

Community Infrastructure Levy Amended Regulations 2014 – Impact upon Breckland’s Charging Schedule

- 1.1 On 25th October 2013 the Government released its formal response to the consultation on amendments to the Community Infrastructure Levy (CIL) Regulations. The amended regulations were formally laid before Parliament on 9th December 2013 and were initially anticipated to come into force at the end of January 2014. The changes to the regulations were delayed due to further amendments to these regulations, however they formally came into force on 24th February 2014.
- 1.2 Breckland Council consulted on its Preliminary Draft Charging Schedule in April/May 2013 and delayed the consultation of the Draft Charging Schedule in order to review the amendments to the regulations. This paper seeks to identify the key changes proposed within the amended regulations and any implications these may have on the Breckland’s Charging Schedule and on money collected through CIL
- 1.3 It is worth noting that the Government have committed to a full review of the CIL regulations early in 2015. The review is likely to consider the cost effectiveness of the levy. It is not currently anticipated that there will be any further amendments to the CIL regulations in 2014 prior to this formal review in 2015.

Amendments to the Regulations:

- 1.4 The following changes to the CIL regulations have occurred through the 2014 amendments:
 - a. Extending the date when further limitations to s106 will apply, from April 2014 to April 2015. This has occurred to ensure more Local Authorities have their charging schedules in place before the pooling restrictions on s106 agreements occur.
 - b. Allowing for in kind payments paid through land and/or off-site infrastructure. This amendment allows for a greater degree of flexibility within the system. The approach could be advantageous, as a developer could provide the required infrastructure more quickly, efficiently and cost effectively. However, a potential issue with this option relates to the need to pass either 15% or 25% of the CIL receipt to parish councils. This payment would need to be in cash.
 - c. Extending the Regulation 123 list to include section 278 agreements. Section 278 agreements relate to works to the adopted highway, the pooling of these agreements will also be limited to no more than five for a single piece of highway infrastructure in April 2015.
 - d. Extending the social housing relief to also include discounted market housing. This change will mean that all forms of affordable housing are treated in the same manner.
 - e. Providing relief from CIL for self build homes. The amended regulations classify claimants for self build housing relief as:
 - Intending to build or commission the building of a new dwelling and intends to occupy the dwelling as their sole or main residence for the duration of the clawback period. The clawback period is three years (please note this is different from the regular clawback period set out within CIL regulations of seven years).

- Assuming liability to pay CIL in respect of the dwelling, whether or not they have also assumed liability to pay CIL in respect of other development.
- f. Allowing the phasing of CIL payments in relation to all planning permissions, not just outline consent. This change allows greater flexibility within the system for developers.
 - g. Changes to the calculation date of the CIL charge. This change will result in the calculation date of CIL being brought forward to the date when planning permission is granted, rather than the date of commencement. This amendment will provide more clarity and certainty for developers when calculating the CIL liability.
 - h. Changes to the existing vacancy test for existing buildings. The regulations currently allow no CIL charge to buildings which have been occupied for the previous six months. This vacancy test is proposed to be extended to the building having been occupied for at least 6 months in the last three years. This amendment could have the implication of reducing the liability that these developments will have to pay thus increasing their financial viability and development potential.

Impact of Amendments to the Regulations on Breckland's Charging Schedule:

