

Community Infrastructure Levy

Draft Charging Schedule

January 2019

Harrogate
BOROUGH COUNCIL

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Community Infrastructure Levy : Draft Charging Schedule

1 Introduction

- 1.1** The Community Infrastructure Levy (CIL) was introduced under the Planning Act 2008 and is defined in the CIL Regulations 2010 (as amended).⁽¹⁾ The Local authorities in England and Wales can elect to prepare and adopt a CIL to assist in funding the infrastructure needed to support planned growth. The CIL is a charge, expressed in pounds sterling (£) per square metre, that is levied on the net additional floorspace created by most new development.
- 1.2** The Council went out for consultation on a Preliminary Draft Charging Schedule between Friday 25 May and Friday 6 July 2018 and 19 responses were received. These comments have been analysed and key issues identified and have resulted in minor changes to the Draft Charging Schedule.⁽²⁾
- 1.3** The purpose of this document is to set out Harrogate Borough Council's Draft Charging Schedule (DCS) for the CIL. This document provides a brief explanation of the CIL and the process that is required for the council to introduce it. Appendix 1 of this report contains the CIL charging rates which are the subject of a 6 week consultation between Friday 11 January and Friday 22 February 2019.

2 The Charging and Collecting Authority

- 2.1** Harrogate Borough Council, as the local planning authority, is classed as a charging authority and may therefore charge the CIL in respect of development that takes place in Harrogate District.⁽³⁾
- 2.2** The collecting authority for the finance generated by CIL will typically be Harrogate Borough Council, as the charging authority. However, where North Yorkshire County Council grants planning permission for development in the Harrogate district it will be the county council who will be the collecting authority.⁽⁴⁾ Where the county council is the collecting authority for a development it will pass the CIL payment on to the charging authority, minus any reasonable administrative expenses incurred in collecting the CIL, on the charging authority's behalf (i.e Harrogate Borough Council).⁽⁵⁾

3 What development will be liable to pay CIL?

- 3.1** As a general rule, CIL may be payable on development which creates net additional floor space, where the gross internal area of new build is 100 square metres or more. However that limit does not apply to new houses or flats, and a charge can be levied on a single house or flat of any size, but see immediately below for details of exclusions, exemptions and relief from the levy that may be available:
- New buildings or extensions under 100 square metres of gross internal floor space which does not involve the creation of a new dwelling;
 - Dwellings built by 'self builders'
 - The change of use, conversion or subdivision of a building that does not involve an increase in floorspace;
 - The creation of a mezzanine floor within a building;

1 Draft regulations amending elements of the Community Infrastructure Levy Regulations 2010 (as amended) are currently out for consultation with a view to have them laid in parliament in 2019

2 see Community Infrastructure Levy : Preliminary Draft Charging Schedule Key Issues Jan 2019

3 Under the terms of Part 11 of the Planning Act 2008.

4 Regulation 10(4) of the CIL Regulations 2010 (as amended).

5 In line with Regulation 76 of the CIL Regulations 2010 (as amended).

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- Temporary development permitted for a limited period;
- Buildings into which people go only intermittently for the purpose of inspecting or maintaining fixed plant or machinery;
- Vacant buildings brought back into the same use;
- Structures which are not buildings, such as pylons and wind turbines;
- Social housing that meets the relief criteria set out in regulation 49 or 49A of the CIL Regulations 2010 (as amended) ⁽⁶⁾
- Development by charities for charitable purposes ⁽⁷⁾

3.2 CIL is charged on the gross internal floorspace⁽⁸⁾ of new development. Where planning permission is granted for a development that involves the extension or demolition and then rebuild of a building in lawful use the level of CIL payable will be calculated based on the net increase in floorspace. This means that the existing floorspace contained in the building to be extended or demolished will be deducted from the total floorspace of the new development when calculating the CIL liability. ⁽⁹⁾

3.3 Where a planning permission is phased, each phase of the development is treated as if it were a separate chargeable development for levy purposes ⁽¹⁰⁾ This may apply to schemes which have full planning permission as well as to outline permissions. ⁽¹¹⁾ See paragraph 6.1 ⁽¹²⁾

3.4 The Council will have the ability to claw back any CIL relief where a development no longer qualifies for that relief within a period of 3 years for self-build and residential annexes and seven years for all other development from the commencement of the development. For example, should a charity develop a building for charitable purposes and subsequently sell the building to the open market within seven years then the Council will be able to claw back the CIL that would have been charged on the building had it been originally used for private use.

3.5 The Regulations also allow charging authorities to permit discretionary relief from CIL in certain circumstances (e.g. where a reduced or nil payment may be accepted). The cases for relief are likely to be rare, but can include the following:

- Development by charities for investment activities from which the profits will be applied for charitable purposes (as defined by CIL Regulation 44);

6 This may include affordable housing (defined as social rented and intermediate housing) provided through a local housing authority, registered provider or charitable body, or dwellings tied to an assured agricultural occupancy.

7 Need to meet the relief criteria set out in regulations 43 to 48 and where an exemption has been obtained, and a Commencement (of development) Notice served, prior to the commencement of the development

8 An in-use building is defined by Regulation 40(11) of the CIL Regulations 2010 (as amended) as one which "(i) is a relevant building, and (ii) contains a part that has been in lawful use for a continuous period of at least six months within the period of three years ending on the day planning permission first permits the chargeable development" Regulation 40(11) defines a "relevant building" as a "building which is situated on the relevant land on the day planning permission first permits the chargeable development"

9 See Regulation 40 (as amended by the 2014 CIL Regulations)

10 see Regulation 8(3A) as amended by the 2014 Regulations

11 Regulation 48 of the CIL regulations

12 More advice can be found in the National Planning Practice Guidance

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- Development by charities where relief would normally constitute State aid (as defined in CIL Regulation 45); and
- Where the Council considers there are exceptional circumstances to justify relief provided the conditions set out in Regulation 55 are met. These are that a section 106 agreement must exist on the planning permission permitting the chargeable development, the charging authority must consider that paying the full levy would have an unacceptable impact on the development's economic viability and the relief must not constitute state aid.

3.6 Given these requirements, most development will not be eligible for charitable or exceptional circumstances relief. However, the Borough Council will be prepared to consider applications for relief. In line with best practice, should the circumstances arise the Council would issue an Exceptional Circumstances Relief Policy in line with the CIL Regulations once the Charging Schedule has been implemented. It should be noted that the power to offer relief can be deactivated at short notice once a Charging Schedule is in place, in line with the CIL Regulations.

4 How the chargeable amount will be calculated

4.1 The amount of CIL a development is liable to pay will be calculated according to Regulation 40 of the CIL Regulations 2010 (as amended by the 2014 Regulations). The method involves multiplying the relevant CIL rate for the type/location of the development by the net additional floorspace – and factoring in an inflation measure to allow for changes in building costs over time. A summary of the method is set out below:

$$\text{CIL rate} \times \text{Net additional new build floorspace} \times \text{Inflation measure}$$

4.2 The inflation measure used will be the national 'All-in Tender Price Index' published by the Building Cost Information Service (BCIS) of the Royal Institution of Chartered Surveyors. The inflation measure involves dividing the Index costs from the year planning permission is granted, by the Index costs from the year the Charging Schedule is adopted. Full details of the method are set out in the Regulations. ⁽¹³⁾

4.3 The CIL Regulations specify that where the overall chargeable amount on a scheme is less than £50, it is deemed to be zero. ⁽¹⁴⁾

5 Evidence to support the CIL

5.1 The development of the DCS has been informed by appropriate evidence which includes:

- The Harrogate District Draft Local Plan https://www.harrogate.gov.uk/info/20012/planning_and_development/1134/local_plan_submission
- Whole Plan Viability Assessment (WPV) (Oct 2016) https://www.harrogate.gov.uk/downloads/file/2153/2016_october_-_whole_plan_viability_study
- The Infrastructure Delivery Plan (IDP) (Jan 2018 and August 2018) https://www.harrogate.gov.uk/info/20012/planning_and_development/1134/local_plan_submission

13 The draft regulations state that authorities should set out in their Charging Schedules which index would apply to development falling within a particular rate.

