

# **North Tyneside Community Infrastructure Levy**

## **Preliminary Draft Charging Schedule**

**North Tyneside Council**

**2017**

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## 1. Introduction and Background

- 1.1. The Community Infrastructure Levy (CIL) is a charge that allows funds to be raised from land owners/developers undertaking new building projects. A CIL charging schedule sets out the CIL rates that would be applied to new development in an area. The Preliminary Draft Charging Schedule (PDCS) is the first consultation in establishing a CIL for North Tyneside.
- 1.2. CIL is a discretionary tariff introduced by the 2008 Planning Act and brought into effect by the CIL regulations (2010) as amended. CIL receipts will help to pay for infrastructure needed as a result of new development within North Tyneside. This infrastructure could include school buildings, green space, flood defences, and transport improvements. The infrastructure needed to facilitate the scale and location of new development proposed through the North Tyneside Local Plan is set out in the Borough wide Infrastructure Delivery Plan (2016) and additionally within the site specific Strategic Sites Infrastructure Delivery Plan for Murton Gap and Killingworth Moor (2016).
- 1.3. Policy S7.1 within the North Tyneside Local Plan provides for the Council to seek developer contributions from new development to meet the need for new and/or improved infrastructure and facilities. One of the mechanisms for doing this is via CIL. The existing mechanism by which the Council seeks developer contributions for infrastructure is via site specific legal agreements known as Section 106 agreements.
- 1.4. There are limitations now on the use of Section 106 agreements (s106) - No such restrictions apply to the number of CIL contributions that can be used to pay for an infrastructure project. CIL is charged in pounds per square metre on the gross internal floorspace of additional liable development on a site. If a proposal involves the re-use or redevelopment of an existing building, the charge would be based on the floorspace of any new buildings less the existing floorspace.
- 1.5. It is anticipated that following adoption of the CIL the Council will continue to seek agreement of s106 funds towards infrastructure not identified in a Regulation 123 list to meet the specific impacts of development in parallel with use of CIL funds to meet

wider and strategic infrastructure needs. The Regulation 123 List will establish infrastructure projects that the Authority intends to be funded by the CIL. Infrastructure included in the Regulation 123 List cannot also be funded by s106 contributions. If the Council adopts the CIL and does not publish a Regulation 123 List it cannot secure additional planning contributions via s106 agreements.

- 1.6. National Planning Practice Guidance<sup>1</sup> sets out more detail as to what CIL is and how it is introduced and implemented and provide a range of cross references to the CIL regulations that govern application and use of CIL and s106.
- 1.7. North Tyneside Council is defined under the relevant legislation as the CIL charging authority for the area. The purpose of this consultation document is to set out the general principles of CIL and to seek views on the Council's Preliminary Draft Charging Schedule and proposed charging zones.

### *How to respond*

- 1.8. The Council would like as many people as possible to have their say on this document. You can read it at the Council's Quadrant Offices, in the main Libraries of Wallsend, North Shields, Whitley Bay and Killingworth, and on our website.
- 1.9. You can complete our questionnaire which is available at these same locations, online, or on request from us. We would encourage you to respond online via our Consultation Portal but also accept written responses via email and post.
- 1.10. The consultation period on the CIL Preliminary Draft Charging Schedule opens on 27 February 2017 and will close on 8 April 2017.
- 1.11. For further information and to respond please refer to the contact details below:

### **Contact details**

- Phone: 0191 643 2310
- Email: [planning.policy@northtyneside.gov.uk](mailto:planning.policy@northtyneside.gov.uk)

1.1. \_\_\_\_\_

<sup>1</sup> [Community Infrastructure Levy Planning Guidance \(http://www.gov.uk\)](http://www.gov.uk)

- Online: [http://northtyneside-consult.limehouse.co.uk/portal/local\\_plan/CIL\\_PDCS](http://northtyneside-consult.limehouse.co.uk/portal/local_plan/CIL_PDCS)

### *Next steps*

- 1.12. Following the end of the consultation period, responses will be considered and amendments made to the charging schedule, where necessary, taking account of concerns and queries raised. A draft charging schedule, prepared in light of comments received and other updated evidence, will then be released for another period of consultation. It will then be submitted for examination by an independent Inspector and, if approved, it can then be adopted. On adoption, the Council would then be able to start charging CIL on new developments.

