

Community Infrastructure Levy

Draft Instalment Policy



This Instalment Policy will take effect on XXXX

1 Introduction

- 1.1** An Instalment Policy has been prepared to accompany the Draft Charging Schedule and draft Regulation 123 list of Test Valley Borough Council's proposed Community Infrastructure Levy.
- 1.2** An Instalment Policy is a discretionary policy that is intended to assist developers to manage development finance. If the first instalment is missed, the total amount of CIL that the development is liable for will become payable and the Instalment Policy no longer applies to that development.
- 1.3** An Instalment policy enables payments to be made in instalments in line with the thresholds as set out the schedule below. The policy has been prepared in accordance with Regulation 69(B) of the CIL Regulations 2010 (as amended) which provides the framework for how a policy is to be prepared. Instalment policies must state:
- the date in which the policy takes effect,
 - the number of instalment payments,
 - the amount of CIL payable in each instalment and
 - the time that the first payment is due and times for any subsequent payments
- 1.4** The policy must also state any minimum amount of CIL for which CIL may not be paid by instalment. An Instalment Policy is a discretionary document and the number of thresholds, the level of threshold and the timescale in which to set payment deadlines are decided by the Council. The Council has drawn on the recommendations in the CIL Viability Study and its own data to devise appropriately timed instalments. A detailed rationale is set out in Section 2 in this document.

Table 1: The draft instalment schedule

Total CIL liability	Number of instalments	Percentage payment	Calendar days	Months
Amounts less than £5000	0	100%	Within 60 days of commencement ¹	2
Amounts less than £20,000, subject to a minimum first payment of £5000 within 60 days of commencement ²	2	50%	Within 120 days of commencement	4
		50%	Within 240 days of commencement	8
Equal to or greater than £20,000 but less than £100,000	3	25%	Within 60 days of commencement	2
		25%	Within 120 days of commencement date	4
		50%	Within 450 days of commencement date	15
Amounts equal to or greater than £100,000 but less than £250,000	3	25%	Within 90 days of commencement	3
		25%	Within 270 days of commencement	9
		50%	Within 540 days of commencement	18
Amounts equal to or greater than £250,000	4	25%	Within 180 days of commencement	6
		25%	Within 360 days of commencement	12
		25%	Within 540 days of commencement	18
		25%	Within 720 days from commencement	24

1 Commencement of development refers to the date in which development is to be commenced. Regulation 7 states that development is to be treated as commencing on the earliest date on which any material operation begins is carried out. Regulation 67 states that commencement notices must be submitted no later than the day before development is to be commenced.

2 The remaining liability after the minimum payment of £5000 is deducted is due in two instalments of 50% each.

Worked examples

1. Where £18,000 total CIL liability

Initial payment = £5,000 within 60 days of commencement

1st instalment = £6,500 within 120 days of commencement

2nd instalment = £6,500 within 240 days of commencement

2. Where £95,000 total CIL liability

1st instalment = £23,750 within 90 days of commencement

2nd instalment = £23,750 within 270 days of commencement

3rd instalment = £47,500 within 540 days of commencement

2. Rationale

2.1 Instalment policies have been developed with the aim of ensuring that development can contribute to the infrastructure needs of the Borough whilst maintaining viability. The phasing of payments in accordance with development timescales can assist with the cash flow of projects and ensure that payments can be made once income is being received.

2.2 Regulation 70 of the CIL Regulations 2010 (as amended) states that payments should be made in full within 60 days of commencement unless an Instalment Policy is issued on or before a commencement date³. Payment in full within 60 days of commencement can have an impact on deliverability and viability of sites. The CIL Regulations do not allow for setting the payment periods based on number of completions or type or size of development. They can only be differentiated according to the total chargeable amount.

2.3 The Viability Study has made the following assumptions regarding build rates:

2-15 unit development – approximately 6 quarters (18 months)

Payment 1 - 33% within 90 days

Payment 2 - 33% within 270 days

Payment 3 - remaining 34% within 450 days

50 unit developments – approximately 11 quarters (33 months)

Payment 1 - 33% within 90 days

Payment 2 - 33% within 270 days

Payment 3 - remaining 34% within 450 days

³ Commencement of development refers to the date in which development is to be commenced. Regulation 7 states that development is to be treated as commencing on the earliest date on which any material operation begins is carried out. Regulation 67 states that commencement notices must be submitted no later than the day before development is to be commenced.

100 unit developments - approximately 15 quarters (45 months)

Payment 1 - 33% within 90 days

Payment 2 - 33% within 450 days

Payment 3 - remaining 34% within 900 days

- 2.4** The thresholds in the Council's draft Instalment Policy have been informed by both the CIL Viability Study and the Council's data regarding average build rates.
- 2.5** The Viability Study assumed that CIL payments are phased in three payments of 33%, 33% and 34%. However, this Instalment Policy has been adapted to allow smaller developments to pay two instalments of a quarter of the total CIL liability followed by the remaining 50%. The last instalment threshold has been adjusted for larger scale developments to 4 equal instalments.
- 2.6** The Viability Study assumes that 1st payment would be made within 90 days from commencement. The timings of payments for the second threshold have been adapted to provide longer lead in times to take account of smaller developments that are not likely to have significant funds available at the start of the development. The final threshold has been adapted to provide longer lead in times for larger scale developments as they take longer to build out.
- 2.7** An Instalment Policy would not apply to development to which Regulation 42⁴ applies and where the chargeable amount calculated under Regulation 40 is zero.

3. How was the threshold decided?

- 3.1** The first threshold has been set at a low figure in order not to prejudice development and viability within Charging Zone 4. Setting the lowest threshold at £5,000 also takes account smaller development of around 1 – 2 residential units.
- 3.2** An analysis of a sample of recently completed small scale residential development indicates that on average, developments between 1-20 dwellings are completed within one year given in Table 2. Table 2 also gives indicative timescales to complete an individual dwelling on strategic allocations and an average completion rate per year.

4 Exemption for minor development of less than 100 square metres gross internal area of new build development. Exemption does not apply to development that will comprise one or more dwellings unless self-build housing exemption has been granted under Regulation 54B (CIL Regulations 2010 as amended)

Table 2

Strategic allocations	
Average timescale to complete individual dwellings: 12 – 16 weeks (84 – 112 days) Average completion rate per annum: 168 dwellings	
Smaller allocations (sample size = 5)	Time to first completion
1 unit scheme	40 weeks (280 days)
3 unit scheme	44 weeks (308 days)
5 unit scheme	35 weeks (245 days)
10 unit scheme	48 weeks (336 days)
15 unit scheme	44 weeks (308 days)
Average completion timescales	42 weeks (294 days or 10.5 months)

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