14 Regulation 40(3)

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- Local Plan Viability Update and CIL Viability Assessment (May 2018)
- Representations to the Preliminary Draft Charging Schedule consultation consult.harrogate.gov.uk/portal/pp/cil/pdcs/pdcs

- 5.2** The Draft Local Plan specifies the amount and location of new development that is to take place over the plan period to 2035. Policy GS1 and Policy GS2 establishes the approach to the distribution of housing and employment land across the District. It sets out that over the Plan period the Council will make provision for 14,049 homes and a minimum of 38 hectares of employment land. The need for new homes and jobs will be met as far as possible in those settlements that are well related to the key public transport corridor. The scale of development reflects the settlement's role and character, its relationship to the public transport corridor and the need to maintain or enhance services and facilities in rural villages and have regard to the capacity of infrastructure within the settlement and the time frame for any necessary investment and improvement. A broad location for growth is also identified for a new settlement in the Green Hammerton/Cattal area.
- 5.3** The Draft Local Plan makes allocations of land for housing and employment uses that reflect the housing and employment land targets and settlement hierarchy set out in Policies GS1 and GS2. The document also sets out policies to protect the character and heritage of the District and ensure development is of an appropriate scale, type and design. The Council submitted the Local Plan to the Secretary of State for examination in public on the 31st August 2018 with a planned examination date of early 2019.
- 5.4** In order to introduce the CIL, local planning authorities, as the charging authority, have to demonstrate that there is a shortfall in funding between the expected total cost of infrastructure needed to support development over the plan period and the level of funding likely to be forthcoming from mainstream sources of funding. The council's Infrastructure Delivery Plan (IDP) identifies the key infrastructure requirements needed to support the level of planned growth in the District.⁽¹⁵⁾ Appendix 2 to this report shows that there is a Funding Gap.
- 5.5** Testing the economic viability of development is central to the CIL charge setting process and is required to justify the introduction of the CIL to an authority area. Authorities must ensure that the sites and the scale of development identified in the Local Plan is not threatened. To this end the Council commissioned HDH Planning & Development to prepare a Whole Plan Viability Assessment for the district. This viability assessment has been prepared in line with Government guidance on the preparation of the CIL contained in Planning Practice Guidance and was completed in September 2016.
- 5.6** The Whole Plan Viability Assessment assesses the economic viability of the development of a wide range of land uses in the district including housing, office, industry, retail, hotels, community facilities and other sui generis uses, and maps variations in viability across the district. The assessment takes account of the development costs arising from emerging planning policy and regulatory requirements (e.g. affordable housing, sustainable construction & design and open space provision). The assessment also makes an allowance for residual S106/278 contributions for measures that are required to make development acceptable and are directly related in scale and kind to the proposed development. A stakeholder event was held in June 2016 with local property agents and developers to discuss the key assumptions that underpin the wider whole plan viability assessment undertaken to support the preparation of the Local Plan and changes made to these assumptions where considered appropriate.

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- 5.7** The scope for CIL was not considered in the 2016 Whole Plan Viability assessment and therefore a Local Plan Viability Update and CIL Viability Assessment has also been prepared (May 2018) which forms an annex to the 2016 study. The general methodology and assumptions have not changed. The Local Plan Viability Update and CIL Viability Assessment can be viewed at consult.harrogate.harrogate.gov.uk/portal
- 5.8** A basic principle of the CIL is that where it is economically viable to do so, development should be charged. The CIL is not to be used as a policy tool to encourage certain types of development over others by applying a lower or zero rate where development is viable. Differential rates can be applied to different types of development, or to different geographical areas, based on the outcome of the economic viability assessment. Where it has been demonstrated that it would not be viable to apply a CIL charge on a certain type of development, or in a particular geographic area, either a zero CIL rate or a base rate can be applied.
- 5.9** The Regulations recognise that the CIL charge may make some development unviable and advises that CIL should not be set at such a low rate as to ensure that every development remains viable. CIL rates should also not be set at the very margin of viability, in part so that they may remain robust over time as circumstances change. In setting the levy rates the Council has sought to strike an appropriate balance between the desirability of funding from CIL in whole, or in part, the actual and estimated total cost of infrastructure required to support the development of its 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 development across its area.

6 Liability and collection of the CIL

- 6.1** The Levy applies to new development for which planning permission is granted after the Charging Schedule has taken effect, and the amount of CIL payable (the 'Chargeable Amount') is calculated on the day that development is first permitted (which can be the day on which planning permission is granted, if it is granted without conditions or reserved matters being attached, or the day on which the last pre-commencement condition or reserved matters is agreed/approved). Where an outline planning permission permits development to be implemented in phases, each phase of the development is a separate chargeable development.⁽¹⁶⁾
- 6.2** Liability to pay CIL for qualifying development will arise at the time planning permission is granted. Payment of CIL is due from the date the chargeable development commences, with payment normally required within 60 days. The liable party is required to notify the collecting authority about the start date of the development prior to commencement.
- 6.3** Harrogate Borough Council recognises the implications that a large CIL liability required at the commencement of a development project could have on cash flows and the ability to raise finance. Therefore the Council has published a draft instalments policy (Appendix 4) alongside the Draft Charging Schedule to help inform representation made on the schedule.

7 Payment in kind

- 7.1** Under the Regulations charging authorities may, at their own discretion, consider accepting land and/or infrastructure as payment in kind in lieu of CIL.⁽¹⁷⁾ This will only normally be considered for land in excess of that needed to deliver infrastructure required as a direct result of the permitted development (e.g. if the development permitted requires the provision of a children's play area on-site, that land will not be accepted as payment in lieu of CIL).

16 As set out under Regulation 9(4) of the CIL Regulations 2010 (as amended by the 2014 Regulations).

17 Under Regulation 73 of the CIL Regulations 2010 (as amended by 2011 and 2014 Regulations).

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With regards infrastructure, where the investment of levy receipts in a project has already been planned, there may be time, cost and efficiency benefits in accepting completed infrastructure from the party liable for payment of the levy. The value of land or infrastructure for in lieu payment will be determined by an independent valuer.

8 Relationship between the CIL and planning obligations

- 8.1** The CIL Regulations 2010 included a deadline of 6 April 2015 beyond which restrictions on the pooling of planning obligations (i.e. S106 Agreements and commuted sums) came into force. From this date the Council has not been able to pool more than 5 contributions from separate developments towards a single item of infrastructure not funded by the CIL. This has meant that it has become more difficult to deliver larger scale items of infrastructure, such as schools and transport schemes, where the pooling of many individual planning contributions is often necessary.
- 8.2** As part of the CIL the Council will need to prepare a list, referred to formally as a Regulation 123 list, setting out the types of infrastructure that it intends to fund through CIL. CIL funding cannot be used as well as a Section 106 to deliver the same piece of infrastructure. The Regulation 123 list can be reviewed at any time but it is likely that the council will undertake to do this annually, linked to the publication of the council's Annual Monitoring Report which will identify progress on the collection and expenditure of the CIL. In line with Government guidance on the preparation and implementation of the CIL the Council will undertake appropriate local consultation when reviewing the Regulation S123 list. The council has published a draft Regulation S123 list alongside the Draft Charging Schedule to help inform representation made on the schedule. This list can be viewed in Appendix 5.
- 8.3** The Draft Regulations presently out for consultation ⁽¹⁸⁾ which will amend the Community Infrastructure Levy Regulations 2010 (as amended) propose that the Reg 123 restrictions are lifted and that the requirement for a list of infrastructure projects or types of infrastructure that a local authority intends will be wholly or partly funded by the levy would be replaced with a more transparent approach to reporting by charging authorities on how they propose to use developer contributions through Infrastructure funding Statements. As part of these changes, local authorities will be able to use both the Levy and section 106 planning obligations to fund the same piece of infrastructure.

9 Spending the CIL

- 9.1** As already noted, in accordance with the CIL Regulations, the Council is required to publish a list of infrastructure that CIL revenue can be used to fund. The Draft Regulation 123 Infrastructure List is set out in Appendix 5.
- 9.2** As part of the Local Plan the Council considered the infrastructure requirements required to support delivery of the Local Plan. The infrastructure requirements are based on this as well as emerging Council priorities. The infrastructure requirements are set out in the Infrastructure Delivery Plan which details the infrastructure necessary to deliver the Local Plan. It is important to note that the CIL is not meant to replace mainstream sources of funding for infrastructure and will not cover the full costs of all of the infrastructure projects identified in the Delivery Plan. The Council will work closely with the relevant infrastructure and service providers to discuss and deliver the funding for infrastructure projects.

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- 9.3** The Regulations also allow 5% of the CIL collected each year to be used to pay for the administrative expenses incurred by the charging authority. The Borough Council anticipates that it is likely to seek an element of reimbursement, to cover the costs associated with collection, implementation and monitoring of the CIL. This will be accounted for in the Council's monitoring of the expenditure of the CIL.

