Localism Bill: Community Infrastructure Levy

Impact assessment

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January 2011
Department for Communities and Local Government

Impact Assessment: Updated Final Impact Assessment for the Community Infrastructure Levy

This document provides a robust analysis of the potential impacts of one element of a package of policies that will have an impact on housing supply.

This document should be read in conjunction with impact assessments for related measures that form part of the Government's housing supply strategy. It should be recognised that some measures, considered in isolation, may not increase supply. However, they contribute to a new approach, which will deliver more of the homes that people want, where they want them. This new approach aims to rebalance power from central government to local authorities and local people, combined with new freedoms and financial incentives.

The Government's housing strategy and an overarching assessment of the impact of the Government's policies on housing supply can be found in the forthcoming DCLG paper, *A new approach to housing supply*.

This document/publication is also available on our website at www.communities.gov.uk

Any enquiries regarding this document/publication should be sent to us at

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Title: Localism Bill: Community Infrastructure Levy (updated Final Impact Assessment)	Impact Assessment (IA)
Lead department or agency: DCLG	**IA No:** DCLG 0057
Other departments or agencies: HM Treasury (co-signatories of regulations)	**Date: January 2011**
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Primary legislation
	Contact for enquiries: Steve Woolley (0303 444 1674)

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

The Community Infrastructure Levy was introduced as an alternative to planning obligations. It provides a simpler, fairer and more transparent system of standard charges to unlock additional funding for infrastructure and respond to the needs of local communities. The planning obligations system by which developers contribute funding for infrastructure is often slow and unpredictable, based on ad hoc negotiations conducted in private. Research shows the burden of funding is unfair, falling primarily on major residential developments: in 2007/08 around 14 per cent of all residential permissions had planning agreements attached to them (51 per cent of major developments and 9 per cent of minor developments); in contrast only 7 per cent of permissions for offices had planning obligations attached to them. The Government has reviewed the Community Infrastructure Levy – in particular to assess its ability to respond to local needs and to incentivise development.

What are the policy objectives and the intended effects?

The Government wants a transparent and fair system whereby developers make a contribution towards additional infrastructure that is needed as a result of their development, and which gives power to councils and communities to make their own decisions on planning issues. Compared with the system of section 106 planning obligations, the Community Infrastructure Levy simplifies the way contributions are made by developers, and mitigates the pooling failure that results because the cumulative impact of individual developments necessitates infrastructure, but individual developers lack the incentive or the resources to fund such infrastructure by themselves.

However, the Government also wants to hand more power to councils and communities to decide what they want the Community Infrastructure Levy to fund and how it operates. The policy consideration therefore is in two parts: (a) whether to retain a Community Infrastructure Levy for the purpose of funding (in whole or in part) infrastructure needs arising from new development; and (b) if retained, appropriate reforms to enable greater localism within the levy; to ensure councils have flexibility to determine how to implement a levy in their area and that communities have a greater say in how resources are deployed.

What policy options have been considered? Please justify preferred option (further details in Evidence Base)
Three options have been considered: (1) retaining the Community Infrastructure Levy in its current form; and (2) reforming it to make it a more localist instrument (3) abolishing the Community Infrastructure Levy and revert to a planning obligations (section 106) system The quantified costs and benefits of a Community Infrastructure Levy as a whole are assessed relative to the previous section 106 planning obligations system. The costs and benefits have been updated from those published in February 2010,[1] to reflect current economic conditions. This assessment is necessary to illustrate the collective costs and benefits of retaining a Community Infrastructure Levy, but does not represent the costs and benefits of reforming it. The preferred option is to reform the Community Infrastructure Levy to give councils and neighbourhoods more control over funding for infrastructure in their area, whilst also increasing flexibility for business. This will incentivise development, maximising the funding available for the infrastructure local communities need.

When will the policy be reviewed to establish its impact and the extent to which the policy objectives have been achieved?	It will be reviewed Autumn 2015
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister: Greg Clark.. Date: January 2011 ....

[1] www.communities.gov.uk/documents/planningandbuilding/pdf/infrastructurelevyfinal.pdf

Summary: Analysis and Evidence — Policy Option 2

Description: Retain the Community Infrastructure Levy with reforms to make it more local.

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: £1,190m	**High: £2,590m**	**Best Estimate: £1,890m**

COSTS (£m)	**Total** (Constant Price)	**Transition** Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	n/a		£700m	**£5,540m**
High	n/a		£845m	**£6,910m**
Best Estimate	n/a		£770m	**£6,225m**

Description and scale of key monetised costs by 'main affected groups'

Local authorities: 10 year local authority set up costs: £61m to £68m. 10 year local authority ongoing costs: £146m to £162m based on assumptions regarding local authority take-up. Annual on-going costs include recurring set-up costs.

Developers: Net Present Value of 10 year costs to those paying the Community Infrastructure Levy: £5,330 to £6,680m. **Note:** the revenues generated are themselves a cost to those paying the charge, but a benefit to the local authorities who receive the Community Infrastructure Levy. In net terms, the Community Infrastructure Levy therefore represents a transfer and not a net cost.

Other key non-monetised costs by 'main affected groups'

The Community Infrastructure Levy will impose costs on those developers that choose to participate in the consultation process for establishing Community Infrastructure Levy charges and of submitting evidence to the public examination. But, note the non-monetised benefits below.