1. Self Build

- 1.5 The key impact of the amendments to the regulations on Breckland's Charging Schedule is likely to come from the relief for self build dwellings. The relief from CIL will cover homes that are owner-occupied and built or commissioned by individuals, families or groups of individuals for their own use. The Planning Portal has released forms for the exemptions for self-build units, and it will require applicant to produce one of the following:
 - Self build mortgage.
 - Approved VAT refund under VAT431NB – VAT refunds for DIY house builders.
 - Self build warranty.
- 1.6 To be able to consider the precise impact of the relief from CIL for self build dwellings on the money able to be collected through CIL is likely to be difficult. The monitoring process currently used by the Council does not differentiate between self build dwellings and other types of property. However, it is possible to make some assumptions as to the likely number of dwellings gaining permission that are self-build. For instance, planning permissions for individual dwellings are likely to meet the definition for self build as set out above.
- 1.7 Work previously undertaken for CIL within the Revenue and Gap Funding Paper and published in conjunction with the Preliminary Draft Charging Schedule considered it to have the potential to raise £11.39million over the period up to 2026. The majority of this income from CIL comes from rural windfall schemes, which are worth approximately £8.5million. This equates to 74% of the total income likely to be raised through CIL.
- 1.8 When considering the amount of money raised through CIL by rural windfall sites, the data took information from housing completions since 2001. It has been assumed that self build sites are likely to be for smaller schemes. Appendix 1 shows the breakdown on rural windfall schemes by monitoring year from 2001. Appendix 2 shows the number of dwellings which have been completed on individual schemes plots in each monitoring year.

- 1.9 By calculating the amount of money which had the potential to be raised since 2001, it is possible to calculate an average using the CIL rate of £60 per sqm. This shows that on average the Council could have gained **£349,170** per year in total on individual dwellings which were completed on single plots in the chargeable area. It has assumed therefore that this rate is likely to equate to self build dwellings and as such would relate the annual loss of CIL revenue due to the self build exemption within the chargeable area.
- 1.10 It is necessary to consider the impact this will have on the total money raised for CIL over the remainder of the plan period to 2026. The plan period runs for a further 13 years. Therefore the total potential money lost from the CIL pot is **£4,539,210**.
- 1.11 When considering a total CIL pot of £11,396,745, the total exemption for self build dwellings equates to 39.8% of the CIL pot. This reduction in the amount of money to be raised through CIL up to 2026 means that the total CIL pot is **£6,857,535**.

2. Phasing of Payments

- 1.12 The amendments to the regulations have altered the phasing of CIL payments. These alterations allow for CIL payments to be phased for full and reserved matters applications rather than just outline applications as they were previously. There is the potential for this alteration to the regulations to have a financial implication for money raised through CIL. Phased payments on all applications have the potential to delay the time in which money is collected through CIL. The CIL regulations already allowed Local Authorities to include an instalment policy for the phasing of payments. This further change to the regulations to allow phasing of payments on full and reserved matters applications may have implications on the instalment policy. Ultimately this has the potential to delay the delivery of infrastructure and facilities to be funded from the regulation 123 list.

Conclusions

- 1.13 Significant amendments were incorporated in the CIL regulations in February 2014. Analysis has shown that these amendments have the potential to reduce the amount of money to be raised by a Community Infrastructure Levy in Breckland. There is also the potential that the Government's review of the CIL regulations in 2015 will lead to further amendments to the CIL regulations.

Appendix 1: Rural windfall development – completions 2001-2013

2001/2002

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	3	52	156	£9,360
2 bedroom	26	75	1,950	£117,000
3 bedroom	38	95	3,610	£216,600
4+ bedroom	63	115	7,245	£434,700
			Total	£777,660

2002/2003

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	0	52	0	£0
2 bedroom	15	75	1,125	£67,500
3 bedroom	40	95	3,800	£228,000
4+ bedroom	65	115	7,475	£448,500
			Total	£744,000

2003/2004

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	3	52	156	£9,360
2 bedroom	11	75	825	£49,500
3 bedroom	52	95	4,940	£296,400
4+ bedroom	52	115	5,980	£358,800
			Total	£714,060

2004/2005

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	6	52	312	£18,720
2 bedroom	27	75	2,025	£121,500
3 bedroom	79	95	7,505	£450,300
4+ bedroom	78	115	8,970	£538,200
			Total	£1,128,720

2005/2006

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	4	52	208	£12,480
2 bedroom	33	75	2,475	£148,500
3 bedroom	53	95	5,035	£302,100
4+ bedroom	73	115	8,395	£503,700
			Total	£966,780

2006/2007

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	2	52	104	£6,240
2 bedroom	30	75	2,250	£135,000
3 bedroom	66	95	6,270	£376,200
4+ bedroom	62	115	7,130	£427,800
			Total	£945,240