10 Neighbourhood funds

- 10.1** A local council (i.e. parish/town council) with an adopted neighbourhood development plan will receive 25% of the CIL receipts generated by development within the neighbourhood plan area (provided that the development was granted planning permission after the neighbourhood plan was adopted) to spend on local infrastructure. In areas without a neighbourhood development plan in place: the local council will receive 15% of CIL receipts generated by development in the area (with a cap on the CIL revenue the charging authority has a duty to give local councils equal to £100 per Council tax dwelling in the area in each financial year).
- 10.2** This 'Neighbourhood Fund' will be passed directly to parish/town councils where development occurs, and these locally elected councils will be directly accountable for its expenditure and reporting. Where an area does not have a town or parish council the charging authority will hold the neighbourhood fund on the area's behalf and spend the money in line with the neighbourhood's needs guided by the results of appropriate local consultation.
- 10.3** Parish/town councils are not restricted to spending neighbourhood funds on the infrastructure projects identified in the charging authority's Regulation 123 list and are not required to prepare their own list of infrastructure projects. However, neighbourhood funds must be spent on:
1. The provision, improvement, replacement, operation or maintenance of infrastructure (e.g. roads, schools, open space, village halls etc.); or
 2. Anything else that is concerned with addressing the demands that development places on an area.
- 10.4** Following the adoption of the CIL the Council intends to produce guidance for town/parish councils on all aspects of the CIL process, including what information will need to be reported annually on the use of neighbourhood funds.
- 10.5** Amendments to the CIL regulations in 2013 allow the charging authority to require the repayment of neighbourhood funds that remain unspent 5 years after they were transferred to a local council.⁽¹⁹⁾ However, in line with the current practice with commuted sums for open space and village hall provision the Council will not require the return of unspent CIL funds passed to local council's until 10 years after they were transferred. Any returned funds are placed in the pooled CIL fund to be spent on district-wide infrastructure projects.

11 Reporting

- 11.1** Following adoption of CIL the Council will publish a CIL Annual Monitoring Report on the operation of the levy over each financial year.⁽²⁰⁾ This will form part of the Council's Annual Monitoring Report and will include the following information:
- How much CIL monies have been collected;
 - How much of that money has been spent;

19 Regulation 59E of the CIL Regulations 2010 (as amended).

20 As required by Regulation 62 of the CIL Regulations 2010 (as amended by the 2013 Regulations to include the neighbourhood share and the 2014 Regulations).

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- Information on how CIL monies have been spent, including on 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.

11.2 Parish and town councils who receive CIL monies will have a duty to report to the District Council annually on how they have used their Neighbourhood Funds.

12 Monitoring and review of the CIL

12.1 The Council recognises the need to closely monitor the proposed CIL charges, given that changes in the property market, construction costs and changes in local or national policy over time can impact on development viability. Following the intended adoption of the CIL Charging Schedule in 2019, the Council intends to review the CIL every three years or earlier, if necessary, in response to significant changes in local development viability.

13 Next steps

13.1 The timetable towards the adoption of CIL in Harrogate District is set out below, as informed by the latest LDS timetable August 2018. This timetable will be subject to regular monitoring and review.

Key Milestones for Producing the CIL Charging Schedule		
Stage of Plan Making		Timescale
Regulation 16	Public consultation on the draft charging schedule	January 2019
Regulation 19	Submission of the draft charging schedule	April 2019
Regulation 20	Examination of the draft charging schedule	Summer 2019
Regulation 25	Approval of the charging schedule	Autumn 2019

14 Your views

14.1 We would like to receive any comments you may have on the Draft Charging Schedule (DCS) and the CIL Viability Assessment. **The consultation runs from 11th January 2019 to 4.30pm on 22 February 2019.**

14.2 You can send us your comments in a number of ways but we recommend that you register and submit them online via the consultation portal at: <http://consult.harrogate.gov.uk/portal>

14.3 You can also send your comments by post or email. Please make sure you include your full name and address as we cannot accept comments submitted anonymously, or with only a name and email address. A comments form should be used wherever possible which can be downloaded from the website or collected from main council offices. Please Send your comments to:

Harrogate CIL Consultation
 Planning Policy
 Harrogate Borough Council
 P.O. Box 787
 Harrogate
 HG1 9RW

or planningpolicy@harrogate.gov.uk

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- 14.4** Please only use one method of reply to avoid duplication. Please note that responses to this consultation cannot be treated as confidential and that they will be made available as public documents.
- 14.5** Please make sure that comments are submitted by 4.30pm on 22nd February 2019 .

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Appendix 1 The Draft Charging Schedule

HARROGATE BOROUGH COUNCIL : COMMUNITY INFRASTRUCTURE LEVY (CIL): RECOMMENDED RATES

This Draft Charging Schedule has been prepared in accordance with Part 11 of the Planning Act 2008 (as amended by Part 6 of the Localism Act 2011) and the Community Infrastructure Regulations 2010 (as amended). It is supported by local evidence regarding infrastructure requirements and the impact of the CIL on the viability of development in the District, as set out in the background reports. These can be found on the Council's website as part of the CIL evidence base.

Levy Rates

The rates below will be charged against the gross internal floor area of:

- All new dwellings;
- All other built development exceeding 100 square metres in size; and
- The net additional floor area of all replacement development (after the area of demolished buildings in lawful use has been deducted) where it exceeds 100 square metres.

Development Type	Maximum CIL Rate (per sq.m)
Residential	
Zone 1 and sites of 10 units or fewer in all areas	£50
Zone 2	£0
Zone 3	£0
Sheltered Housing ⁽¹⁾ in Zone 1 and Zone 3	£60
Sheltered Housing in Zone 2	£40
Employment Development	
Distribution	£20
Retail development	
Shops - Central Harrogate	£120
Shops - Other - Zone 1 and Zone 3	£40
Shops - Other - Zone	£0
Supermarkets ⁽²⁾	£120
Retail Warehouse Retail warehouses - are large stores specialising in the sale of comparison goods (such as carpets, furniture and electrical goods), DIY items and other ranges of goods catering mainly for car borne customers	£120
All Other development	£0

Table 1.1 Recommended rates of CIL

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1. Sheltered Housing : Residential accommodation which includes an element of care within Use Class C2
2. Supermarkets are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix. The majority of custom at supermarkets arrives by car, using the large adjacent car parks provided

The Zones are defined as follows:

Zone 1 - All areas that are not in Zone 2 or Zone 3

Zone 2 - The main urban areas of Harrogate, Boroughbridge, Knaresborough, Masham, Pateley Bridge and Ripon. The allocations that are adjacent to the main urban area of Ripon.

Zone 3 - The strategic sites at Boroughbridge (B4, B12 and B21), Green Hammerton/Cattal New Settlement, West Harrogate (H49, H51, H70 allocations and H50, H46, H36, H45 commitments), Manse Farm (K25 allocation and K31 commitment) and Ripon (R24, R25, R27)