BENEFITS (£m)	**Total** (Constant Price)	**Transition** Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	n/a		£840m	**£6,700m**
High	n/a		£1,180m	**£9,500m**
Best Estimate	n/a		£1,010m	**£8,100m**

Description and scale of key monetised benefits by 'main affected groups'

Local authorities: Net Present Value of 10 year revenue from the Community Infrastructure Levy: £5,330m to £6,680m. This is based on the potential take-up of 82 per cent to 92 per cent of authorities taking up the Community Infrastructure Levy in 2016.

Other key non-monetised benefits by 'main affected groups'

The Community Infrastructure Levy offers developers greater certainty and predictability about their potential contributions compared to the current arrangements and so should speed up the development process and result in admin savings for those firms who make contributions under the present arrangements. Critically, increased transparency and better coordination of developer contributions will ensure funding for vital infrastructure projects for communities that might otherwise not be delivered and thereby help to deliver further development and the benefits associated with this.

Key assumptions/sensitivities/risks	**Discount rate (%)**	3.5%

The estimated Community Infrastructure Levy receipts reported here are based on modelling assumption of authorities setting a Community Infrastructure Levy, at £5,000 per dwelling, if 90 per cent or 95 per cent of potential sites could afford to pay that level of charge (see discussion in Evidence Base), based on 200,000 annual net additions in 2016. In reality, authorities may set charges at varying levels. Additional sensitivity testing of assumptions on charge levels (£10,000 per dwelling), future house-building levels (plus/minus 50,000 net additions in 2016) and other costs, is presented in the Evidence Base. A simple extrapolated growth path is used to reach the assumed 2016 level of net additions. Another key assumption centres on the economic benefits which may arise from the additional dwellings unlocked by infrastructure funded by the Community Infrastructure Levy; this impact assessment illustrates the benefits arising from an additional 2,500 - 5,000 dwellings per annum in net terms.

Impact on admin burden (AB) (£m):			**Impact on policy cost savings (£m):**	**In scope**
New AB: N/A	**AB savings:**	**Net:**	**Policy cost savings:**	No

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England and Wales		
From what date will the policy be implemented?			2011		
Which organisation(s) will enforce the policy?			Charging authorities		
What is the annual change in enforcement cost (£m)?			See evidence base		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			N/A		
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A		**Non-traded:** N/A
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			**Costs:** 100%		**Benefits:** 100%
Annual cost (£m) per organisation (excl. Transition) (Constant Price)	**Micro**	**< 20**	**Small**	**Medium**	**Large**
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on…?	**Impact**	**Page ref within IA**
Statutory equality duties[2] Statutory Equality Duties Impact Test guidance	No	23
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	22
Small firms Small Firms Impact Test guidance	Yes	22
Environmental impacts		
Greenhouse gas assessment	No	23
Wider environmental issues	No	23
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	23
Human rights Human Rights Impact Test guidance	No	24
Justice system Justice Impact Test guidance	No	24
Rural proofing Rural Proofing Impact Test guidance	No	24
Sustainable development Sustainable Development Impact Test guidance	No	23

[2] Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessment of earlier stages (e.g. Consultation, Final, Enactment).

No.	Legislation or publication
1	Planning Act 2008 www.legislation.gov.uk/ukpga/2008/29/contents
2	Partial Impact Assessment - December 2008 www.communities.gov.uk/archived/publications/planningandbuilding/communityinfrastructurelevyia
3	Partial Impact Assessment - July 2009 www.communities.gov.uk/archived/publications/planningandbuilding/infrastructurelevypartial
4	Community Infrastructure Levy Regulations 2010 www.legislation.gov.uk/uksi/2010/948/contents/made
5	Final Impact Assessment - February 2010 www.communities.gov.uk/publications/planningandbuilding/infrastructurelevyfinal
6	DCLG (2010) The incidence, value and delivery of planning obligations in England in 2007-08. www.communities.gov.uk/publications/planningandbuilding/planningobligationsreport

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y_0	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7	Y_8	Y_9
Transition costs										
Annual recurring cost										
Total annual costs	15	155	369	516	800	830	850	860	870	880
Transition benefits										
Annual recurring benefits										
Total annual benefits	15	370	584	732	1017	1028	1040	1072	1082	1095

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

Problem under consideration

Part 11 of the Planning Act 2008 establishes the legislative framework for the Community Infrastructure Levy, and the detail of the levy was set out in secondary legislation which came into force in April 2010. Partial Impact Assessments were published in December 2008 and July 2009 to accompany Royal Assent of the Planning Act and the publication of the draft Community Infrastructure Levy Regulations respectively. The Final Impact Assessment was published in February 2010 to accompany the laying of the draft Community Infrastructure Levy Regulations in Parliament.[3] This document updates the February 2010 assessment to reflect the latest policy developments on the Community Infrastructure Levy and latest available data on market conditions in the land market.

The Community Infrastructure Levy offers several advantages over the current system of planning obligations:

- Simplicity: the Community Infrastructure Levy takes the form of fixed standard charges, levied as pounds per square metre of floorspace.

- Predictability: the Community Infrastructure Levy charging schedules will be published, and developers will be able to readily predict the size of their potential liability, perhaps months or years in advance of development. This is important for helping developers to plan ahead. It will also speed up the planning process.

