charities for investment activities (as defined by Regulation 44);
- Development by charities where relief would normally constitute State Aid (as defined in Regulation 45); and,
- Where the Council considers there are exceptional circumstances to justify relief (as defined in Regulation 55).

Discretionary Charitable Relief

4.3.2 It is not the intention of the Council to offer this type of relief at present. At this stage the need for a discretionary relief in addition to mandatory relief is not considered justifiable and moreover, would impose an additional level of complexity in the administration and

management of the CIL charge. A policy of this kind could be introduced at any stage though and this is something the Council will keep under review as the CIL system beds in.

Exceptional Circumstances Relief

- 4.3.3 Regulation 55 of the CIL Regulations permits a charging authority to grant relief from liability to pay CIL in 'exceptional circumstances'. This may only happen if a planning obligation of greater value than the chargeable amount has been entered into in respect of the planning permission that permits the chargeable development and the charging authority considers that payment of the levy would have an unacceptable impact on the economic viability of development. In such cases a developer would be expected to demonstrate this (as set out in Regulation 57) via an 'open book' approach with an agreed independent valuer (paid for by the developer). Relief can also only be granted if it does not constitute 'notifiable state aid' (as defined in European Law).
- 4.3.4 It is not the intention of the Council to offer this type of relief at present. The circumstances in which a policy of this nature would be likely to be used would be extremely rare given that the CIL rate is set based on viability evidence, moreover it would impose an additional level of complexity in the administration and management of the CIL charge. A policy to this kind could be introduced at any stage though and this position can be kept under review.

4.4 MONITORING

- 4.4.1 One of the issues that came up through the PDCS and DCS consultation was in relation to the need for a clear defined review mechanism.
- 4.4.2 As required by Regulation 62, the Council will publish an Annual CIL Report (for the financial year), which shows:
- The amount of CIL collected;
 - The amount of CIL that has been spent;
 - Information on how CIL funds have been spent (i.e. which infrastructure projects, and how much has been used to cover administrative costs); and,
 - The amount of CIL retained at the end of the reporting year.
- 4.4.3 This report will also indicate whether, over the coming year, a review of any element of the Cambridge CIL is likely.