How the CIL charge will be calculated

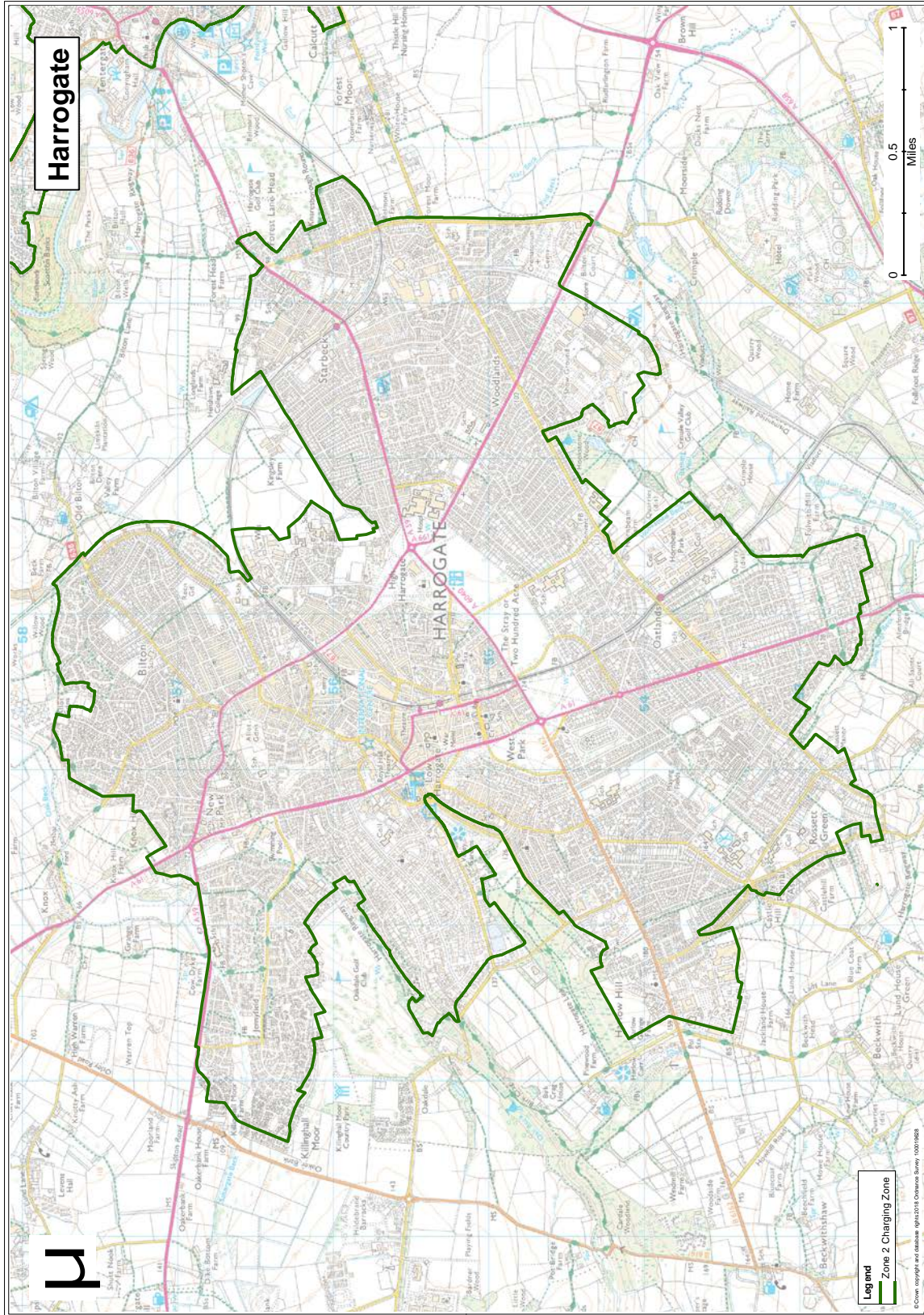
In accordance with the Regulations, where applicable, the Council will issue a Liability Notice that states the chargeable amount on the granting of planning permission or as soon as possible after the grant of planning permission. The Council will calculate the amount of CIL chargeable using the formulae set out in Part 5 of the CIL Regulations (as amended).

Full details of the way in which the CIL will be calculated, together with an overview of the CIL and the full Regulations can be found on the Government website.

Charge Zones

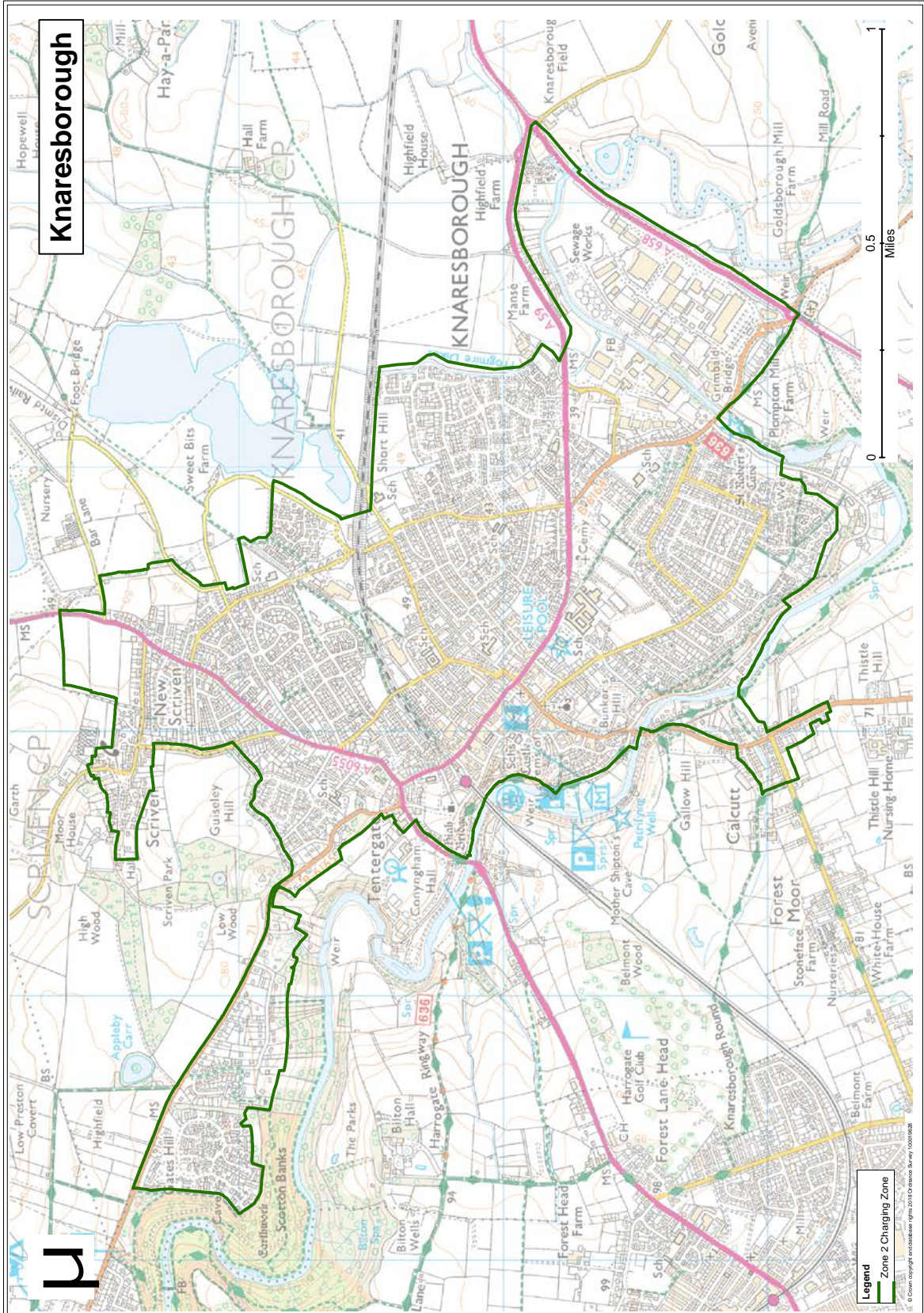
The following maps show the Zone 2 boundaries for Harrogate, Knaresborough, Ripon, Boroughbridge, Masham and Pateley Bridge.

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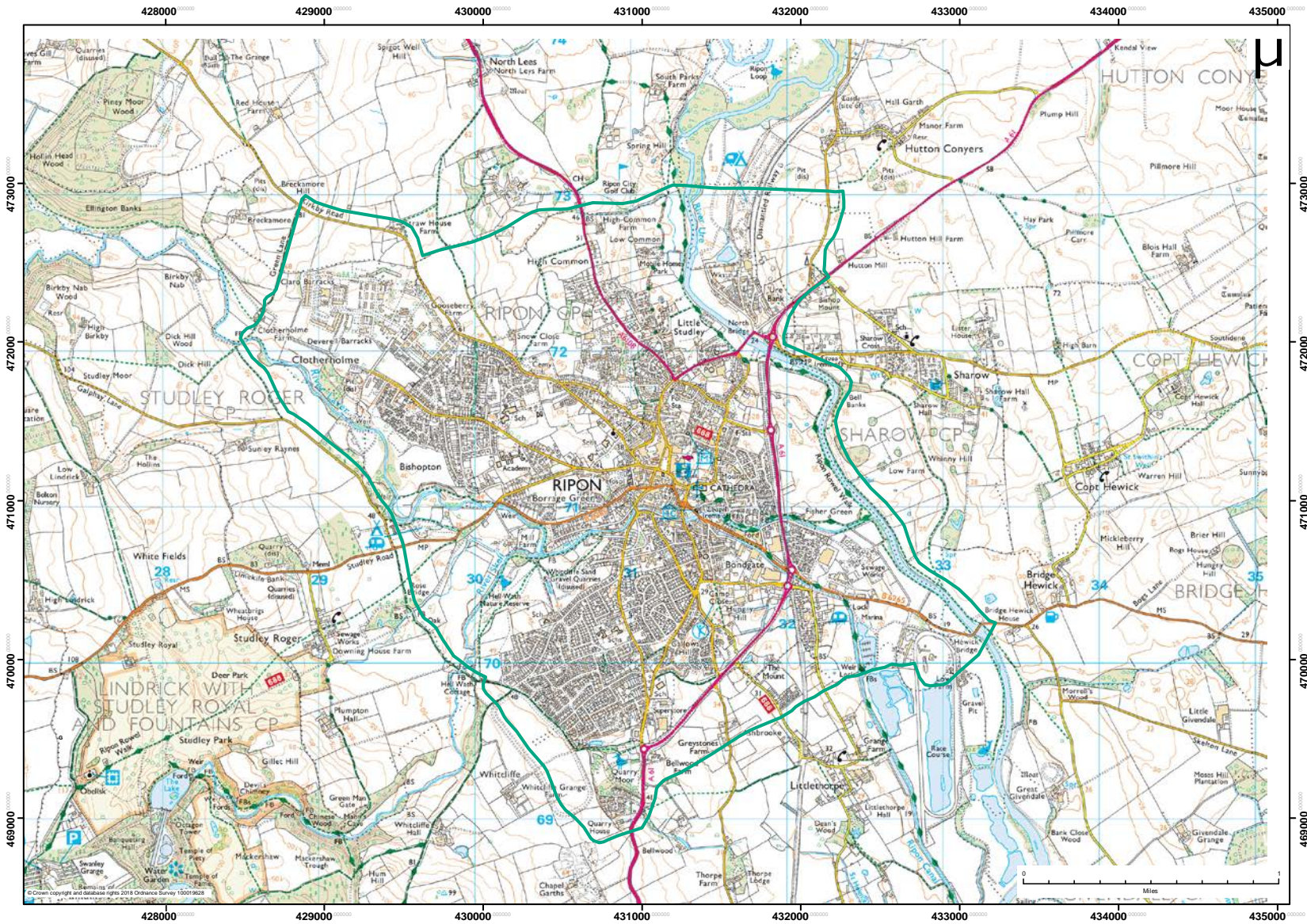