- Transparency: Draft Community Infrastructure Levy charging schedules will be subject to consultation with local communities and developers, and they can be adopted only after a Community Infrastructure Levy examination, involving independent testing by an examiner with appropriate qualifications and experience. Community Infrastructure Levy charging schedules will provide greater transparency over the amount that different developers are required to pay. Community Infrastructure Levy charging authorities will also be required to monitor the use of the Community Infrastructure Levy and provide regular reports to ensure that people can understand how contributions from developers are helping to make their local communities more sustainable and that developers can see how contributions are being used to support the development of the area. These measures will increase community involvement, contrasting with planning obligations where developers and local authorities negotiate agreements behind closed doors.

- Fairness: the Community Infrastructure Levy will be levied on most types of new development in a local authority area, thus broadening the range of developments being asked to contribute something towards local infrastructure. The Government believes it is fair to ask those receiving a benefit from development to share some of that gain with the wider community, including with the local community that has accepted the new development. By broadening the range of developments asked to contribute, the flow of contributions to a local authority becomes less ‘lumpy’ and much more predictable over time.

- Efficiency: Infrastructure typically has the characteristics of a public good, so that if infrastructure is available for consumption by one person, it is very difficult to exclude another person from consuming the same infrastructure. This creates an incentive for consumers to try to free-ride, by not contributing any funding for infrastructure, resulting in under-provision of infrastructure without government intervention. This problem arises with planning obligations, where it is often difficult to demonstrate the cumulative impact

[3] www.communities.gov.uk/documents/planningandbuilding/pdf/infrastructurelevyfinal.pdf

that individual developments impose, resulting in under-funding of items of infrastructure which serve numerous developments. Local authorities have been seeking more legal certainty in this area to address the pooling failure that is linked to the public good characteristics of such items of infrastructure. The Community Infrastructure Levy will make it easier for charging authorities to address the cumulative impact of developments, ensuring developers cannot free-ride on others in the community, but rather make a fair contribution towards infrastructure.

Although the Government supports the Community Infrastructure Levy in principle, it considers that local authorities and communities should have more power in relation to development in their area: in setting the Community Infrastructure Levy and determining how it is spent. Changes made by the Localism Bill and through amendment regulations, made under provisions of part 11 of the Planning Act 2008, will deliver this increased localism to the Community Infrastructure Levy. Our assessment of these changes is that they are not expected to alter the financial costs and benefits of the levy; they will redistribute collected resources to give neighbourhoods more control over their use, reduce administrative burdens on local authorities and business, and give councils more flexibility in how they implement and collect the Community Infrastructure Levy in their area, in turn enabling them to allow liable bodies more flexibility in how they pay. The benefits of the changes are therefore concerned with enabling more local control and decision making; creating more flexibility to as to how the Community Infrastructure Levy operates in areas and increase its ability to respond to the needs of councils, business and neighbourhoods.

Rationale for intervention

Government intervention is needed to free up local authorities, allowing them to respond more effectively to local economic circumstances and what their communities need. This intervention will take the form of changes to primary and secondary legislation and new statutory guidance.

Without intervention, local authorities will continue to be micromanaged, and the role of communities will be circumscribed.

Policy objective

The Government wants a planning system which incentivises sustainable development, and where communities can shape the places where their inhabitants live. We want to give local authorities the flexibility to respond to the needs of their communities and businesses to maximise the funding available for infrastructure. We also want to empower local communities to participate in this process and to have a real say in how funding for infrastructure is spent.

Description of options considered

Option 1: do nothing

The ‘do nothing’ option would be to make no changes to the Community Infrastructure Levy, as introduced in April 2010.

The Community Infrastructure Levy is a new, discretionary charge which local authorities are empowered to charge on most types of new development in their area. Community Infrastructure Levy charges will be based on a formula which relates the charge to the size of the development paying it. The proceeds of the levy will be spent on infrastructure to support the development of the area.

It is a new flexible instrument for local authorities, helping them to deliver better public services to support the development of their areas and promote economic growth. Local authorities can decide whether or not to set a Community Infrastructure Levy depending upon their local economic circumstances.

Compared with planning obligations, the Community Infrastructure Levy loosens the relationship between a development and the amount charged, since the charge is by definition an average cost distributed evenly across a number of developments. This loosening enables contributions to be sought to fund the development of an area, rather than to support the specific development that is seeking planning permission. The Community Infrastructure Levy therefore offers local authorities a more flexible tool, helping them to secure the finances needed to deliver their infrastructure priorities. The Community Infrastructure Levy makes it easier for local authorities to coordinate contributions towards larger infrastructure items that contribute to the wider development of their local area, which might not be provided otherwise.

Charging authorities wishing to introduce a Community Infrastructure Levy are required to demonstrate that their proposed charges will support the development of their area. They will need to draw on the infrastructure planning that underpins the development plan for their area, when setting their Community Infrastructure Levy rates, as that evidence will inform estimates of the quantum and type of infrastructure required, and the size of any funding shortfall for infrastructure. Charging authorities will use that evidence in striking an appropriate balance between the desirability of funding infrastructure from a Community Infrastructure Levy and the potential effects of the imposition of a Community Infrastructure Levy upon the economic viability of development across their area. Charging schedules may also include differential levy rates, where they can be justified either on the basis of the economic viability of development in different parts of the authority’s area, or by reference to the economic viability of different types of development within their area.

