Funding for your Community Facilities and Services:
Providing for the community’s needs through new developments

Community Infrastructure Levy (CIL)
Preliminary Draft Charging Schedule - PDCS

January 2013
Contents

Introduction ........................................................................................................................................... 5

1 What is the Community Infrastructure Levy (CIL)? ........................................................................ 6
2 Where does the money come from? .................................................................................................. 6
3 Why is it relevant to me? .................................................................................................................. 6
4 How much could CIL raise? ............................................................................................................. 7
5 What can the money be spent on? ................................................................................................... 7
6 How can I get involved? .................................................................................................................. 7
7 When does the consultation close? .................................................................................................. 7
8 What are the next stages of the process? ......................................................................................... 8

Timetable ............................................................................................................................................. 8

Appendix 1 What are the proposed CIL rates for RBKC? – The Preliminary Draft Charging Schedule .......................................................................................................................... 9

Appendix 2 Where can I get further information? – Some useful background and further sources of information ...................................................................................................................... 12

Appendix 3 Evidence Base ................................................................................................................ 13
**Introduction**

The Community Infrastructure Levy (CIL) is a way of raising money for new community facilities. This consultation document explains the Royal Borough of Kensington and Chelsea’s approach to CIL. It explains how much we intend to charge, and the types of development which will be charged. It looks at:

- What CIL is, and how it can be used.
- Where the money comes from.
- How much we could raise.

The consultation runs from **23rd January to 20th February 2013**. Comments on this document should be made on-line via the consultation portal at [planningconsult.rbkc.gov.uk/](http://planningconsult.rbkc.gov.uk/), via email to **CIL@rbkc.gov.uk** or in writing to:

Community Infrastructure Levy  
Planning Policy Team  
Town Hall  
Hornton Street  
London  
W8 7NX

In particular we would like to hear your views on:

- The proposed CIL rates – have we set them at the right level?
- What will the impact on development be?
- Are the types of development being charged the right ones?
- Which types of facilities need funding?
1 What is the Community Infrastructure Levy (CIL)?

1.1 When developments of a certain size are built, a contribution must be made to compensate for the strain that is placed on local services. This contribution is called the CIL payment.

1.2 CIL is a way of raising money for new community resources and facilities. It can be spent on items such as providing schools and health centres; or it can be used to support existing facilities, such as parks and public transport.

1.3 When developments are large enough, they will pay CIL to help support these kinds of local facilities. CIL will not be the only funding source for all of these facilities, but will assist by adding to others.

1.4 We know the future community needs within the borough. We also know that there is a funding gap, which means not all of these needs can be met. CIL will help plug this gap.

2 Where does the money come from?

2.1 CIL is paid by developers. In the Royal Borough it applies to most types of housing, hotels and apart-hotels, and student accommodation. The exact uses are described in Appendix 1.

2.2 When planning permission is granted, the Council issues a notice of liability to the developer. This advises the amount to be paid, and it may be passed on to future owners of the development.

2.3 CIL is a non-negotiable fixed charge, which means developers will be clear about how much they will need to pay.

2.4 There is a 60 day payment window which starts when building commences. For larger projects, instalments may be possible.

2.5 Late or non-payments incur penalties. These encourage prompt payment and a degree of self regulation. The Council has a range of strict measures to enforce payment and compliance.

3 Why is it relevant to me?

3.1 It is relevant to everyone who lives in, or who uses services within, the Royal Borough. Whether you use schools, health facilities, transport or any other resource, CIL money can be used as funding. The purpose is to help improve and expand these services.

3.2 CIL is designed as a simple process to collect money towards these facilities.
4 How much could CIL raise?

4.1 This will depend on the amount of development in the Borough i.e. how many new buildings are built. As more buildings are built, we would expect the population to grow, placing added strain on community facilities. As such, CIL revenues will increase.

4.2 Appendix 1 sets out the proposed rates for new developments. This is known as the ‘Preliminary Draft Charging Schedule’, or PDCS. Based on these rates, we would expect CIL to generate between £4m and £6m per year. It is difficult to predict accurately, but these figures are based on the estimated amount of development.

4.3 Not all developments are liable for the full amount. Certain developments may receive ‘relief’ – for example affordable housing or charitable development. In rare cases, where a scheme becomes unviable, other discounts may be offered.