Map 1.1 Harrogate Zone 2 Charging Zone

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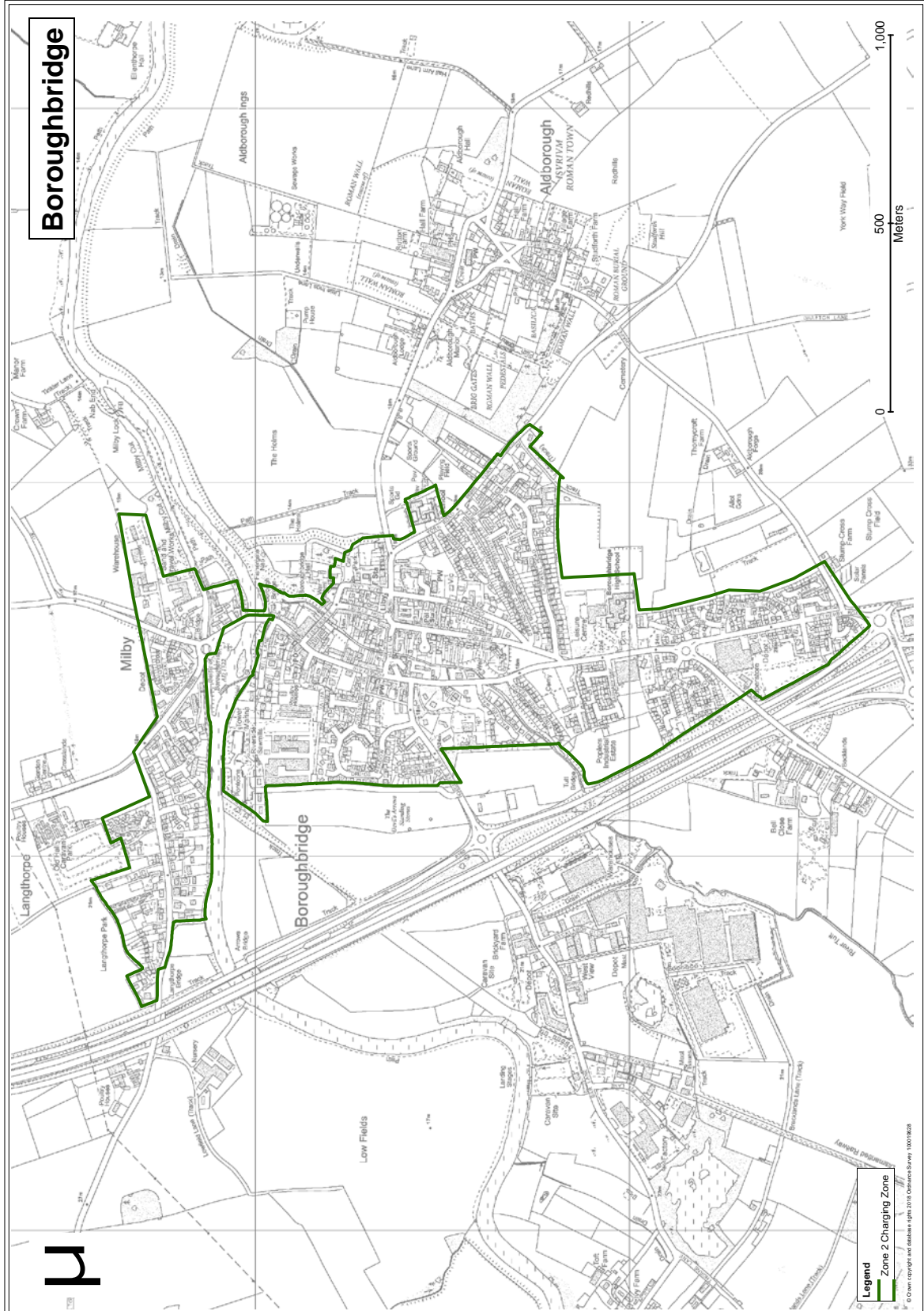
Map 1.2 Knaresborough Zone 2 Map