Charging authorities are required to consult local communities, developers and other interested persons on their charging schedule, including subjecting it to a Community Infrastructure Levy examination by an independent examiner. Under the current Community Infrastructure Levy legislation, all of the examiner’s recommendations are binding on the charging authority. In addition, under the current regulations, the rules for paying the Community Infrastructure Levy are highly prescribed and remove any flexibility a charging authority has to alter payment intervals to suit its own economic circumstances. Finally, neither the Community Infrastructure Levy legislation nor guidance currently ensures that charging authorities will pass a proportion of revenue down to the local neighbourhoods that accepted the new development to spend on local infrastructure, thus dulling the Community Infrastructure Levy’s potential incentivising effects.

Planning obligations continue to exist, as they can be a useful tool for mitigating the site-specific impacts of a development to make acceptable development which would otherwise be unacceptable in planning terms and facilitate the granting of planning permission. Planning obligations will also continue to be used to secure affordable housing contributions, because the provision of affordable housing in-kind and on the development site is important for securing mixed communities. However, planning obligations are scaled back when a local authority introduces a Community Infrastructure Levy to encourage it to become the primary means of funding local infrastructure through developer contributions.

Option 2: reform the Community Infrastructure Levy to make it more localist (preferred option)

An alternative option is to reform the Community Infrastructure Levy to give councils and communities the power to shape their local area by making their own decisions on what the Community Infrastructure Levy should fund and how it operates. Specifically, we propose:

- Ensuring neighbourhoods will receive a meaningful proportion of Community Infrastructure Levy funds raised from development in their area to spend on infrastructure in their neighbourhood.

- Making it clear that the Community Infrastructure Levy can be spent on the ongoing costs of infrastructure, as well as the initial costs of new infrastructure. We will ensure that resources can be used in the most effective way to support development in the relevant area. This will increase flexibility to fund maintenance, operational activity and measures to promote or secure the efficient and effective use of infrastructure.

- Enabling local authorities to decide their own payment deadlines, whether to offer the option to pay by instalments, and to accept a payment-in-kind for any level of Community Infrastructure Levy contribution.

- Giving local authorities more power by limiting the binding nature of the examiner's recommendations on the charging schedule. Examiners will still be able to ensure that councils comply with the law and do not set unreasonable charges, and councils will be required to correct any problems the examiner finds, but it will be up to the council how this is done.

- Closing potential loopholes and improving how the levy system works, including: reducing information requirements on the 'notice of chargeable development' and establishing a baseline date for the scaling back of planning obligations, once a council introduces a Community Infrastructure Levy.

These reforms will be delivered through amendments to the Community Infrastructure Levy Regulations (which we expect to come into force in April 2011), the Localism Bill (expected to come into force by November 2011) and further regulations after the Localism Bill comes into force.

The modelling estimates in this impact assessment have been updated since the version published in February 2010 to reflect the latest policy developments on the Community Infrastructure Levy and latest available data on market conditions in the land market. These estimates and their accompanying explanations relate to the Community Infrastructure Levy as a whole – not only the proposed reforms. Our model is not detailed enough to cost the precise impacts of the reforms, but we highlight in the text the effects we expect.

Option 3: abolish the Community Infrastructure Levy and revert to a planning obligations (section 106) system

This option would entail repealing the relevant sections of the Planning Act 2008 and the Community Infrastructure Levy Regulations 2010. As part of the process of obtaining planning permission, local authorities would negotiate individual section 106 agreements with developers to fund infrastructure linked with that development.

This system is often slow and unpredictable, based on ad hoc negotiations conducted in private. Research shows the burden of funding is unfair, falling primarily on major residential developments: in 2007/08 around 14 per cent of all residential permissions had planning agreements attached to them (51 per cent of major developments and 9 per cent of minor developments); in contrast only 7 per cent of permissions for offices had planning obligations attached to them.

Costs and benefits

Option 3 (a planning obligations (section 106) system) is the baseline for the purposes of considering whether to retain the Community Infrastructure Levy. This presents a helpful summary of the overall costs and benefits of having a levy.

Option 1 is the baseline for considering the impact of our proposed reforms to the Community Infrastructure Levy. As we have set out, our assessment of our reforms is that they will not have a significant financial impact on costs or benefits. The changes are concerned with non-financial benefits of redistributing resources to empower communities to determine their appropriate use and giving councils greater flexibility to tailor the levy to the conditions in their area. If we failed to make the changes, we would expect to reduce the assessment of the benefits under Option 1, because the changes enable councils more flexibility in setting and collecting the Community Infrastructure Levy, which we believe will support the realisation of the assessed costs and benefits of retaining the Community Infrastructure Levy. We do not have the evidence to monetise the costs and benefits of the proposed reforms, but have described them.

1. Costs of retaining a Community Infrastructure Levy

Landowners and developers

Although any party interested in land will be able to assume liability for the Community Infrastructure Levy, it will often be developers who pay in the first instance. Ultimately, it is expected that the incidence of the levy will fall on landowners, because developers would negotiate a discounted value for land when they buy it to offset their Community Infrastructure Levy liability. This rests on the fact that new housing (or other) supply represents a small proportion of the total supply in any one year, with the bulk coming from the existing stock, meaning developers are ‘price-takers’ and so cannot pass forward additional charges to purchasers.