5 What can the money be spent on?

5.1 It can be spent on building or improving a wide range of facilities – from surgeries, to swimming pools, and from parks to pavements.

5.2 New or improved facilities can vary widely in cost. CIL money can be spent on a wide range of items, including the revenue support costs. It will be necessary to prioritise expenditure. Whilst CIL will not be able to deliver all of the known requirements, it can go some way to helping.

6 How can I get involved?

6.1 This consultation runs from January 23 2013 to February 20 2013. If you wish to comment on the document, you can do so in a number of ways. Our on line consultation portal is available at planningconsult.rbkc.gov.uk/. You can respond via email to CIL@rbkc.gov.uk or in writing to:

Community Infrastructure Levy
Planning Policy Team
Town Hall
Hornton Street
London
W8 7NX

7 When does the consultation close?

7.1 This consultation closes on February 20 2013.
8 What are the next stages of the process?

8.1 Following this consultation, the Council will consider the responses received.

8.2 Your responses to this stage, which is called the ‘Preliminary Draft Charging Schedule’ will inform the next stage, which is called the ‘Draft Charging Schedule’. Once the Draft Charging Schedule is ready for independent examination, further consultation will take place, and we will contact you again. It is expected that the next consultation period will take place in summer 2013. The full timetable is set out below.

### Timetable

<table>
<thead>
<tr>
<th>Stage</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public consultation on PDCS</td>
<td>January / February 2013</td>
</tr>
<tr>
<td>Consider comments on PDCS, and prepare draft Charging Schedule</td>
<td>March to April 2013</td>
</tr>
<tr>
<td>Public consultation on Draft Charging Schedule</td>
<td>June 2013</td>
</tr>
<tr>
<td>Submission to Independent Examination</td>
<td>September 2013</td>
</tr>
<tr>
<td>Examination Hearings</td>
<td>November 2013</td>
</tr>
<tr>
<td>Inspector’s Report</td>
<td>January 2013</td>
</tr>
<tr>
<td>Adoption</td>
<td>February 2014</td>
</tr>
</tbody>
</table>

*We are here*

The timetable may be subject to delay due to Examination availability, or other external factors.
Appendix 1 What are the proposed CIL rates for RBKC? – The Preliminary Draft Charging Schedule

The Preliminary Draft Charging Schedule
1. This has been prepared in accordance with Regulation 15 of the Community Infrastructure Levy Regulations 2010 (as amended). The evidence base used to inform the rates is also included as a separate appendix.

Setting the CIL rate
2. The BNP Paribas CIL Viability Study informs the proposed CIL rates. These have been set at a level that does not put overall development at risk. They recognise that not all uses can remain viable with a CIL charge – certain B Class uses for example. The charge for residential development recognises the requirement for provision of affordable housing, as well as other on- or off-site mitigation e.g. site specific works.

3. The key consideration is to ensure that the CIL charge does not harm economic viability across the Borough. The rate setting adheres strictly to these principles. This ensures that development continues to be of superior standard, with high quality design, materials and landscaping.

4. A CIL charge set near to the maximum level could have an adverse effect on development if there was a market or policy change. The proposed CIL rates should be resistant to such changes. They have been set at an amount that is viable in the current difficult economic climate, and they take account of the Mayor of London’s CIL. Marginal or difficult to develop sites may make use of the exceptional relief process provided that the strict conditions for exceptional relief are met.

CIL Charging Schedule
5. The proposed CIL rates for the Royal Borough are set out in the Table below. The attached map identifies the Charging Zones to which the residential CIL charges apply.

Calculating the chargeable amount
6. The Council calculates the amount of CIL payable by a development (the ‘chargeable amount’) in accordance with Regulation 40 of the CIL Regulations. The method involves multiplying the net area and the CIL charge – and factoring in an index figure. The index figure allows for inflation. The charge is based on the CIL rate at the time of planning permission, whilst payment is made at some point in the future. The index used in the calculation is the national ‘All-in Tender Price Index’. This is published by the Building Cost Information Service of Royal Institution of Chartered Surveyors.