Map 1.3 Ripon Zone 2 Map

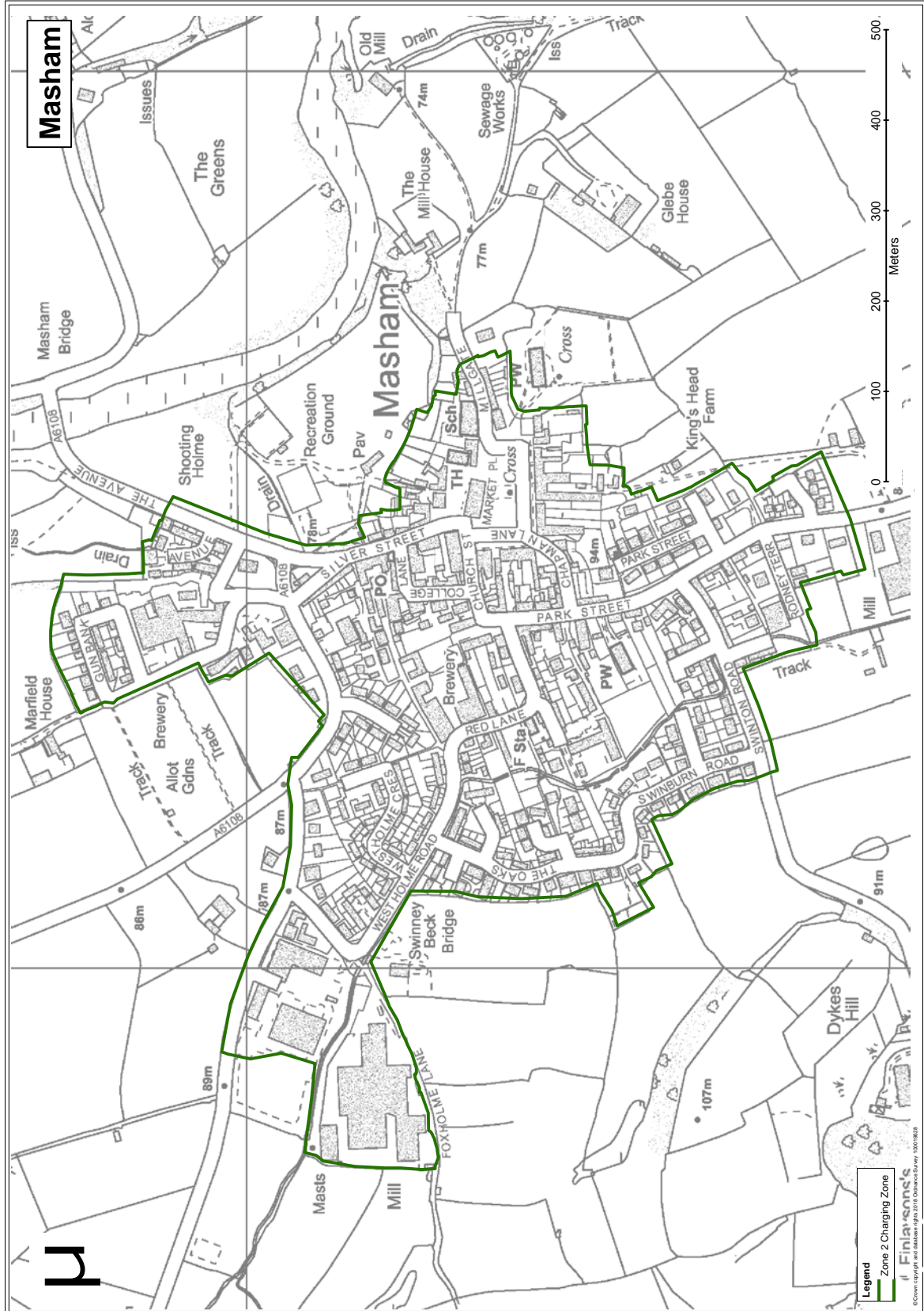
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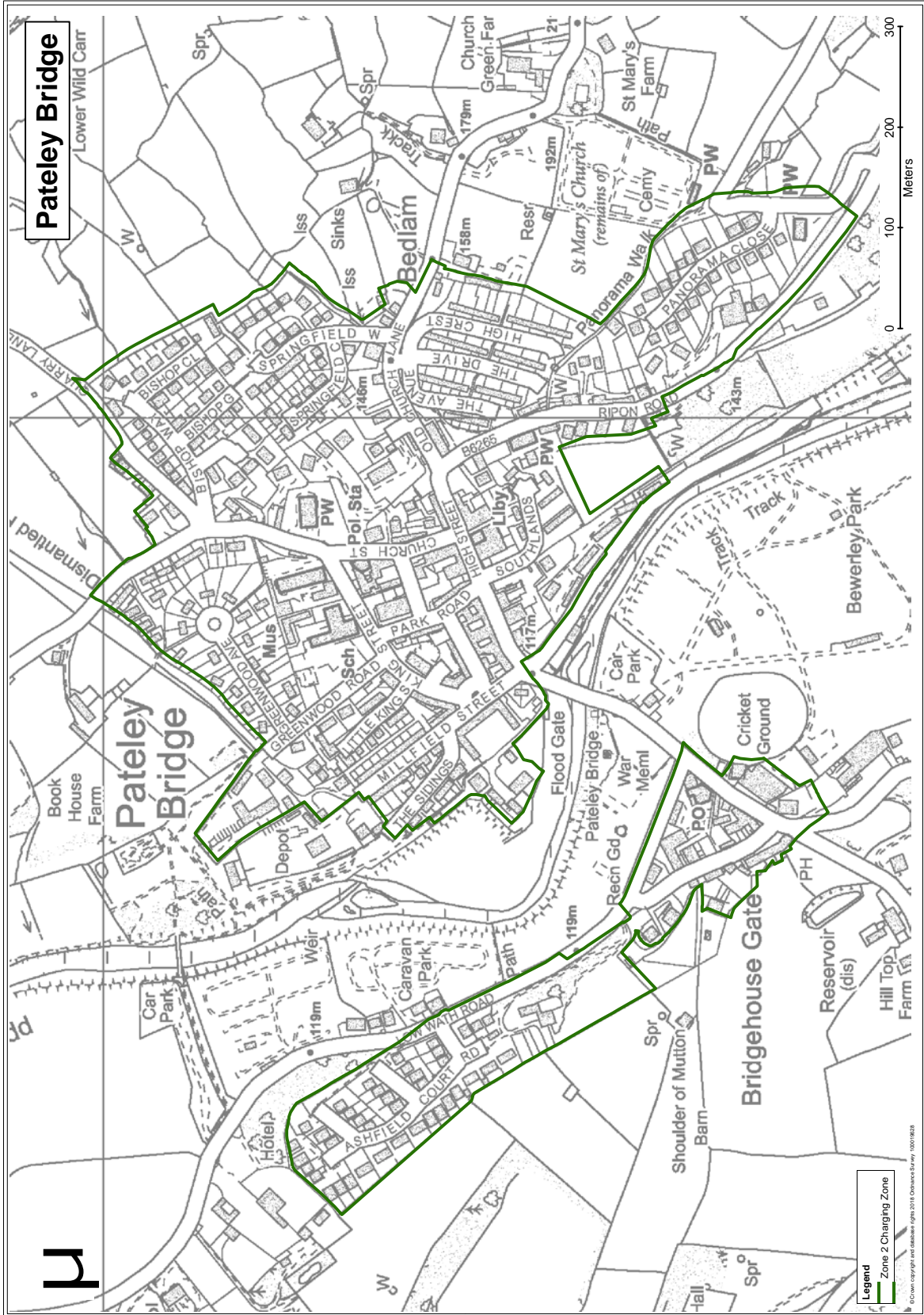
Picture 1.1 Boroughbridge Zone 2 Map

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Map 1.4 Masham Zone 2 Map

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Map 1.5 Pateley bridge Zone 2 Map

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Appendix 2 The Infrastructure Funding Gap

HARROGATE BOROUGH COUNCIL : COMMUNITY INFRASTRUCTURE LEVY (CIL): INFRASTRUCTURE FUNDING GAP**Introduction**

In order to introduce the CIL Harrogate Borough Council, as the charging authority, must demonstrate that there is a shortfall in funding between the expected total cost of infrastructure needed to support development in the District over the plan period and the level of funding likely to be forthcoming from other sources of funding for infrastructure. This will identify a CIL infrastructure funding target.

Information on the charging authority area's infrastructure needs should be drawn from the infrastructure assessment that was undertaken as part of preparing the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London). This is because the plan identifies the scale and type of infrastructure needed to deliver the area's local development and growth needs. In determining the size of its infrastructure funding gap, the charging authority should consider known and expected infrastructure costs and the other possible sources of funding to meet those costs. This process will help the charging authority to identify a levy funding target. The government recognises that there will be uncertainty in pinpointing other infrastructure funding sources, particularly beyond the short-term. Charging authorities should focus on providing evidence of an aggregate funding gap that demonstrates the need to put in place the levy.

The Council has prepared an Infrastructure Delivery Plan (IDP) as part of the evidence base to the Publication Draft Local Plan which was the subject of public consultation during January and February 2018. The IDP identifies the key infrastructure requirements needed to support the level of planned growth in the District. The Council submitted an updated IDP to the Secretary of State on 31st August 2018 in support of the Harrogate District Local Plan.

The table below provides the most up to date information available on the infrastructure funding gap for the District. The table does not include any infrastructure projects identified in the IDP that would not be eligible for CIL funding or already have sufficient funding identified from other sources of funding for infrastructure.

Infrastructure Type	Infrastructure Requirement	Total Cost (£million)	Confirmed Funding and Source	Funding Gap (£million)	Notes
Strategic Road Network	Junction improvements	£20.5m	None	£20.5m	Potential sources of funding - Highways England, LEP, HBC, S106
Local Road Network	Junction/roundabout improvements/upgrade in Harrogate, Pannal, Knaresborough and Ripon	£11.9m	None	£11.9m	Potential sources of funding - LEP, S106
Public Transport	Rail service/stations and bus service/station improvements	£12.5 (part cost)	£2,500,000 (NYCC)	£10.0 (minimum)	Costs for all public transport

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Infrastructure Type	Infrastructure Requirement	Total Cost (£million)	Confirmed Funding and Source	Funding Gap (£million)	Notes
					improvements identified in the IDP are not currently known.
Walking and Cycling	Walking and cycling routes	Unknown	None	Unknown	
Education	Extensions to primary schools	£42.42m	None	£42.42m	Potential sources of funding - S106, NYCC
Education	Extensions to secondary schools	£4.109	None	£4.109m	Potential sources of funding - S106, NYCC
Health	New health 'hubs' and redesign and modification of existing GP services	£23.4m	£13.65m (NHS)	£9.75m	Funding would be for capital cost of improved facilities only

Table 2.1 Funding Gap

The table identifies that the District has a CIL infrastructure funding target of at least c£98 million.