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## 2. Introducing a Community Infrastructure Levy Charge

- 2.1. To set a CIL charge in its area, the Council must:
- i. identify the total cost of infrastructure it wishes to fund wholly or partly through the levy. In doing so, it must consider what additional infrastructure is needed to support new development in its area, and what other sources of funding are available, based on appropriate evidence. This is set out in the Infrastructure Delivery Plan.
  - ii. produce and summarise economic viability evidence that shows the potential effects of the proposed CIL rates on the economic viability of development across its area. This is set out in a separate document - 'Community Infrastructure Levy Viability Study (2016)' available alongside this document.
- 2.2. To inform this Preliminary Draft Charging Schedule the Council has drawn on its viability evidence prepared to accompany preparation of the Local Plan. This is to ensure that the preliminary draft charges do not threaten the ability to viably deliver the scale of development identified in the North Tyneside Local Plan. Furthermore, this evidence has been re-appraised and updated to specifically test the implications of the preliminary draft CIL charges identified. The evidence of infrastructure needs that underpin the Local Plan, have meanwhile been used to inform a target rate for this consultation. The range of preliminary draft CIL rates and charging zones proposed are set out within section 3 of this document. These seek to strike an appropriate balance between securing investment in infrastructure to support new development and the potential effect a charge would have on the viability of new development.
- 2.3. Under the current s106 developer contributions – funds are currently secured across a wide range of infrastructure types. It is not anticipated that application of CIL would expand the range of infrastructure supported by developer contributions. Therefore, the introduction of a CIL charge is not expected to increase the overall the burden of planning contributions sought from development above current collection of s106 and the costs estimated within the Area Wide Viability Assessment supporting the Local Plan.

- 2.4. Ensuring an appropriate balance between infrastructure needs and viability is at the centre of the CIL charge-setting process and meeting regulatory requirements. Through this evidence, the Council can show how its proposed levy rates will contribute towards the implementation of its Local Plan and support development across its area.

