

Committee(s): Policy & Resources Committee	Date(s): 09/07/2020
Subject: Community Infrastructure Levy: Changes to Instalment Policy	Public
Report of: Carolyn Dwyer, Director of the Built Environment	For Decision
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Summary

The City Corporation adopted a Community Infrastructure Levy (CIL) in 2014, with an Instalment Policy allowing payment over a period of 60 – 240 days following the commencement of development.

In response to the Covid-19 pandemic, the Government intends to make time limited changes to CIL Regulations for smaller developers and is also encouraging local authorities to take a flexible approach to payments due from larger developers. In response to these changes and to provide some flexibility to City developers, time limited changes are proposed to City CIL instalment policies, which would defer payment of City CIL and Mayoral CIL for newly commencing schemes until 1 April 2021. Flexibility is also proposed around late payment surcharges for schemes already commenced.

Recommendation(s)

Members are asked to:

- Agree the proposed time limited amendment, until 1 April 2021, to the Community Infrastructure Levy Instalment Policy set out in paragraph 9 and the flexibility on late payments set out in paragraph 11.

Main Report

Background

1. The City Corporation introduced a Community Infrastructure levy (CIL) in 2014. The CIL is a levy charged on new development, intended to help fund the infrastructure needed to deliver the Local Plan. The process for setting and operating a CIL is set out in national CIL regulations.
2. The City CIL operates alongside the Mayor of London's CIL, which requires contributions from development across London to part fund Crossrail. The City Corporation collects the Mayoral CIL on behalf of the Mayor.
3. Payment of CIL is required under Regulation within 60 days of commencement of a development unless the local authority has adopted an instalment policy. The

City Corporation has adopted an instalment policy which also applies to the Mayoral CIL and requires payment in 2 instalments:

- CIL charges under £500,000 – payment in full within 60 days of commencement;
 - CIL charges above £500,000 – 50% of charge within 60 days, remainder within 240 days of commencement.
4. If a developer fails to pay within the required timescale, the local authority may impose a discretionary late payment surcharge equivalent to 5% of the due amount. Statutory late payment interest at an annual rate of 2.5% above the Bank of England base rate is charged from the date that payment is due. There is no flexibility to disapply late payment interest.
5. Changes to CIL instalment policies can be made at any time and do not require consultation. Revised policies should be made available for inspection and published on the authority's website. Any changes would apply to development that had not commenced at the time of the change.

Current Position

6. On 13 May 2020, the Government published Covid-19 guidance in relation to the Community Infrastructure Levy, indicating its intention to amend CIL Regulations for developers with an annual turnover of under £45m, to allow for deferral of payments on commencement, to temporarily disapply late payment interest charges and to provide a discretion to return interest already charged where they consider it appropriate to do so. These changes would be time limited and would be removed when the economic situation improves. In advance of revised regulations, local authorities are encouraged to amend instalments policies, use their discretion in chasing due payments and engage positively with small developers.
7. For larger developers, the Government asks authorities to note the flexibilities they have around instalments policies and the application of a late payment surcharge. Late payment interest would remain mandatory.

Proposals

8. Many developers operating in the City of London have annual turnovers above the proposed £45m threshold set by Government and would not benefit from any national CIL flexibility. To provide some flexibility to these larger developers and to encourage schemes to be brought forward for commencement, it is proposed that time limited changes be made to the City Corporation's CIL instalment policy and greater flexibility be introduced in relation to existing due payments. These changes would also apply to the Mayoral CIL.
9. It is proposed that for schemes commencing before 1 February 2021:
- CIL charges under £500,000 – payment in full within 60 days after 1 February 2021;
 - CIL charges above £500,000 – 50% of charge within 60 days after 1 February 2021, remainder within 240 days of 1 February 2021.

10. The effect of this change is that no CIL payment will be due until 1 April 2021 for those schemes commencing after the date that the instalment policy comes into effect.
11. For schemes which have already commenced and for which CIL payments are due, the City Corporation would not apply late payment surcharges for the period up to 1 April 2021.
12. These proposals only relate to CIL payments. S106 planning obligation payments are covered by separate legislation under which there is already flexibility for an applicant to seek a variation in the s106 terms.
13. The proposed changes to the CIL instalment policy would be time limited until 1 February 2021 at which point the current instalment policy terms would be reinstated, or an alternative instalment policy considered subject to the economic circumstances at that time.

Corporate & Strategic Implications

14. The proposed change would be in alignment with the Corporate Plan strategic aim of supporting a thriving economy and the City Corporation's support for businesses during the Covid-19 pandemic.

Financial Implications

15. The City Corporation estimates future CIL income on a quarterly basis. The last such assessment was made in February 2020 and it projects potential CIL income of £5 million from schemes likely to start in Aug-Dec 2020. The proposed change would not cancel estimated payments but would defer them from the 2020/21 financial year until 2021/22.

Conclusion

16. In response to the Covid-19 pandemic, the Government intends to make time limited changes to CIL Regulations for smaller developers and is encouraging local authorities to take a flexible approach to payments due from larger developers. In response to these changes and to provide some flexibility to City developers, time limited changes are proposed to City CIL instalment policies. The effect of these changes would be to defer payment of City CIL and Mayoral CIL for newly commencing schemes until 1 April 2021. Flexibility around payment surcharges for schemes already commenced is also proposed.

Appendices

None

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