7. The CIL Regulations also specify that where the overall chargeable amount on a scheme is less than £50, it is deemed to be zero.
### Table 1: Preliminary Draft Charging Schedule – Proposed Rates

<table>
<thead>
<tr>
<th>Development Type</th>
<th>CIL Rate</th>
<th>Class C3 (Residential incl short-term lets)</th>
<th>Extra Care Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Zone</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Uses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential Zone A:</td>
<td>£650</td>
<td>£510</td>
<td></td>
</tr>
<tr>
<td>Residential Zone B:</td>
<td>£500</td>
<td>£230</td>
<td></td>
</tr>
<tr>
<td>Residential Zone C:</td>
<td>£370</td>
<td>£300</td>
<td></td>
</tr>
<tr>
<td>Residential Zone D:</td>
<td>£230</td>
<td>£160</td>
<td></td>
</tr>
<tr>
<td>Residential Zone E:</td>
<td>£150</td>
<td>£20</td>
<td></td>
</tr>
<tr>
<td>Residential Zone F:</td>
<td>£100</td>
<td>£20</td>
<td></td>
</tr>
<tr>
<td>Non-residential Uses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use</td>
<td>Charge per square metre (boroughwide)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotels</td>
<td>£160</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Accommodation</td>
<td>£125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industrial/ Warehousing</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offices (B1)</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Uses</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D1 and D2 Uses (eg health care facilities, schools, leisure uses etc)</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Other Uses</td>
<td>Nil</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*All charges are exclusive of Mayoral CIL*
Map 1: CIL Residential Charging Zones

To view a detailed map showing particular streets and which charging zone they fall into please follow this link:

https://planningconsult.rbkc.gov.uk/consult.ti/KCCIL/consultationHome
Appendix 2 Where can I get further information? – Some useful background and further sources of information

The links below will take you to useful websites and resources:

**RBKC Community Infrastructure Levy**
You can download copies of this PCDS, and evidence documents from the Council's CIL webpage. Here you will also find the Royal Borough’s guide to CIL: [The Royal Borough’s guide to CIL, including Frequently Asked Questions](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/)

**RBKC Core Strategy**

Useful sources of information, for example the Council’s Affordable Housing Viability Study (AHVS 2010) is available from the Core Strategy Evidence Base pages: [http://www.rbkc.gov.uk/planningandconservation/planningpolicy/evidencebaseddocuments.aspx](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/evidencebaseddocuments.aspx)

**Mayoral CIL**
The Mayoral CIL, in place from April 2012 is designed to collect funds towards Crossrail. Visit the TfL website or the [Mayor of London’s CIL website](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/) for more information.

**Legislation**
The Department for Communities & Local Government publish the legislation and guidance:

- [The Community Infrastructure Levy: Summary](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/) (November 2010)
- [Community Infrastructure Levy: An Overview](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/) (May 2011)
- [The Community Infrastructure Levy Regulations 2010](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/) (March 2010)
- [The Community Infrastructure Levy (Amendment) Regulations 2011](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/) (March 2011)
- [Community Infrastructure Levy Relief: Information Document](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/) (May 2011)

**Planning Portal and Planning Advisory Service**
Both the Planning Portal and the Planning Advisory Service (PAS) have useful documents including the required forms:

- [Planning Portal CIL Webpage](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/)
- [PAS CIL Webpage](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/)
- [Charge Setting Myths](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/)
- [FAQs](http://www.rbkc.gov.uk/planningandconservation/planningpolicy/)
If any aspect is unclear, additional information is available from the Planning Policy team (contact Jon Medlin, 020 7361 2732, e: cil@rbkc.gov.uk)

Appendix 3 Evidence Base

1.1 This section sets out the evidence the Council has used to inform the PDCS and the proposed CIL charges.

1.2 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 aim to strike an appropriate balance between:

a) the desirability of funding from CIL - the estimated total cost of infrastructure required to support the development of its area, taking into account other sources of funding; and
b) the potential effects of the imposition of CIL on the economic viability of development across its area.

1.3 The PDCS is to be informed by an appropriate evidence base, which should include:

- An up to date Development Plan;
- An Infrastructure Delivery Plan;
- A broad assessment of the likely impact of CIL on the viability of development across the Borough.

Royal Borough of Kensington & Chelsea Core Strategy 2010

1.4 RBKC Core Strategy was adopted in December 2010. The Core Strategy includes the Council’s strategic policies for different parts of the Borough. It sets out the type, scale and broad location of where new homes, transport improvements, jobs, shops, open spaces and services will be located in the period up to 2026. It also includes policies to ensure new development addresses the issues facing the Royal Borough, and allocates sites for specific developments, including key infrastructure needs.