The process by which developers (or another interested party) can assume liability for the Community Infrastructure Levy will be kept as simple and as integrated as possible with existing requirements on developers. Assuming liability for the Community Infrastructure Levy and paying it will be much simpler and cheaper than the lengthy negotiations often undertaken to agree section 106 planning obligations. However, as the Community Infrastructure Levy is payable on almost all new developments, there will be a small administrative burden on some developers who did not previously contribute towards infrastructure through section 106 agreements.

The Community Infrastructure Levy will result in a minor administrative burden for those developers that choose to participate in the consultation process for establishing Community Infrastructure Levy charges and to submit evidence to the Community Infrastructure Levy charging schedule examination. But there will be no requirement for a developer to engage in these activities, so any costs will be optional. We expect that any additional upfront costs on developers should be offset by the benefits associated with greater certainty and predictability about potential liability, although we have not quantified these effects in this impact assessment, because of the absence of data. In addition, the scaling back of planning obligations will reduce the administrative burden on developers. This impact assessment therefore assumes that there will be a neutral effect overall in terms of the administrative burdens on developers.

Local authorities

Charging authorities that choose to introduce a Community Infrastructure Levy will incur some initial set-up costs, which will include the costs of consultation on the draft charging schedule, including a Community Infrastructure Levy examination. Once the system is implemented, there will be ongoing costs connected with advising developers of their Community Infrastructure Levy liability, collecting, monitoring, reporting and enforcing the Community Infrastructure Levy. New mechanisms and systems necessary for the Community Infrastructure Levy should be designed to minimise duplication with existing systems to make the Community Infrastructure Levy as efficient a mechanism as possible.

Local authorities will have the option of undertaking the preparation and public examination of their core strategy at the same time as the preparation and examination of their draft charging schedule, where it is appropriate to their situation. Depending on how advanced local authorities are in consulting on their core strategies, some local authorities will have more scope than others to do this in the early years of the Community Infrastructure Levy. Joint working should increase efficiency, for example, by allowing local authorities in assessing the viability of development in their area to draw upon the same information to underpin both processes.

Assumptions made in estimating costs

Set-up costs

- The costs of assessing viability of development for the Community Infrastructure Levy purposes are assumed to be similar to the costs of work testing the viability of affordable housing under *Planning Policy Statement 3: Housing*. Estimates of rates charged by the Valuation Office Agency and by consultants suggest that the costs could range between £25,000 and £70,000 depending on the complexity of the work (which will depend on the degree of variation in land values and the complexity of the charging schedule).

- The cost of consulting on a Development Plan Document provides a proxy for the costs of publicly consulting on a charging schedule. Estimates from local planning authorities suggest a range of £10,000 to £20,000.

- The costs of the examination by an independent person are estimated using the daily rate currently charged by the Planning Inspectorate for independent examination of Development Plan Documents, which is £993. The Planning Inspectorate have also provided indicative durations for the costs of undertaking public examinations of Area Action Plans, which we consider provides a reasonable initial proxy for the cost of a Community Infrastructure Levy public examination. The total costs of public examinations for Area Action Plans vary between £29,790 for a two day hearing (30 days total duration), and £42,203 for a five day hearing (42.5 days total duration). We expect a two day hearing for a Community Infrastructure Levy examination to be the norm, but a five day hearing might be needed for larger local authorities with more diverse land values and more complex charging schedules.

- Printing costs are minimised due to bias towards online publication. The costs for individual local authorities are assumed to be between £500 and £1,500.

- It is assumed that those councils that decide to take up the Community Infrastructure Levy will do so in the first four years after the Community Infrastructure Levy came into force in April 2010. Our previous Impact Assessment assumed that take-up would occur over three years, with a third of those authorities adopting a Community Infrastructure Levy in each of those three years. However, we now expect take-up to be delayed, so that only 2 per cent of Local Authorities implement a Community Infrastructure Levy in

2011-12, with the rest spread over the next three years. Our calculations therefore build up to the assumed take-up rate in 2016 along a trajectory of 2 per cent, 20 per cent, 47 per cent and 65 per cent of the final take-up rate.

- In estimating the costs, it is assumed that 30 per cent of those authorities which take up the Community Infrastructure Levy will opt for a joint examination of their Community Infrastructure Levy charging schedule with their core strategy which will lead to a 20 per cent reduction in the set-up costs for those authorities.

- For illustrative purposes, the cost estimates assume that all set-up costs recur every five years. However, the Government has not set a timescale for when charging authorities will need to update their charging schedules. The modelling takes a cautious approach and assumes the cost saving of 20 per cent of the setup costs for authorities undertaking combined examinations only arises the first time that an authority establishes a charging schedule.

On-going costs

There will also be ongoing administration costs for local authorities that implement a Community Infrastructure Levy, including the costs associated with advising developers on their liability, and collecting and enforcing payment. The scope of enforcement includes issuing fines, serving a stop notice, debt recovery measures (including asset or land seizure) and prosecuting a party for persistent non-payment. We do not expect that the changes to the Community Infrastructure Levy will change these costs.

Table 1 below shows set-up costs and on-going costs. Set-up costs are calculated by taking the central estimate of per-authority costs from the ranges above.

