



**NORTH DORSET
DISTRICT COUNCIL
COMMUNITY
INFRASTRUCTURE LEVY**



**DRAFT INSTALMENTS
POLICY**



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June 2016

1. Introduction

- 1.1 The Community Infrastructure Levy (CIL) Regulations 2010 (as amended) allow Charging Authorities to accept payments by instalment should they so wish. North Dorset District Council has resolved to exercise this discretion to assist developers as much as possible in managing their finances. The policy has been prepared in accordance with the CIL Regulations in that it states:
 - the date on which the policy takes effect;
 - the number of instalment payments;
 - the amount of CIL payable in each instalment; and
 - the time the first payment is due and when any subsequent payments fall due.
- 1.2 When the Levy is formally introduced, therefore, the Council will allow staged payments in accordance with the schedule set out in the following section. There is no compulsion for developers to follow this schedule should they wish to pay in a single amount at the start of a development or pay in advance of the times set out for instalment payments.
- 1.3 The policy will only apply when the persons liable to make the CIL payments have complied with all the relevant regulations and requirements. Penalties may be levied where there is non-compliance with these, as set out in the third section of this document.

2. CIL Instalments Policy

- 2.1 The schedule of instalments which the Council proposes to implement is set out below. The considerations behind the thresholds are summarised in Annex 1 to this document.

Table 1: Schedule of proposed CIL payment instalments

CIL payable	Number of instalments	Instalments
Up to £30,000 (<i>about 10 dwellings*</i>)	3	1/3 payable 60 days from commencement** 1/3 payable 180 days from commencement 1/3 payable 270 days from commencement
Between £30,000 and £60,000 (<i>about 10 - 20 dwellings*</i>)	3	1/3 payable 60 days from commencement 1/3 payable 270 days from commencement 1/3 payable 365 days from commencement
Between £60,000 and £150,000 (<i>about 20 - 50 dwellings*</i>)	4	1/4 payable 60 days from commencement 1/4 payable 180 days from commencement 1/4 payable 365 days from commencement 1/4 payable 420 days from commencement
More than £150,000 (<i>more than about 50 dwellings*</i>)	4	1/4 payable 60 days from commencement 1/4 payable 180 days from commencement 1/4 payable 365 days from commencement 1/4 payable 540 days from commencement

* *Dwelling numbers for illustrative purposes only.*

** *Commencement is taken to be the earliest date on which any material operation is carried out as set out in Section 56(4) of the Town and Country Planning Act 1990 (as amended).*

- 2.2 To illustrate the policy, if the total due under the CIL were to be £45,000 then, assuming the correct notifications have been made, a single payment of £45,000 could be made before the development commences. Alternatively, an initial payment of £15,000 could be made within 60 days of the date of commencement followed by a further payment of £15,000 within 270 days of commencement with a final payment being made 365 days from commencement.

3. Late Payments

- 3.1 The CIL Regulations allow the following surcharges to be administered:
- a £50 surcharge on each person liable to pay the levy in the event that liability is not assumed before development commences;
 - an additional £500 to each person with a material interest in land (i.e. a freehold estate or a leasehold estate with more than seven years remaining from the date of planning permission), where the authority apportions liability;
 - an amount equal to 20 per cent of the chargeable amount, or £2,500 (whichever is the lower) where development starts without the authority having received a notice of chargeable development;
 - an amount equal to 20 per cent of the chargeable amount or £2,500 (whichever is the lower) where development starts without the authority having received a commencement notice;
 - five per cent of any payment due or £200 (whichever is the greater), where that payment is not received after the end of 30 days beginning with the day that payment is due. An authority may then impose a further five per cent charge if payment is still not received after six months, and a further five per cent after 12 months; and
 - 20 per cent of the chargeable amount, or £1000 (whichever is the lower) where a person fails to provide further relevant information as requested by a collecting authority.
- 3.2 In addition to the surcharge for late payment, interest must be paid on any late payments. Late payment interest must be calculated:
- for the period starting on the day after the day payment was due and ending on the day the unpaid amount is received, and
 - at an annual rate of 2.5 percentage points above the Bank of England base rate.
- 3.3 These penalties are supported by the Council for the purposes of administering the CIL and instalments policy. Simply, if the Council has not received a CIL Assumption of Liability form or has not received a CIL Commencement Notice prior to commencement of the chargeable development then the total CIL liability will become due within 60 days of the commencement of chargeable development and surcharges will be applied.
- 3.4 It should be noted that where outline planning permission allows for development in phases, each phase is a separate chargeable development and will be collected in accordance with the instalments policy.

Annex 1

Rationale

- A.1 The Council is very aware that the viability of development schemes can be fragile and wishes to be sensitive to this. The thresholds embraced by the Council's draft instalments policy have therefore been informed by the North Dorset Whole Plan Viability and CIL Study¹ and the North Dorset District Council Whole Plan Viability and CIL Study Update Report² and information held by the Council's on build rates within the District.
- A.2 In preparing the suggested instalments policy, a number of considerations have been taken into account. Particularly, the balance between operational simplicity and appropriateness of detail together with an acknowledgement of smaller building firms' cash flow management have shaped the approach adopted.
- A.3 The setting of the instalments levels has been informed not only by the viability study which underpins the CIL Draft Charging Schedule but also by the distribution of site sizes of residential³ development foreseen for the future in the context of the Local Plan⁴ and analysis of information about completion rates.
- A.4 The following basic spread of sites was used in the viability testing as an appropriate range of site sizes⁵ across the District:

- 1 dwelling
- 4 dwellings
- 9 dwellings
- 12 dwellings
- 20 dwellings
- 50 dwellings
- 150 dwellings

- A.5 Analysis of the housing trajectory embodied in the Local Plan revealed a basic hierarchy of sites:

- fewer than 10 dwellings
- between 10 and 50 dwellings
- between 50 and 100 dwellings
- more than 100 dwellings

¹ Prepared by Peter Brett Associates, February 2015.

² Prepared by Peter Brett Associates, January 2016.

³ Residential development will provide the great majority of CIL income and thus forms the basis of consideration of an instalments policy.

⁴ North Dorset Local Plan Part 1, adopted January 2016.

⁵ The site at Gillingham was tested separately as a specific strategic site.

- A.6 This analysis also revealed that a significant number of dwellings is likely to come forward on infill sites. Excluding the Gillingham strategic site, which is recommended to have a 0% CIL liability, almost 30% of dwellings to be provided on infill sites in the period to 2031 are on infill sites. There is a strong likelihood that these will be small sites developed by locally based building firms while some will be self-built.
- A.7 The phasing of smaller residential development was assessed by way of an analysis of a sample of typical completed developments. This analysis showed that the average completion time for a single dwelling site was 341 days and 275 days for the first finished unit on sites of between 2 and 10 dwellings. Sites of more than 10 dwellings tended to take a little more time to complete the first unit (343 days on average).
- A.8 For sites of between 2 and 10 dwellings, the average scheme completion time from the first unit being finished was 325 days.
- A.9 It would appear, therefore, that for smaller sites an appropriate instalments spread can take account of these time periods and thereby minimise the CIL impact for developers of these sites, as the government encourages.
- A.10 Larger sites tended to have a longer lead-in time to completion of the first dwelling, no doubt reflecting factors such as more extensive preparatory ground works. As would be expected, completion of the whole site took much longer and a wider time spread of CIL payment instalments reflects this situation.