1.5 The Council is preparing a number of Supplementary Planning Documents (SPDs). These provide further detail on the specific development sites in the Core Strategy, and their infrastructure needs are also reviewed as part of that process.

Infrastructure Delivery Plan

1.6. Accompanying the Core Strategy is the Council’s Infrastructure Delivery Plan (IDP). This document outlines the infrastructure requirements along with known costs and funding streams. These are necessary in order to support the scale of growth identified in the Core Strategy.

1.7 The IDP covers the breadth of the infrastructure requirements for various service providers (known as statutory providers) and public services. The IDP is a ‘live’ document that will be regularly updated to take account of changing circumstances. It is not a formal investment programme and does not entail financial commitment by the Council or other statutory providers. Items within the IDP are candidates for CIL expenditure. It will be subject to prioritisation, influenced by the sequence of development and availability of funds.

Funding Gap

1.8 CIL can only be charged if there is an evidenced funding gap.
1.9 The IDP sets out estimated costs and the available levels of funding for the infrastructure identified. A significant funding gap in excess of £180m is evident from the assessment. This is required to fund educational facilities, major transport schemes, leisure and sports provision and other infrastructure or mitigation requirements. These are described in more detail in the IDP.

1.10 The role of this evidence is not to provide absolute assurances as to how authorities intend to spend CIL. It is simply to illustrate that their intended CIL targets are justifiable given local infrastructure need and is based on appropriate evidence.

1.11 The Government also recognises that the infrastructure identified in their IDPs may differ from those where CIL money is spent. This acknowledges that priorities can change over time. The Council will use a ‘Regulation 123 Statement’ to indicate which infrastructure needs will be funded through CIL. The funding gap identified has assumed that some infrastructure will continue to be provided through planning obligations. These may come from existing contributions secured prior to adoption of CIL, and there will be some use even when a CIL is adopted.

Social Infrastructure
1.12 Social infrastructure requirements for example schools, health and community facilities are included within the IDP. The Council has a statutory responsibility to ensure sufficient provision for pre-school children, as well as primary and secondary school provision. The Council works closely with NHS Kensington & Chelsea to assess future health needs.

1.13 The level and location of new development proposed generates the need for further school places. These may be provided through new schools or as extensions to existing. Future health and other community needs that have been costed, generates a funding gap of circa £83m identified in the IDP. This excludes land purchase costs that may arise. Over time, the Council will determine any CIL expenditure on social infrastructure taking account of its Regulation 123 Statement.

1.14 It is important to note that there will also be capital implications for Early Years provision and Youth Service provision as a result of future development. Again these are set out in the IDP.

Physical Infrastructure
1.15 The development expected by the Core Strategy relies on investment for physical infrastructure. Certain items, for example the Chelsea-Hackney Line, and the Thames Tunnel have funding arrangements of their own. These may, therefore, only account for a small part of the funding gap. Other transport investment requirements, such as improved public transport or access to stations, and a Crossrail station will require significant funding. The estimated total for physical infrastructure is circa £94m, and spending will be in accordance with the Council’s Regulation 123 Statement.

Green Infrastructure
1.16 The Core Strategy proposes on-site Community Heat and Power in large scale developments. Measures to improve air quality and noise improvements are also sought. Improvements to open space and leisure facilities may also be considered green infrastructure, but cross-over into physical infrastructure provision. These are largely accounted and costed under that heading, to avoid double counting.
Where such infrastructure may be provided as part of a development and not through CIL, it will be stated clearly on the Council’s Regulation 123 Statement.

1.17 Flood mitigation may also be required to realise growth, with appropriate mitigation through CIL or through planning obligations. The indicative cost of these totals £2.25m which is included in the aggregate funding gap.

CIL Viability Study
1.18 The Council commissioned BNP Paribas to undertake a CIL viability study for RBKC, to show what level of CIL charge could be introduced without putting the overall development of the area at serious risk.

1.19 The CIL Viability Study Report is summarised in the following sections.

1.20 The viability assessment is based on well-established development appraisal techniques. This involves looking at the impact of potential CIL rates on residual land values. The study takes account of Core Strategy requirements, including the costs involved in complying with Code for Sustainable Homes Level 4, and the provision of affordable housing.

The Mayor of London’s Community Infrastructure Levy
1.21 Under the Planning Act 2008, the Mayor of London was given new powers to set a London wide CIL. The Mayoral CIL intends to raise £300 million from new development in London to help fund Crossrail.