CIL Revenue Projections

Using the information from the Draft Charging Schedule, it is projected that CIL could be applied to 1765 dwellings at a rate of £50/sq m. These dwellings are allocated in the emerging Local Plan and are located within the charging zone. This number is likely to increase however due to windfall sites, density, capacity of sites etc. This assessment projects that the Council could expect to generate in the order of £8.8m of funding for infrastructure through CIL. Under the regulations, a charging authority is able to deduct 5% from CIL revenue to cover the administration and implementation of CIL. This would therefore reduce the figure to approx £8.3m

In addition, it should be remembered that a meaningful proportion of the CIL generated by development must be allocated to the Parish or Town Council in which the development took place. A local council with an adopted neighbourhood development plan will receive 25% of the CIL receipts generated by development within the neighbourhood plan area (provided that the development was granted planning permission after the neighbourhood plan was adopted) to spend on local infrastructure. In areas without a neighbourhood development plan in place: the local council will receive 15% of CIL receipts generated by development in the area (with a cap on the CIL revenue the charging authority has a duty to give local councils equal to £100 per dwelling in the area in each financial year). Currently there are no adopted Neighbourhood Plans within the District although there are a couple of local councils working towards this goal. Therefore, at least 15% of the projected CIL revenue will be

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allocated to local councils. Whilst local council's may decide to use some, or all of their neighbourhood fund to deliver infrastructure projects identified in the table above cannot be guaranteed. On this basis the revenue projection can be further reduced by 15% (as the minimum) to approx £7.1m

Conclusion

The total identified infrastructure funding gap for the District for works required to accommodate planned growth to 2023/24 is c£98 million. The total projected revenue from CIL over the same period is c £8.8m.

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Appendix 3 Evidence of Historic Planning Obligations

EVIDENCE OF HISTORIC PLANNING OBLIGATIONS

This appendix sets out information on planning obligations towards the delivery of infrastructure associated with developments negotiated in previous years in order to determine the minimum level of CIL that could be collected in Harrogate District - on the basis that this is at a level which has been demonstrated to be economically viable in the past . This needs to be read in conjunction with the main tables in the accompanying document "Planning Obligations Evidence Tables" The information can also be used to benchmark the assumption made on the continuing role of planning obligations in the CIL Viability Assessment.

Planning obligations are negotiated on a site by site basis in order to deliver appropriate measures to mitigate the site specific impacts of a development, including the delivery of affordable housing, open space, local highway improvements, education and health facilities, amongst other matters. Under the requirements of the CIL Regulations 2010 (as amended) planning obligations must be:

1. Necessary to make the development acceptable in planning terms,
2. Directly related to the development, and,
3. Fairly and reasonably related in scale and kind to the development.

Planning obligations are often secured by way of a S106 Agreement, legally binding agreements entered into by persons with an interest in a piece of land such as a developer or landowner. In Harrogate planning obligations are also collected by way of unilateral undertakings based on the requirements set out in Supplementary Planning Documents for contributions towards education, public open space and village hall provision. However, as a result of restrictions on the pooling of planning obligations that came into force on 6 April 2015 it is no longer feasible for the Council to collect commuted sums towards these three types of infrastructure in this manner.

The CIL Regulations set out that the levy rates should be set high enough to ensure that (when combined with other sources of funding) sufficient funds are available to pay for the community infrastructure needed to support growth. However, rates should not be set so high as to render the growth targets of the development plan commercially unviable. In setting the levy rates the council has therefore sought to strike an appropriate balance between:

- a. the desirability of funding from CIL in whole, or in part, the actual and 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.

Residential S106 Agreements

Tables 1, 2 and 3 in the accompany document "Planning Obligations Evidence Tables" provides a record of the data collected on S106 Agreements signed for residential developments taking place in Harrogate District over the last 10 years. Table 3.1 below summarises the average total cost of infrastructure requited by way of a S106 Agreement per dwelling. In most cases the infrastructure costs included in S106 Agreements for residential developments are related to transport improvements, education, contributions and open space provision.

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Size of Development	Average Affordable Housing Provision	Average S106 Cost per Dwelling	Average S106 Cost per Market Dwelling
	(% of total)	(Market and Affordable)	
Small Sites (1 - 100 dwellings)	39%	£2,647	£3,377
Large Sites (over 100 dwellings)	36%	£5,272	£8,549
Combined Rural and Urban Sites	37%	£2,917	N/A

Table 3.1 Residential S106 Agreements

It should be noted that the average figures provided in the second column of Table 3.1 for the delivery of affordable housing on sites is based on planning applications dating back to approx 2007. The policy requirements for affordable housing provision have changed a number of times over this period and so the figures given are not necessarily representative of the Council's recent record of delivery under existing local policy targets.

The CIL Viability Assessment makes an allowance for a residual level of S106 contribution towards infrastructure which will still apply after the adoption of the CIL charging schedule for measures that are required to make schemes acceptable and are related in scale and nature to the proposed development. The Viability Assessment makes an allowance for £2,000 per dwelling across all sites other than the large strategic sites. The figures provided in the third column of Table 3.1 would suggest that the assumptions made is too low. However if we strip out the costs expected to be delivered through CIL (i.e education and off-site open space/village hall provision) then the average cost per dwelling would be reduced by £4338 on large sites £1534 on small sites.

On the large strategic sites the following assumptions are used:

Sites	Area	Area			Strategic Infrastructure and Mitigation	
		Dwellings	Gross Ha	Net Ha	Site	/unit
New Settlement	Green Hammerton/Cattal	3,000	80.78	44.43	£36,316,000	£12,105
H49, H51, H70 H50, H46, H36, H45	West Harrogate	3,008	176.01	95.91	£24,906,168	£8,280
K25, K31	Manse Farm, Knaresborough	1,002	65.92	34.12	£2,730,647	£2,725
R24, R25, R27	Ripon	799	64.00	26.65	£5,592,543	£6,999
B4, B12, B21	Boroughbridge	746	44.30	24.90	£4,331,463	£5,806

Table 3.2 Strategic Sites - Strategic Infrastructure and Mitigation Costs

Open Space and Village Hall Contributions

The Council currently operates a commuted sums policy for the provision of open space and village hall facilities in relation to new residential developments. Contributions towards these two types of infrastructure are generally secured by way of a unilateral undertaking by the applicant, required by a planning condition. Table 10 in the accompanying document provides a summary of the costs of

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open space and village hall provision to developers in rural and urban parts of the District. This distinction has been made because contributions towards village hall facilities are only required by developments that take place outside of Harrogate town, Knaresborough and Ripon. This also explains why the average total cost of open space and village hall provision per dwelling in rural areas is higher than in urban areas.

Location of Development	Average Cost of Off-site open space (£ per dwelling)	Average Cost of Off-site Village Hall Provision (£ per dwelling)	Average Total Cost (£ per dwelling)
Rural Area	£1,298	£1,358	£2,656
Urban Area	£1,220	£20	£1,202

Table 3.3 Open Space and Village Hall Unilateral Undertakings

Due to the restrictions placed on the pooling of planning obligations that came into force on the 6 April 2015 the Council's ability to operate the commuted sums policy effectively has been affected. Requirements to provide on-site open space and commuted sums towards its maintenance will continue to be delivered by way of S106 Agreements. As mentioned above an allowance was made in the Viability Assessment for S106 Agreements including open space at the cost of approximately £2,000 per dwelling.

Education Contributions

The Council consults North Yorkshire County Council on all residential developments creating 25 or more new residential dwellings to determine whether a contribution towards local education provision is necessary. The current level of contributions for education facilities are £13,596 per primary school place based on a ratio 1 new primary school age pupil for every 4 dwellings and £20,293 per secondary school place based on a ratio 1 new secondary school age pupil for every 8 dwellings. It is important to note that contributions towards education facilities are only required where there is insufficient capacity in local schools to accommodate the expected pupil yield of a development. Therefore, developments of over 25 dwellings can be required to contribute in the order of £5,936 per dwelling towards local education facilities if a local need exists. The average S106 costs per dwelling for large residential developments provided in Table 1 above include contributions towards education facilities where this was sought. It is the Council's intention that educational contributions from qualifying development (except for provision arising from site specific development needs) will be funded through the CIL once adopted.