### 3. Proposed CIL Preliminary Draft Charging Rates

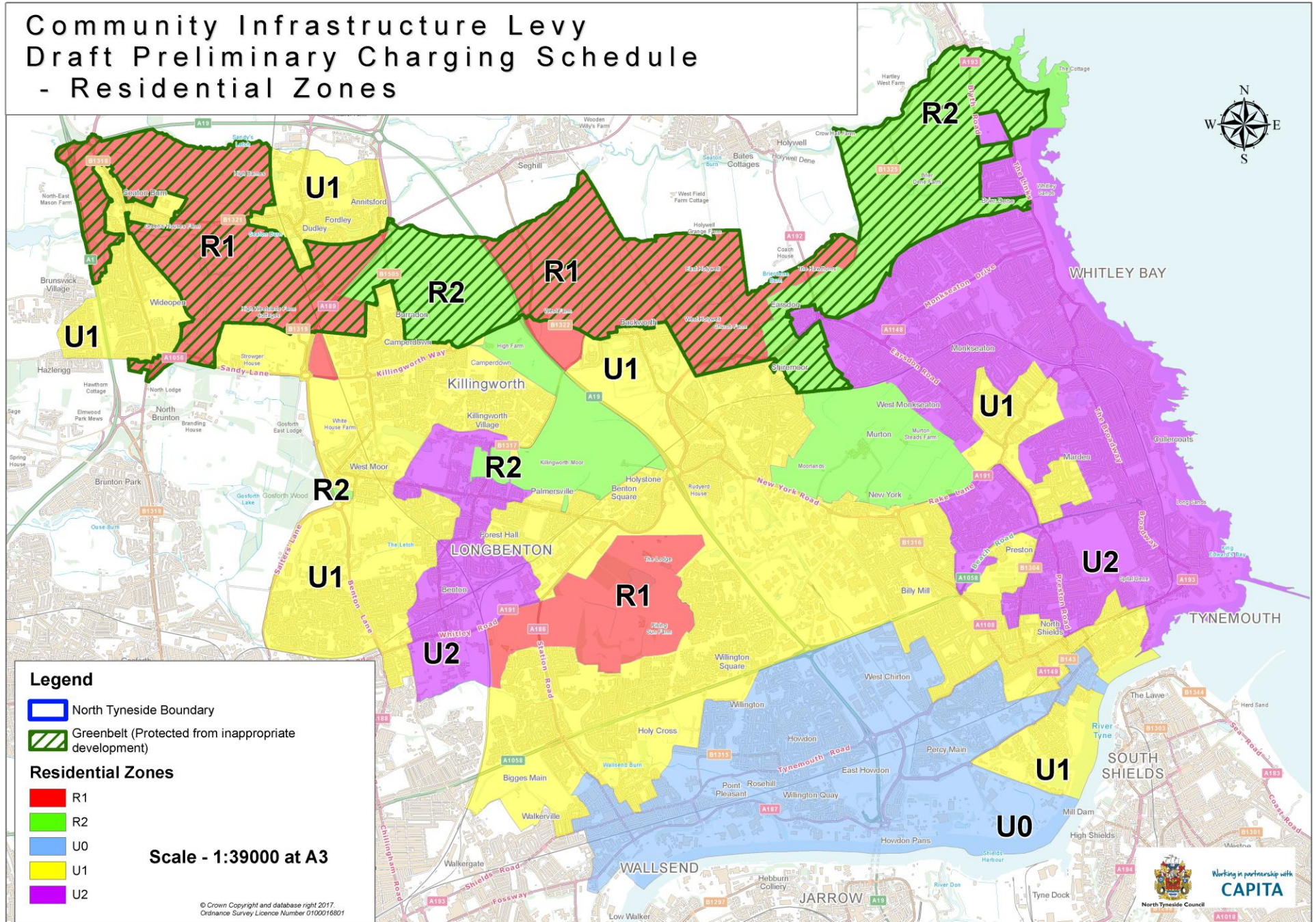
- 3.1. The Council's proposed Preliminary Draft CIL Charging Schedule rates are set out in the table below.
- 3.2. The geographical areas covered by the different residential (use class C3) CIL charging zones and commercial CIL charging zones are identified in maps on the following pages.

**Table 1: North Tyneside Preliminary Draft Charging Schedule Rates (£ per square metre (sqm))**

	Zero Rate Area	Built Up Area Zones		Remaining Area Zones		Commercial Zones		
		U1	U2	R1	R2	A	B	C
Dwellings (C3)	£0	£15	£20	£55	£80	-	-	-
Hotel (C1)	-	-	-	-	-	£0	£30	£0
Small shops (A1 <282sqm net)	-	-	-	-	-	£0	£10	£5
Retail (A1 >282sqm net)	-	-	-	-	-	£0	£20	£15
Supermarket (<280sqm net)	-	-	-	-	-	£20	£20	£20
Office (B1a, B1b)	-	-	-	-	-	£0	£5	£0
All Other Development *	£0	£0	£0	£0	£0	£0	£0	£0

