

Community Infrastructure Levy

Guidance for neighbourhoods and parishes in Daventry District

2020



Setting the scene for CIL

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The Community Infrastructure Levy (CIL) is a charge on the amount of floor space created by new development. Its purpose is to raise funds for essential community infrastructure that is required across an area as the population grows. In Daventry District, the CIL will apply to new housing and retail developments, but the rates vary according to location and size of development.

Local authorities that adopt the CIL must draw up a list (known as the Infrastructure List) which specifies the infrastructure project or types of infrastructure project the Council intends to fund, in whole or part through CIL. The list, which is reviewed at least once a year, includes some 'big ticket' items that serve a wide area, such as education, major road projects, canal improvements and green infrastructure.

Parish Councils will receive a portion of the CIL receipts raised in their parish. This portion will be greater if they have a Neighbourhood Plan in place for the area where the development occurs. For parishes with no council, DDC will engage with residents to identify how it should be spent.

What is the CIL Charging Schedule?

Daventry District Council will apply the Community Infrastructure Levy to residential and retail development.

As a general rule, all new dwellings (whatever their size) and any other residential or retail development that creates over 100m² of new floor space will be liable. Some development is exempt, such as self-build dwellings and affordable housing. However, conditions apply to exemptions and if they are not complied with, the CIL that would have been due can be charged.

Since adopting the CIL on 1st September 2015, DDC has applied indexing to the published rates to account for construction industry inflation. This is allowable under the CIL Regulations. For 2020, the rates are as follows:

| Development Type | Levy per m ² |
|---|-------------------------|
| Residential Urban Zone | £64.50 |
| Residential Rural Zone - sites with 5 or more units | £83.85 |
| Residential Rural Zone – site with 4 or less units | £258.00 |
| Retail (excluding central zone) | £129.00 |
| All other uses and locations | £0 |

A map showing the various zones can be found on the DDC website at www.daventrydc.gov.uk/CIL

Community benefits

DDC is the CIL collecting authority for this District. Generally, CIL is due to be paid within 60 days of a development commencing. However, for sites where the CIL liability exceeds £60,000, the developer can pay in instalments. Therefore, on a large site that is being developed by one of the national house builders, it may take over two years to collect all the CIL that is due.

Parish councils will receive a portion of the CIL that is raised on developments in their parish. This portion is paid out twice a year, in April and October, and is to be spent on the parish council's own priorities for local infrastructure.

Parish Councils without a Neighbourhood Plan receive 15% of the CIL received. However, the total amount of CIL receipts passed to a parish council in respect of each financial year will be capped according to the formula in Regulation 59A, i.e.

$$(\text{£}100 \times N) \times (IY / IO)$$

where—

N is the number of dwellings in the area of the parish council; IY is the index figure for the calendar year in which the amount is passed to the parish council and IO is the index figure for 2013.

Parish councils with a Neighbourhood Plan receive up to 25%, and this is not subject to the cap.

Parishes with no parish council do not get a portion of CIL. Instead, DDC will set aside up to 15% of the receipts, capped as above, and will engage with the local community to determine how the funds should be spent.

Calculating the parish portion – example 1

60 new homes on the edge of a large village

A site of this size could include up to 24 affordable housing units which are exempt from CIL. Therefore, let's assume the CIL is calculated on the 36 market homes and the average net floor space of each is 100m². The total floor space for calculating CIL will be 36 x 100m² = 3,600m². The applicable CIL rate is £83.85 per m² (see table above) so the CIL liability will be 3,600 x £83.85 = £301,860.

In this case, the developer will be able to pay by instalments. So, 25% will be due within 60 days of works commencing and the remaining 75% due within 360 days. Effectively, DDC will collect £75,465 in year 1 and £226,395 in year 2.

The large villages have parish councils, and if there is an adopted Neighbourhood Plan, 25% of the CIL receipts will be paid to the parish council, i.e. £75,465. As the CIL in this example is paid in two instalments, the parish council will get £18,866 for year 1 and £56,599 for year 2.

If there is no adopted Neighbourhood Plan, the parish council will get 15% of the CIL receipts. This is £45,279, but is subject to the cap rule. However, a large village will have a high cap, so all things being equal, the parish council should receive £11,320 for year 1 and £33,959 for year 2.

How is CIL spent?

DDC intends to spend its portion of CIL on the elements identified in the Infrastructure List which includes items that serve the whole District, or large parts of it, e.g. education, walking and cycling routes, leisure facilities.