2007/2008

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	5	52	260	£15,600
2 bedroom	23	75	1,725	£103,500
3 bedroom	73	95	6,935	£416,100
4+ bedroom	52	115	5,980	£358,800
			Total	£894,000

2008/2009

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	8	52	416	£24,960
2 bedroom	35	75	2,625	£157,500
3 bedroom	66	95	6,270	£376,200
4+ bedroom	65	115	7,475	£448,500
			Total	£1,007,160

2009/2010

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	5	52	260	£15,600
2 bedroom	22	75	1,650	£99,000
3 bedroom	49	95	4,655	£279,300
4+ bedroom	31	115	3,565	£213,900
Total				£607,800

2010/2011

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	7	52	364	£21,840
2 bedroom	11	75	825	£49,500
3 bedroom	41	95	3,895	£233,700
4+ bedroom	45	115	5,175	£310,500
Total				£615,540

2011/2012

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	5	52	260	£15,600
2 bedroom	22	75	1,650	£99,000
3 bedroom	30	95	2,850	£171,000
4+ bedroom	27	115	3,105	£186,300
Total				£471,900

2012/2013

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	3	52	156	£9,360
2 bedroom	6	75	450	£27,000
3 bedroom	30	95	2,850	£171,000
4+ bedroom	23	115	2,645	£158,700
Total				£366,060

Appendix 2: Dwellings completed on single plots since 2001

2001/2002

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	0	52	0	£0
2 bedroom	16	75	1,200	£72,000
3 bedroom	15	95	1,425	£85,500
4+ bedroom	29	115	3,335	£200,100
Total				£357,600

2002/2003

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	0	52	0	£0
2 bedroom	8	75	600	£36,000
3 bedroom	24	95	2,280	£136,800
4+ bedroom	30	115	3,450	£207,000
Total				£379,800

2003/2004

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	1	52	52	£3,120
2 bedroom	7	75	525	£31,500
3 bedroom	19	95	1,805	£108,300
4+ bedroom	28	115	3,220	£193,200
Total				£336,120

2004/2005

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	3	52	156	£9,360
2 bedroom	14	75	1,050	£63,000
3 bedroom	28	95	2,660	£159,600
4+ bedroom	41	115	4,715	£282,900
Total				£514,860

2005/2006

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	2	52	104	£6,240
2 bedroom	15	75	1,125	£67,500
3 bedroom	24	95	2,280	£136,800
4+ bedroom	41	115	4,715	£282,900
Total				£493,440

2006/2007

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	2	52	104	£6,240
2 bedroom	8	75	600	£36,000
3 bedroom	24	95	2,280	£136,800
4+ bedroom	37	115	4,255	£255,300
Total				£434,340

2007/2008

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	3	52	156	£9,360
2 bedroom	11	75	825	£49,500
3 bedroom	28	95	2,660	£159,600
4+ bedroom	29	115	3,335	£200,100
Total				£418,560

2008/2009

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	4	52	208	£12,480
2 bedroom	15	75	1,125	£67,500
3 bedroom	24	95	2,280	£136,800
4+ bedroom	30	115	3,450	£207,000
Total				£423,780

2009/2010

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	2	52	104	£6,240
2 bedroom	7	75	525	£31,500
3 bedroom	23	95	2,185	£131,100
4+ bedroom	20	115	2,300	£138,000
Total				£306,840

2010/2011

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	0	52	0	£0
2 bedroom	2	75	150	£9,000
3 bedroom	15	95	1,425	£85,500
4+ bedroom	16	115	1,840	£110,400
Total				£204,900

2011/2012

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	2	52	104	£6,240
2 bedroom	5	75	375	£22,500
3 bedroom	14	95	1,330	£79,800
4+ bedroom	14	115	1,610	£96,600
Total				£205,140

2012/2013

House type	Number completed	Average dwelling size (m2)	Total (m2)	Total CIL (£)
1 bedroom	3	52	156	£9,360
2 bedroom	2	75	150	£9,000
3 bedroom	6	95	570	£34,200
4+ bedroom	9	115	1,035	£62,100
Total				£114,660