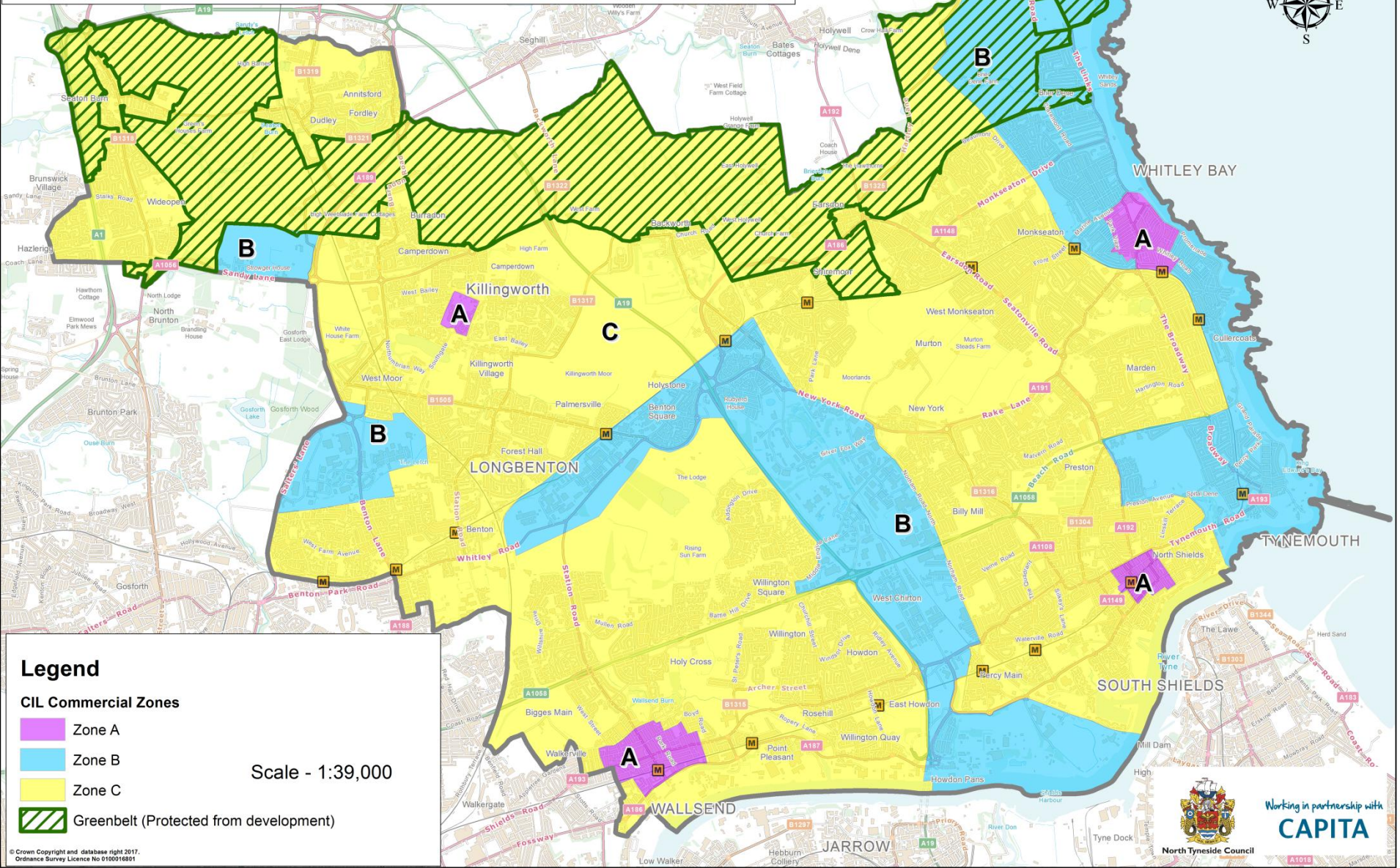
\*including Manufacturing / Industrial (B1c, B2, B8)

# Community Infrastructure Levy Draft Preliminary Charging Schedule - Residential Zones





# Community Infrastructure Levy Draft Preliminary Charging Schedule



## Legend

### CIL Commercial Zones

- Zone A
- Zone B
- Zone C
- Greenbelt (Protected from development)

Scale - 1:39,000

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## 4. Rationale for Proposing the Preliminary Draft Charging Rates

- 4.1. A separate document, 'Area Wide Viability Assessment – CIL Appraisal (2017)', is available alongside this document and sets out the methodology and assumptions for assessing the viability of new development. The Council has used this evidence to test and refine the impact of the proposed CIL rates set out in section 3 upon the economic viability of development.