Table 1: Individual local authority costs of taking up a Community Infrastructure Levy – year one estimates cost

Community Infrastructure Levy charging scenario	**Year 1 – outside London**	**Year 2 onwards – outside London**
Set-up costs	£91,000	n/a
On-going costs	£16,700	£75,700
Total	£107,700	£75,700

Table 2 shows the discounted costs to local authorities of implementing the Community Infrastructure Levy over 10 years, from 2010/11 to 2019/20, under the long-run scenarios used in the modelling of revenues described below. This assumes that set up costs occur for an individual local authority in the first and sixth years of implementing a Community Infrastructure Levy charge and therefore that annual costs in these years are larger than in intervening years.

We have two illustrative scenarios of costs in Table 2, because the costs will vary depending on the level of take-up by local authorities. Take up rates – discussed further on pages 12 to 14 – are based on the proportion of local authorities that can afford to impose a certain charge (e.g. £5,000) per dwelling on the majority (e.g. 90%) of potential sites. An authority is deemed unable to afford to impose a set Community Infrastructure Levy if the land value uplift on site would not cover the charge and thus development would not be viable.

Table 2: Total NPV Costs to Charging Authorities Depending on Take-up of the Community Infrastructure Levy

From revenue modelling			NPV of Total Costs over 10 years (£ million)		
Community Infrastructure Levy Charging Scenario	**Long Run Percentage of local authorities Taking Up the Community Infrastructure Levy**	**Long Run No. of Local Authorities Taking Up the Community Infrastructure Levy**	**Set Up Costs**	**On-Going Costs**	**Total Costs to Local Authorities**
£5,000 per dwelling, affordable on 90% of potential sites	92%	331	68	162	230
£5,000 per dwelling, affordable on 95% of potential sites	82%	295	61	146	207

The Community Infrastructure Levy Regulations permit charging and collecting authorities to finance the costs of establishing and running a Community Infrastructure Levy regime from the receipts, subject to the caps stipulated in the regulations. This provision incentivises local authorities to introduce a Community Infrastructure Levy.

The costs of monitoring and reporting by local authorities are proportionate, balancing the need to ensure transparency and accountability, whilst avoiding imposing excessive burdens on local authorities. The Government will encourage charging authorities, as far as possible, to build on their existing accounting and reporting arrangements.

2. Benefits of retaining a Community Infrastructure Levy

Developers

The Community Infrastructure Levy responds to the concerns that developers previously raised about the current system of planning obligations. As explained above, the Community Infrastructure Levy simplifies the process of negotiating developer contributions through simple standard charges, which will speed up the development process. Critically, the Community Infrastructure Levy reduces risk for developers, by providing them with upfront certainty about their potential liability. This certainty is particularly important in the current and likely future economic circumstances, as it will help developers to make more efficient choices in planning future development, and reduces the cost of financing projects.

We do not quantify the benefits of increased certainty in this impact assessment, because of the absence of available data. We expect the reforms to the Community Infrastructure Levy will incentivise development – as local authorities will be required to give to neighbourhoods a proportion of funds raised in their area to spend on their priorities. Furthermore, the reforms to payment arrangements, which allow local authorities to set their own policies on instalments and payments-in-kind, will increase flexibility for local authorities to help developers pay the Community Infrastructure Levy.

Local authorities

The Community Infrastructure Levy will benefit local authorities, because it provides them with a discretionary mechanism to help them to unlock additional funding to support the infrastructure that underpins the delivery of the development plan for their area. Moreover, the Community

Infrastructure Levy will enable local authorities to forecast better the amount of funding they expect from developer contributions, and hence better plan their infrastructure delivery.

The proposed reforms to the Community Infrastructure Levy enable local authorities to retain control of their detailed proposals, freeing them from interference by an unaccountable examiner. Reforms will give greater clarity and flexibility over the use of CIL revenues to fund the ongoing costs of infrastructure, as well as the initial costs of new infrastructure, to ensure the most effective use of resources to support the development of an authority's area. Reforms will also allow local authorities to set their own payment policies to enable them to better respond to local economic circumstances.

Neighbourhoods

The Government will require local authorities to give a meaningful proportion of Community Infrastructure Levy money raised in a neighbourhood back to that neighbourhood, responding to their local needs. This will incentivise development as communities will see directly the benefits of development.

Modelling assumptions

Economic modelling has been used to estimate potential Community Infrastructure Levy revenues. The modelling provides estimates of the impact of different levels of the Community Infrastructure Levy on potential local authority take-up and the revenues that might be generated, based on illustrative development levels.

Development of land is usually associated with an increase in the value of land, and the Community Infrastructure Levy captures part of that increase to fund local infrastructure. Valuation Office Agency data gives average land values for local authorities, but does not provide a distribution (i.e. the variation) of land values within local authority areas. For residential development, distributions are therefore estimated by applying the distribution of house prices for new dwellings (from the Land Registry) to the Valuation Office Agency residential land value estimates (average for the five years from January 2005 to January 2010). This provides a distribution of developed residential land values within a local authority area.

The model then deducts the value for the current use of land from the developed land value distribution. The values for brownfield sites are based on mixed industrial existing use values, and those for greenfield sites are based on agricultural existing use values. This provides an estimate of the 'available land value uplift' which is the increase in the value of land arising from development (and its associated change in land use). The modelling is done on a per dwelling basis (making use of DCLG's Land Use Change Statistics on density). In practice, the charge will be levied on a square metre basis.