1.22 The Mayor of London has a single charge for the Royal Borough at £50 per square metre, which applies to new development apart from education, healthcare and community uses. Each London borough is required to collect CIL on behalf of the Mayor. The Royal Borough’s CIL Viability Study has taken the Mayor’s CIL rate into account, when testing the viability of development to support a CIL charge for the area.

Royal Borough of Kensington and Chelsea Community Infrastructure Levy: Viability Study (May 2012)
1.23 Table 2 summarises the results of the BNP Paribas CIL Viability Study for the Royal Borough. These findings have been taken into account in setting the RBKC CIL rates.

1.24 In setting the actual rates in Appendix 1, the maximum rates are discounted. This allows for individual sites’ exceptional costs such as decontamination. Current use values on individual sites will inevitably vary and will fall somewhere between the values used in appraisals. As a result, the ability of schemes to absorb high rates of CIL could be adversely affected. The discounting also takes account of possible fall in sales values, or rise in build costs over the life of the CIL charge. Finally, the discounting ensures that a high CIL charge in the first Charging Schedule does not ‘shock’ the land market leading to a fall in land supply. This factor has led many charging authorities to seek to limit their CIL rates to around 5% of development costs.
## Summary of the Viability Analysis

<table>
<thead>
<tr>
<th>Land use</th>
<th>Summary of findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential, Extra Care Housing and Student Accommodation</td>
<td>The ability of <strong>residential schemes</strong> to make CIL contributions varies significantly depending on size and type of scheme, area and the current use of the site. Adopting a single rate for residential development across the Royal Borough is unlikely to be practicable, given the significant variations in sales values.</td>
</tr>
<tr>
<td></td>
<td><strong>Suggested CIL rates are as follows per square metre:</strong></td>
</tr>
</tbody>
</table>
|                                                                         | - North of Ladbroke Grove W10: £200 per square metre;  
  - Holland Park W11: £800 per square metre;  
  - Olympia W14: £300 per square metre;  
  - Notting Hill Gate and Kensington High Street W8: £600 per square metre;  
  - Earls Court SW5 and SW10: £400 per square metre;  
  - Chelsea SW3, SW1W: £800 per square metre; and  
  - Knightsbridge: £1,000 per square metre. |
| Extra-care housing                                                      | **generates slightly lower residual values than standard residential, due to the provision of a greater proportion of communal space and a slower sales rate (even though values are not dissimilar).** To account for these factors, maximum CIL rates would be lower: |
|                                                                         | - North of Ladbroke Grove W10: £100 per square metre;  
  - Holland Park W11: £400 per square metre;  
  - Olympia W14: £100 per square metre;  
  - Notting Hill Gate and Kensington High Street W8: £500 per square metre;  
  - Earl’s Court SW5 and SW10: £300 per square metre;  
  - Chelsea SW3, SW1W: £600 per square metre; and  
  - Knightsbridge: £800 per square metre. |
| Student housing:                                                        | **There are no area variations as student rents will not vary according to private sales values.** The maximum **CIL rate of £250** per square metre is suggested.                                |
| Office development                                                      | **Office development:** Demand for space has not generated rents that would be high enough to be subject to CIL within most of the Borough.                                                                       |
A suggested CIL rate of nil for offices has been recommended, except for in SW1 and SW3 areas.

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Hotel developments could accommodate a CIL rate of up to £300 per sq metre. We would suggest a rate of around £210 to allow an adequate buffer for site-specific factors.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Residual values generated by retail developments are somewhat higher than current use values. However, retail development is predominantly redevelopment or re-use of existing space. The differential in value between current and newly developed space is modest. Consequently, little surplus value is generated. Therefore, nil rate CIL charge is suggested for this type of development.</td>
</tr>
<tr>
<td>Industrial and warehousing</td>
<td>Appraisals of developments of industrial and warehousing floorspace indicate that these uses are unlikely to generate positive residual land values. A nil rate CIL charge for industrial floorspace has therefore been suggested.</td>
</tr>
<tr>
<td>D1 and D2 uses (eg health care facilities, schools, leisure uses etc)</td>
<td>D1 and D2 uses often do not generate sufficient income streams to cover their costs. Consequently, they require some form of subsidy to operate. A nil rate for D1 and D2 uses has been suggested.</td>
</tr>
</tbody>
</table>