### *Residential Development Viability Assessments*

- 4.2. For residential development, the viability assessment tests a range of hypothetical development typologies across a range of three value areas reflecting the variations in market conditions that exist within the Borough. The assessment of these areas is informed by earlier Area Wide Viability Assessments prepared during 2015 and 2016 and the North Tyneside Strategic Housing Market Assessment. The potential boundaries for charging zones within North Tyneside have been further refined by a postcode level analysis of residential sales data for 2016. The appraisals undertaken include variation in the size and density of development and consider the viability implications of developing greenfield and brownfield land.
- 4.3. In general terms the overall viability of development and effective land value uplift as a result of a residential planning permission is greater on agricultural land than existing brownfield sites. In addition the scale and nature of development within greenfield locations further supports economic viability relative to brownfield development. Finally the majority of brownfield development opportunities within North Tyneside are in locations that coincide with lower sales values relative to other locations whilst most greenfield opportunities are located in stronger market areas. As a result there is a marked difference in the economic viability of development, and consequently the capacity and potential level of CIL that could be charged between the urban area of North Tyneside and remaining, predominantly agricultural, areas to the north of the Borough and within the Green Belt.

- 4.4. In setting a CIL rate policy considerations such as the Green Belt are relevant in considering the potential funding that will be secured from development over the life of the Plan and infrastructure costs that will arise. North Tyneside's Local Plan has retained the Green Belt providing protection from inappropriate development in that area assessed in accordance with the policy of the emerging Local Plan and National Planning Policy Framework. However, based upon the viability assessments undertaken and within a CIL charging schedule that is set for the entire Local Authority area it is appropriate and necessary for a CIL rate to be identified.
- 4.5. The CIL rates have been set having regard to higher, medium, and lower value areas. As noted above the boundary between these areas has been established using average house price 'heat' maps. The viability results for each of these value areas have then been applied accordingly.

#### *Site Specific Viability Evidence*

- 4.6. Regard has additionally been given to site specific appraisals undertaken to inform the Local Plan and revised to inform this CIL Preliminary Draft Charging Schedule for the Strategic Sites of Murton Gap and Killingworth Moor. These key strategic development allocations will provide approximately 5,000 dwellings and are consequently significant proportion of total allocated housing delivery in North Tyneside. The nature of these sites means they have the ability to provide and meet most of the infrastructure requirements generated on site making appropriate contributions to the infrastructure needs that arise through planning conditions and via s106 agreements.
- 4.7. However, elements of the infrastructure requirements arising from the sites may require pooling from a significant number of schemes. Furthermore, it is unclear at this stage what the final format of the applications will be. This therefore poses risks to the Council should it be necessary to secure multiple s106 agreements from each site and then subsequently pool the funds secured from those schemes to infrastructure delivery. Under such circumstances the possible risk of breaching CIL regulations with respect to the use of s106 agreements to fund infrastructure projects is significant.

- 4.8. The viability evidence submitted alongside the Local Plan in 2016 included all the infrastructure costs and additional s106 contributions that had been sought from the development. The total cost of this infrastructure, including highways, both on site and off site exceeds £200 per square metre. It would not be effective to secure many of these costs through developer contributions and CIL but in testing alternative CIL rates a charge capable of meeting the costs of off-site infrastructure and key single items such as education and public transport provision were considered.
- 4.9. Within this Preliminary Draft Charging Schedule the area of land included within the proposed strategic allocations fall within the identified charging Zone R2. However, the Council would favour a mechanism that secures appropriate infrastructure provision against site wide s106 agreements and planning conditions. It will continue to review its approach to CIL charging rates across the Borough in reference to the likely infrastructure the charge would need to support as it progresses to a Draft Charging Schedule and submission of a Draft CIL to the Secretary of State.

#### ***Commercial Development Viability Assessment***

- 4.10. An assessment of the viability of a range of commercial developments has also been undertaken through the Area Wide Viability Assessment – CIL Appraisal. The following uses are considered through commercial viability assessments:
- Hotel (C1)
  - Small shops (A1 <282sqm)
  - Retail (>282sqm)
  - Supermarket (A1 >282sqm)
  - Office (B1a, B1b)
  - All Other Development (including Manufacturing / Industrial (B1c, B2, B8))
- 4.11. In making the appraisals, analysis of the overall distribution of past development of each commercial type informed assessment of the proposed boundaries. The overall rates identified reflect maximum viable charging rate.
- 4.12. For Hotels (C1) the analysis undertaken revealed clear associations with the Coast as a tourist destination and the A19 corridor associated with business investment and the connections afforded to the regional and national road network. Supported by the viability analysis a charging rate in these zones is considered justified. In other

locations there is limited evidence of market attractiveness that would enable viable developments and justify applying a CIL charge.