The Government proposes that charging authorities will be able to set differential rates in their areas based on (amongst other factors) geographic variation in the economic viability of development. In the absence of data on geographic areas below the charging authority area level, the modelling includes a proxy assessment of the impact of differential rates by creating two distributions of land values within each local authority, covering greenfield and brownfield sites. For simplicity, the modelling assumes that where charging authorities can afford to levy a specified charge on both greenfield and brownfield sites, they will do so, but where charging authorities consider that the levy is viable only on high value sites (i.e. greenfield), they will do this instead. The modelling does not assume that the Community Infrastructure Levy will lead to more development of greenfield sites and nor do we anticipate that it will.

The modelling then deducts wider costs from the available land value uplift distribution, to provide an estimate of the increase in the value of land that might be available to fund the

Community Infrastructure Levy. The wider costs that were deducted were: planning obligations other than affordable housing (based on the 2005-06 figures from the latest research, but adjusted to reflect a scaling back of three-quarters of those contributions towards items other than affordable housing);[4] the costs of achieving a 25 per cent improvement in energy efficiency building standards from 2010; Capital Gains Tax; and an allowance for landowner profits. No deduction was made for the cost of affordable housing contributions, because the Valuation Office Agency estimates already allow for this where typically present in an area.

The modelling has been updated since the preparation of the Final Impact Assessment (published February 2010). It includes the latest land value estimates from the Valuation Office Agency (Jan 2010 figures), which have fallen as a result of the recession, leading to some reduction in Community Infrastructure Levy revenue estimates. This Impact Assessment also provides estimates based on a five year average of land value estimates from January 2005 to January 2010; the five year average has been used to illustrate the potential earning power of the Community Infrastructure Levy over the long-run and to avoid the analysis and estimates being distorted by the any temporary volatility in the market. It is assumed that land values return to their previous peak by 2016, and then continue to grow at the long-run rate of house price inflation. The modelling underpinning this impact assessment is based on local authority level data for England. However, the geographical scope of the Community Infrastructure Levy covers England and Wales. The qualitative analysis in the impact assessment of the costs, benefits and overall impact of the policy relates to both England and Wales.

The modelling estimates potential revenues from a Community Infrastructure Levy set at £5,000 or £10,000 per dwelling[5] where the charge is implemented if affordable on either 90 per cent or 95 per cent of potential sites within a local authority area. This approach is used to estimate the number of local authorities that might potentially take up the Community Infrastructure Levy under different scenarios. For those authorities expected to take up the Community Infrastructure Levy, the revenue is estimated by multiplying the Community Infrastructure Levy charge by the number of net additional dwellings that might be expected in the locality.

For illustration a scenario of 200,000 net additions per annum is used for the central estimates with sensitivities of 150,000 and 250,000. This is assumed to be the ‘steady state’ level of net additions reached in 2015/16 with uniform growth applied to reach that position from the current level. The distribution of units across local authorities is assumed to be in line with the recent distribution across local authorities. Individual revenue estimates for local authorities expected to take up the Community Infrastructure Levy, are then aggregated to give a total Community Infrastructure Levy revenue estimate under different charging scenarios.

In practice, we would expect authorities to set charges at different levels – some may set charges that are higher, or for some parts of their areas, charges that are lower. But setting assumptions at £5,000 or £10,000, and including an allowance for differential rates within areas, as explained above, is a simple proxy for modelling purposes.

It would be more complex to apply the approach described above to estimating revenues in the commercial sector, because of the variation in both the types of commercial development (e.g. offices, retail and warehouses) and their size. To provide a simple approximation, the revenue estimates from residential development were therefore scaled up by 10 per cent to reflect expected revenues from commercial development. The 10 per cent figure was chosen to reflect recent trends in the split of commercial and residential floorspace for new development, based on Valuation Office Agency data for commercial floorspace, and the English Housing Condition Survey for residential floorspace.

[4] The Incidence, Value and Delivery of Planning Obligations in England in 2007-08 www.communities.gov.uk/publications/planningandbuilding/planningobligationsreport

[5] For reference, the modelling estimates an average uplift in England of £57,000 per dwelling, based on land values in July 2008.

The modelling also makes a downward adjustment to revenues to reflect an estimate of the effect of the Government's decision to exempt social housing development from paying the Community Infrastructure Levy. However, the difficulty of obtaining reliable data means it does not include revenue loss from charities qualifying for Community Infrastructure Levy relief but not developing social housing. The revenue estimates in Table 3 below take account of these two assumptions.

The scale back of planning obligations comprises two elements. Firstly, in April 2010 the former policy tests governing the use of planning obligations were placed into law to create a stronger basis for ensuring their appropriate use. Secondly, when a local authority introduces the Community Infrastructure Levy, or nationally after a transitional period of four years, the use of planning obligations will be restricted to ensure that individual developments are not charged for the same infrastructure items under both planning obligations and the Community Infrastructure Levy, and the use of pooled contributions from planning obligations will be limited.