Parish councils have more freedom as to how they can spend their CIL portion. Regulation 59C states that it should be used to fund:

- (a) *The provision, improvement, replacement, operation or maintenance of infrastructure, or*
- (b) *Anything else that is concerned with addressing the demands that development places on an area.*

This suggests that parish councils should spend their CIL funds on the local infrastructure that they typically have some influence over, e.g. the village hall, the sports field, children's play areas etc. If there is a Neighbourhood Plan, this will certainly guide spending plans. If not, parish councils are encouraged to engage with parishioners about community needs.

Parish councils should also consider the merits of contributing their CIL funds towards larger projects that provide benefit on a wider scale. This could be with neighbouring parishes or with DDC.

As already noted, parishes with no council have their CIL portion retained by DDC who will then engage with parishioners as to how it should be spent. The retained parish portion can be spent as described in Regulation 59C (see above).



Calculating the parish portion – example 2

Two new detached homes in a small village

If two new homes are for sale on the open market, they will be CIL liable. Let's assume the net floor space of each is 110m², which makes a total of 220m². The applicable CIL rate will be £258 per m² so the CIL liability will be 220 x £258 = £56,760. As the CIL is below £60,000, it will be paid in full to DDC within 60 days of works commencing.

If we assume this small village has only 50 dwellings and no Neighbourhood Plan, they will be entitled to up to 15% as the cap will apply. The most that can be paid to the parish council in any year (or set aside by DDC if there is no parish council) will be 50 x £100 + indexation = £5,000 + indexation. The I₀ is 239 and at 31 March 2020 I_t was 334 so the cap was £5,000 x (334/239) = £6,987 at that date.

15% of £56,760 is £8,514, so the parish will get £6,987 and the £1,527 balance will go into DDC's CIL reserve to be spent projects on the Infrastructure List. Furthermore, if any more CIL receipts are raised from other sites in this village in the same financial year, these too will have to go back into DDC's general CIL pot due to the cap rule.

A note on self-builds

In a relatively affluent District such as ours, there is likely to be a high number of self-builds which can claim exemption. However, the CIL that would have been due can be clawed back by DDC if a disqualifying event occurs - for example, if the self-builder fails to submit the correct forms to corroborate their status, or if they move out of their self-build home within 3 years.

Most self-builds are large and have high CIL values – for instance, a dream home in a rural setting with a net floor space of 250m² will have a potential CIL liability of over £60,000. Therefore, it is important that DDC ensures the self-builders follow due process and occupy their new home for at least 3 years. DDC has set up a monitoring regime to identify any disqualifying events that may occur. However, we will always welcome information from parish councils that suspect a disqualifying event has occurred. At the end of the day, there are good financial reasons for both DDC and the parish councils keeping an eye on the self-builds!

Parish Council reporting requirements

CIL Regulation 121B stipulates that it is a **legal requirement** for both DDC and parish councils that have received CIL to publish a CIL report on an annual basis. This must be done by 31st December after the financial year end. So for the 2019/20 year, the report must be published by 31st December 2020.

The report must include:

- Total CIL receipts
- Total CIL expenditure
- A breakdown of CIL expenditure items
- The amount of CIL retained from that year
- The amount of CIL retained from previous years

DDC has a CIL reporting template that parish councils can use to meet their CIL reporting obligations. Whatever reporting format parish councils use, the report **must** be placed on their website (if they have one) and a copy sent to DDC. It might also be good practice to include a summary of the CIL report in the parish magazine or newsletter and pin a copy onto the parish notice board.

Please note, if a parish council does not spend its CIL portion within 5 years of receipt, there is scope for DDC to claw it back. However, we expect that this situation will not arise!

There is no requirement for parishes without a parish council to publish a CIL report.



Further advice

DDC can offer free advice for parishes who are seeking additional funding for their projects. It is also worth asking DDC how well a parish project is likely to fit in with wider development plans for the area as it could be possible that the parish's CIL portion can be more usefully spent on other parish priorities.

For projects where a parish may not have the expertise or capacity to deliver on its own, DDC may also be able to provide project management services if there is capacity to do so. For this there may be a charge to cover DDC's costs.

This guide has been prepared to assist parishes, but the CIL Regulations are very complex and open to interpretation. A comprehensive guide to CIL can be found on the Planning Portal website: <http://planningguidance.communities.gov.uk/blog/guidance/community-infrastructure-levy/>

Information, news and resources on neighbourhood planning can be found on the DDC's website, under Planning Policy:

<https://www.daventrydc.gov.uk/living/planning-policy/neighbourhood-planning/>



How to contact us

For advice on wider development plans, working with DDC on projects or DDC project management support, email Gary Underhill: gunderhill@daventrydc.gov.uk

For all other advice, including funding advice, value of parish payments, and the reporting template, email Denise Hackett: dhackett@daventrydc.gov.uk