- 4.13. Small Shops or less than 282 square metres the viability assessments indicate that their development is at the margins of viability across much of the Borough. Viability for such schemes is strongest within established commercial locations that benefit from good access to the road network.
- 4.14. Retail development over 282 square metres and schemes such as large shopping parades and large floorplate developments the distribution of development and nature of historic schemes demonstrates clear economic drivers making the delivery of such schemes in a range of locations such as across the Borough particularly where road access and parking provision can be provided with relative ease.
- 4.15. The conclusions from the viability assessment meanwhile demonstrate that in town centre locations where the baseline costs for space are greater, the capacity to attract large floorplate occupiers and developers is reduced and the economic viability of such schemes is consequently lessened. As such a CIL charge for such development in the Borough's town centres would harm the delivery of potential developments. Across the remainder of the Borough an assessment that an appropriate CIL charge can be applied has been reached.
- 4.16. Supermarket developments have been identified across a range of locations in North Tyneside with expansion particularly amongst relatively lower cost stores particularly noticeable. Typically supermarkets are brought forward as applications by the ultimate occupier or as a minimum or subject to a known occupier with the development effectively undertaken on a contract basis. The conclusions of the analysis of historic development and viability assessments indicate that a CIL rate can be justified for such schemes across the Borough.
- 4.17. Office (B1a, B1b) developments have seen a clear focus upon the A19 corridor over the last ten years with particularly large scale office schemes coming forward as a result of the Enterprise Zone status of Cobalt Business Park and Quorum Business Park.

- 4.18. These schemes have generated a significant volume of supply but over the Plan period the Employment Land Review identifies a need and likely supply of additional office floorspace in the Borough. Based upon the current rents achieved within locations such as Cobalt and Quorum Business Park a small CIL rate is identified as justifiable within certain prime locations in the Borough. Within the zoning maps identified the area adjacent to the A19 Corridor and River Tyne may require a specific exclusion for Office developments to avoid harming the deliverability of office development in this area.
- 4.19. For all other commercial development such as warehousing (B8) and manufacturing facilities (B2) the development activity that has occurred can be clearly identified as focused across the employment areas of the Borough at the Riverside, A19 Corridor and the north west. The evidence demonstrated through the viability assessments is that whilst a small amount of speculative development comes forward the viability of such schemes is limited whilst and could not support a CIL rate without harming deliverability.

## **5. Infrastructure Needs Evidence**

- 5.1. Balanced against these viability considerations are North Tyneside's infrastructure needs set out within the Borough Wide Infrastructure Delivery Plan and Site Specific Infrastructure Delivery Plan for Murton Gap and Killingworth Moor.
- 5.2. The Council is not at this stage publishing a draft Regulation 123 List as feedback on the rates and viability of the proposed Charging Schedule and the identified charging zones will inform the ongoing refinement of the charge and the infrastructure to be supported through CIL.
- 5.3. However, the table below summarises total infrastructure gap; i.e. the gap between the total cost of identified infrastructure to support delivery and any funding already identified. In total this funding gap amounts to £206 million.

5.4. The range of infrastructure types identified and funding gap are summarised in Table 2 below. The Borough Wide and Site Specific IDPs include comprehensive Infrastructure Delivery Schedules.