Non-residential S106 Agreements

Few examples of non-residential developments with S106 Agreements were found, and those that were identified, most related to convenience retail developments (i.e supermarkets). Table 7, 8 and 9 in the accompanying document provides details of the non-residential applications considered, and Table 3.4 below provides a summary of the average cost per square meter for different types of development. A number of mixed use developments were also identified but were not included due to the difficulty of attributing the different infrastructure costs required to each use included in the scheme (including residential developments)

Type of Development	Average S106 Cost (£ per square metre)
All non-residential development	£51
Supermarket development	£88
Business, industrial and leisure development	£8

Table 3.4 Non-residential development

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Appendix 4 Instalments Policy**HARROGATE BOROUGH COUNCIL : COMMUNITY INFRASTRUCTURE LEVY (CIL): DRAFT PAYMENT BY INSTALMENTS POLICY**

This draft policy has been prepared in accordance with Regulation 69B of the Community Infrastructure Levy Regulations 2010 (as amended by the 2011 Regulations). Harrogate Borough Council will allow payment of CIL by instalments according to the total amount of the liability as follows:

Amount of CIL Liability	Number of Instalments	Payment Periods and Amounts
Any amount less than £50,000	Two Instalments	Due in 2 equal instalments within: 3 months of commencement; 6 months of commencement
Amounts from £50,000 to £250,000	Two Instalments	£50,000 payable within 60 days of commencement of development Balance payable within 120 days of commencement of development
Amounts from £250,000 to £500,000	Three Instalments	£50,000 payable within 60 days of commencement of development Balance payable in two further instalments of equal amount within 120 and 240 days of commencement of development
Any amount greater than £500,000	Four Instalments	£50,000 payable within 60 days of commencement of development Balance payable in three further instalments of equal amount within 120, 240 and 360 days of commencement of development

Table 4.1 Draft Instalments Policy

Where outline planning permission which permits the development to be implemented in phases has been granted, each phase of the development as agreed by Harrogate Borough Council will be treated as a separate chargeable development and the instalment policy will, therefore, apply to each separate chargeable development and associated separate liable amount chargeable.

Where an instalment payment has not been made in accordance with this policy the unpaid balance of the liability will become payable in full immediately.

This policy will not apply in respect of chargeable developments where:

1. nobody has assumed the liability to pay CIL for a development that has commenced (including developments permitted by retrospective planning permission);

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2. a commencement notice has not been received by Harrogate Borough Council; and
3. Harrogate Borough Council has had to determine a deemed commencement date for a development.

In these cases payment is due in full on the commencement date, or deemed commencement date in relation to 2 and 3.

Date of Effect: This policy comes into effect on XXXX

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Appendix 5 Draft Regulation 123 Statement**HARROGATE BOROUGH COUNCIL : COMMUNITY INFRASTRUCTURE LEVY (CIL): DRAFT REGULATION 123 LIST****Introduction**

This document has been prepared in accordance with Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended). CIL Regulation 123 restricts the use of planning obligations for infrastructure that will be funded in whole or in part by the Community Infrastructure Levy, to ensure no duplication between the two types of developer contributions.

Charging authorities are required to publish a list (the Regulation 123 list) setting out those projects or types of infrastructure that it intends will benefit from CIL funding on its website. The Regulation 123 list can be reviewed at any time but it is likely that the Council will undertake to do this annually, following the publication of the Council's Annual Monitoring Report which will identify progress on collecting and spending CIL. In line with Government guidance on the preparation and implementation of the CIL the Council will undertake appropriate local consultation when reviewing the Regulation S123 list.

The inclusion of a project or type of infrastructure in this list does not signify a commitment from Harrogate Borough Council to fund, either in whole or in part, the listed project or type of infrastructure through CIL. Nor does the order of the list imply any order of preference or weighting of one project as opposed to another.

This Draft Regulation 123 list has been prepared in support of the Council's CIL Draft Charging Schedule that is the subject of public consultation between Friday 11 January and Friday 22 February 2019. It is important to note that the contents of the list may change depending on changes to local or national funding of infrastructure, changes to the development pressures and infrastructure requirements facing the District, or changes to the CIL Regulations prior to the Council's implementation of CIL.

Infrastructure to Benefit from CIL Funding

The list below sets out those infrastructure projects that Harrogate Borough Council intends will be, or may be, wholly or partly funded by CIL:

Infrastructure Type or Project (CIL)	Exclusions (S106/S278)
<p>Education facilities comprising</p> <ul style="list-style-type: none"> • provision of additional primary school capacity at existing schools; or • provision of additional secondary school capacity at existing schools 	<p>a. Provision of additional capacity at the following existing schools (where contributions will be sought through S106 contributions from developments allocated through the Local Plan and served by the following schools):</p> <ul style="list-style-type: none"> • Birstwith CE • Boroughbridge County Primary • Boroughbridge High School • Burton Leonard CE • Goldsborough CE • Green Hammerton CE • Grove Road County Primary, Harrogate • Starbeck County Primary, Harrogate • Hampsthwaite CE • Harrogate Secondary school associated with the development of PN19 • Holy Trinity CE Infant, Ripon

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Infrastructure Type or Project (CIL)	Exclusions (S106/S278)
	<p>Holy Trinity CE Junior, Ripon Kirby Hill CE Masham CE Meadowside County Primary, Knaresborough Moorside Infant, Ripon Moorside Junior, Ripon New Park Primary, Harrogate North Stainley CE (may require new school on new site) Pannal County Primary Spofforth CE Tockwith CE</p> <p>b. Provision of new primary schools to be provided in conjunction with the development of; the Strategic Sites at Boroughbridge (B4, B12 and B21), Green Hammerton/Cattal New Settlement, West Harrogate (H49, H51, H70 allocations and H50, H46, H36, H45 commitments), Manse Farm (K25 allocation and K31 commitment) and Ripon (R24, R25, R27)</p>
<p>Green Infrastructure Provision and enhancement of the Green Infrastructure network as defined in the Green Infrastructure Supplementary Planning Document (2014) or any subsequent update</p>	<p>Provision necessary to make the development acceptable in planning terms</p>
<p>Community, cultural and leisure facilities Provision of new facilities for community use and improvements to existing facilities Provision of new facilities for cultural use and improvements to existing facilities Provision of new facilities for leisure and recreational use and improvements to existing facilities Provision of new cemeteries</p>	<p>Provision necessary to make the development acceptable in planning terms</p>
<p>Transport schemes Improvements to bus and train stations Provision of new cycle and footpath links and improvements to existing Improvements to the Strategic Road network Improvements to the Local Road Network</p>	<p>Provision necessary to make the development acceptable in planning terms</p>
<p>Health provision of new health facilities and improvements to existing facilities</p>	<p>Provision necessary to make the development acceptable in planning terms</p>

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Infrastructure Type or Project (CIL)	Exclusions (S106/S278)
<p>Public Realm Improvements</p> <ul style="list-style-type: none"> environmental improvements to enhance the appearance, safety and security of the public realm provision and improvement of public greenspace 	Provision necessary to make the development acceptable in planning terms

Table 5.1

Continuing Role for Planning Obligations

The CIL Regulations 2010 (as amended) included a deadline of 6 April 2015 beyond which restrictions on the pooling of planning obligations (i.e. S106 Agreements and commuted sums) came into force. From this date the Council has not been able to pool more than 5 contributions from separate developments towards a single item of infrastructure not to be funded by the CIL. In order to ensure that developments are not charged twice for the same item of infrastructure, the Council cannot require the provision of any item of infrastructure on the Regulation 123 list via a planning obligation.

The Government has already introduced changes to CIL by reforming the approach to viability, which is set out in the revised National Planning Policy Framework and in associated national planning guidance, however they are currently consulting on the draft regulations which will amend the Community Infrastructure Levy regulations 2010 (as amended). These changes include alterations to the viability sections of the NPPG and to the implementation of CIL and future workings of the S106 regime. Changes proposed include:

- removing the restriction which prevent local authorities from using more than five section 106 obligations to fund a single infrastructure project;
- removing Regulation 123 restrictions and introducing Infrastructure Funding Statements;

Until the draft regulations are laid before parliament however the present 'pooling restrictions' will continue to apply.

Even with CIL in place, there will continue to be an important role for planning obligations in mitigating the site specific impacts of a development and in providing affordable housing. The Council will continue to secure the types of infrastructure identified in emerging Local Plan by way of planning obligations, where they meet the tests set out at Regulation 122 of the CIL Regulations 2010 and do not appear on the Council's Regulation 123 list. For clarity, the list below provides an outline of the matters which will continue to be addressed through S106 or S278 Agreements:

- Affordable housing
- Site specific matters needed to make the development acceptable in planning terms , including (but not exhaustive);
 - new bus connections or services and cycle/pedestrian routes and connections if directly required by the development
 - local junction/highways improvements and access into the site
 - primary and secondary schools/extensions arising from site specific development needs

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- on-site open space provision
- public realm improvements on-site, and off-site where this is required as a direct result of an adjacent development
- on-site drainage and flooding solutions
- on-site sustainable energy requirements
- air quality mitigation measures