5.5. **Table 2: Total Borough Wide and Site Specific Infrastructure Costs**

Infrastructure Type	Total
Transport infrastructure	£180,646,275
Education infrastructure	£30,408,364
Community facilities infrastructure	£3,026,656
Health infrastructure	£2,584,197
Green space infrastructure	£26,332,217
Town centre infrastructure	£41,105,000
Waste infrastructure**	£16,500,000
Flood and coastal defence infrastructure	£36,705,000
Total for all borough wide infrastructure	£206,364,753

\*Transport infrastructure estimate includes estimated £90 million. Transport infrastructure total cost could be reduced to £80 million if subtracted. Meanwhile, joint position paper agreed with Highways England prior to Local Plan Examination in Public identified potential works to the A19(T) between Silverlink and Killingworth Interchange. Priority and programme of works to add additional north and southbound lanes and improve on and off slips unconfirmed and not costed at this time.

\*\*Additional note in Borough Wide IDP relating to potential deliver of a Residual Waste Management Facility would cost additional £203 million.

## 6. CIL Revenue Projections

6.1. Using the proposed CIL charging rates and charging zones set out in Section 3 above, the Council has established the indicative amount of CIL it is likely to raise over the Local Plan period to 2032. This takes account of:

- Those dwellings that have already gained planning permission.
- Developments currently without planning permission but expected to commence in 2017/18 and therefore likely to gain planning approval prior to adoption of CIL.
- An assumption that affordable housing will not pay CIL as it would benefit from social housing relief.

6.2. Based upon the rates proposed within the Preliminary Draft Charging Schedule, the indicative amount of CIL the Council might raise over the plan period to 2032 is approximately £33 million from potential adoption of the CIL in early 2018. At the rates

proposed within the Preliminary Draft Charging Schedule the amount of funds that would be secured through CIL are clearly significant below the total infrastructure funding gap identified by the Council's Borough and Site Specific IDP.

- 6.3. Developer contributions through CIL and s106 will not be expected to fill the entire funding gap identified. A range of funding sources including through central government including the spending programmes of bodies such as Environment Agency, Natural England and Highways England. Securing other regional and local funding from the North East Local Enterprise Partnership and the priorities of the Combined Authority will also prove priority for North Tyneside Council. Finally the opportunity for partnership working with organisations such as Northumbrian Water Ltd, Northumberland Wildlife Trust and a wide range of groups and organisations will make important contributions to meeting the infrastructure needs of the area.
- 6.4. The Council believes it has proposed CIL charges and charging zones that strike an appropriate balance. This recognises the significant need for additional investment in infrastructure to support new development, alongside the potential effect a charge could have on the viability of development.

## 7. Establishing CIL Liability

- 7.1. Once CIL is adopted, liability will be calculated based on the CIL charging rates and zones set out in section 3 above. However, a range of exemptions are included within the CIL regulations, whilst the Council is also free to include certain discretionary reliefs and policy that might affect CIL liability.
- 7.2. **Calculating the charge** [Part 8 of the Community Infrastructure Levy Regulations](#), as amended, sets the legal framework for calculating and collecting CIL. CIL planning guidance provides a detailed outline of the process<sup>2</sup>. In general terms the following provides an overview of the key steps for liable development:

1.1. \_\_\_\_\_

<sup>2</sup> CIL Collecting the Levy <https://www.gov.uk/guidance/community-infrastructure-levy#collecting-the-levy>



- Applicants provide appropriate information to the Council about the development to enable the chargeable amount to be calculated.
- The Council calculate the chargeable amount and notify the applicant of the amount and any other details of making payment – such as payment in installments.
- The applicant or other relevant person liable for the CIL payment must submit a notice to the Council when development is due to commence. This must be received at least one day before the start of development.
- The Council will then issue a demand notice and funds must be transferred to the Council following commencement in accordance with the payment procedure. A receipt will be issued by the Council for each payment received.

7.3. To aid potential applicants, landowners, developers and other potentially liable parties upon adoption of the CIL the Council will make available on its website a CIL Calculator to enable estimates of potential CIL chargeable amounts to be made.

7.4. **Mandatory Exemptions** The regulations governing CIL exempt the following from paying the levy, with further information regarding relief and exemptions from CIL available on the planning guidance information available online<sup>3</sup>:

- Development by registered charities for the delivery of their charitable purposes;
- Those parts of a development which are to be used as social housing;
- The conversion of any building previously used as a dwelling house to two or more dwellings;
- Development of less than 100 square metres of new build floorspace, provided that it does not result in the creation of a new dwelling;
- The conversion of, or works to, a building in lawful use that affects only the interior of the building;
- Development of buildings and structures into which people do not normally go (e.g. pylons, wind turbines, electricity sub stations);

1.1. \_\_\_\_\_

<sup>3</sup> CIL Relief and Exemptions <https://www.gov.uk/guidance/community-infrastructure-levy#relief-and-exemptions>

- Residential annexes and extensions (where the person who would normally be liable for the charge owns a material interest in the main dwelling and occupies the main dwelling as the sole or main residence); and
- Self-build housing where a dwelling is built by the person who would normally be liable for the charge (including where built following a commission by that person) and occupied by that person as their sole or main residence.

- 7.5. **Potential Discretionary Relief** In addition to the exemptions above, the CIL Regulations allow for the Council to provide further relief, at their discretion through a discretionary relief policy. This is not part of the preliminary draft charging schedule at this stage and may be published at a later time.
- 7.6. **Payment in kind** The CIL planning guidance outlines that there may be circumstances where the charging authority and the person liable for CIL will wish land and/or infrastructure to be provided, instead of money, to satisfy a charge arising from CIL. There may be time, cost and efficiency benefits in accepting completed infrastructure from the party liable for payment CIL. Payment in kind can also enable developers, users and authorities to have more certainty about the timescale over which certain infrastructure items will be delivered.
- 7.7. Subject to relevant conditions, and at its discretion, a Council may enter into an agreement for a land payment to discharge part or all of a levy liability. Charging authorities may also enter into agreements to receive infrastructure as payment.
- 7.8. In appropriate circumstances it would be accept and be prepared to enter into agreements with liable individuals to make payment sin kind for infrastructure identified within its Borough Wide and Site Specific Infrastructure Delivery Plans where included in subsequent a Regulation 123 list.
- 7.9. **Payment Procedure - Phased payments** CIL charges will become due from the date that a chargeable development is commenced. The CIL Regulations allow for the Council to make provision for phased payments. A phased payment approach helps

developers with cash flow and can assist in making more development viable. This is a particular issue for larger schemes where the CIL liability may be substantial and against a scheme that may take a number of years to complete. The Council considers that phased payments would be appropriate in such circumstances for which an instalments policy reflective of the Chargeable Amount based upon phased payments at fixed intervals following commencements of the development.

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## Appendix 1 – Key supporting information and evidence

This preliminary draft charging schedule consultation has been prepared with reference to a wide range of supporting information and evidence. Government planning guidance provides a key resource for understanding the preparation, role and operation of CIL. Meanwhile, the North Tyneside Local Plan, subject to consultation on Main Modifications between 23<sup>rd</sup> January 2017 and 8<sup>th</sup> March 2017 and supporting infrastructure and viability evidence provide the core evidence that has informed this preliminary draft schedule. The following references these documents. All local evidence and documents can be viewed by visiting the Council's website [www.northtyneside.gov.uk](http://www.northtyneside.gov.uk) and following links to Planning.

### Key supporting information and evidence

- a. [Community Infrastructure Levy Planning Guidance \(http://www.gov.uk\)](http://www.gov.uk)
- b. North Tyneside Local Plan
  - i. [Examination News](#)
  - ii. [Main Modifications](#)
- c. [North Tyneside Borough Wide Infrastructure Delivery Plan, Updated 2016](#)
- d. [Murton Gap and Killingworth Moor Infrastructure Delivery Plan, 2016](#)
- e. North Tyneside Area Wide and Site Specific Viability Assessments
  - i. [Draft Initial AWVA 2015](#)
  - ii. [AWVA Residential Update, 2016](#)
  - iii. [AWVA Commercial Update, 2016](#)
  - iv. AWVA – CIL Appraisal, February 2017
  - v. [Murton Gap and Killingworth Moor - Project Viability and Delivery Report, 2016](#)