Table 3 below shows estimates of the potential additional revenues expected by 2016 following the introduction of the Community Infrastructure Levy and the scaling back of planning obligations. The modelling takes account of the impact on local viability of the cost to developers of making contributions towards items, other than affordable housing, from planning obligations. As explained above, the latest research by Sheffield University estimated that the cost of these planning obligations was around £2bn in 2007-08. This figure has been up-rated to reflect long-run house price inflation, and reduced by 75 per cent, as a proxy for the effect of scaling back planning obligations.

In practice, the scaling back of planning obligations will have a number of effects. Firstly, some local authorities will be incentivised to take up the Community Infrastructure Levy who would otherwise not have done so. Secondly, some local authorities will be able to generate higher revenues from the Community Infrastructure Levy by charging a higher rate. Thirdly, the introduction of the Community Infrastructure Levy alongside the scaling back of planning obligations will provide developers with more upfront certainty about the size of developer contributions, and this should help unlock additional development, generating additional revenue.

The revenue modelling does not capture all of these effects, because of data limitations and inherent uncertainties. In practice, the situation in each local authority is different, so we cannot estimate the precise mix of planning obligations and Community Infrastructure Levy revenues.

Affordable housing will still be funded from planning obligations, because the on-site provision of affordable housing is important for generating mixed communities. The Government does not anticipate a reduction in the level of affordable housing as a result of the introduction of the Community Infrastructure Levy and will monitor the situation closely. Should monitoring reveal an adverse impact on affordable housing, the Planning Act 2008 contains a provision allowing the Community Infrastructure Levy Regulations to permit revenues to be used to fund affordable housing.

Estimates of Community Infrastructure Levy Revenues

Table 3: Headline Modelling Potential Revenue Estimates for 2016, current prices, based on five year average of land values

Community Infrastructure Levy charge	**Potential revenue raised, £m**	**Implied Potential take-up rates for Local Authorities (%)**
£10,000 per dwelling, affordable on 90% of potential sites	1479	75
£10,000 per dwelling, affordable on 95% of potential sites	1134	64
£5,000 per dwelling, affordable on 90% of potential sites	1065	92
£5,000 per dwelling, affordable on 95% of potential sites	851	82

Table 3 above shows the modelling results under different scenarios and is based on five year average of land value estimates. If a Community Infrastructure Levy charge was set at £5,000 per dwelling in those authorities where this would be affordable on 95 per cent of potential local sites, 82 per cent of local authorities would potentially be able to take up the Community Infrastructure Levy, generating £851m of revenues a year by 2016. If the same £5,000 per dwelling charge was set in those authorities where this would be affordable on 90 per cent of potential local sites, local authority take-up would increase to 92 per cent, generating revenues of £1,065m a year by 2016. These two scenarios for a £5,000 per dwelling charge have been taken as the basis for the cost and revenue estimates in this impact assessment, and as the baseline for the sensitivity analysis below.

It should be noted that the distributions of land values and of new dwellings within a local authority area are likely to be different, with development being concentrated on more valuable land. Therefore, the results in Table 3 should **not** be taken to imply that a £5,000 or £10,000 per dwelling charge set at a level that would be affordable for 95 per cent of potential *sites*, would risk rendering 5 per cent of *development* unviable in a local area.

Our modelling assumes that any local authority that cannot afford to levy a Community Infrastructure Levy under the above scenarios will not do so and thus development will not be subject to Community Infrastructure Levy charges. Following the Community Infrastructure Levy consultation exercise, the Regulations provide for a procedure where schemes can, in exceptional circumstances and with the agreement of the charging authority, be granted relief from the Community Infrastructure Levy to enable the development to proceed, thereby ensuring that the Community Infrastructure Levy supports the development of the area. Authorities will have the choice about whether to offer this exceptional circumstances relief in their area. Given the voluntary nature of the procedure and the fact that it will only apply in exceptional circumstances, the effect of this facility on overall Community Infrastructure Levy revenue is likely to be marginal.

Sensitivity testing

The revenue estimates reflect an illustrative scenario 200,000 net additions per annum in 2016, yet there are uncertainties around future levels of house building, and that could have an impact on Community Infrastructure Levy take-up rates and revenues. Table 4 below shows estimates of potential Community Infrastructure Levy revenues (in current prices) under alternative assumptions about house building levels, ranging from 150,000 to 250,000 net additional new homes in 2016.

Table 4: Sensitivity Testing of House Building Assumptions for 2016, current prices

	£5,000 per dwelling, affordable on 95% potential sites		**£5,000 per dwelling, affordable on 90% potential sites**	
	Potential Revenue Raised, £m	*Take-up rates for Local Authorities*	*Potential Revenue Raised, £m*	*Take-up rates for Local Authorities*
Headline estimate: 200,000 additions	**£851m**	**82%**	**£1,065m**	**92%**
150,000 additions	£637m	82%	£799m	92%
250,000 additions	£1,063m	82%	£1,331m	92%

In calculating the revenues prior to 2016 we assume a simple linear extrapolation to get to the assumed 2016 net additions. A further sensitivity concerns land values; table 5 below provides revenue estimates as in Table 3, but based on Valuation Office Agency land value estimates for January 2010.

Table 5: Sensitivity Testing: Headline Modelling Potential Revenue Estimates for 2016, current prices based on January 2010 land values

Community Infrastructure Levy charge	Potential revenue raised, £m	Implied Potential take-up rates for Local Authorities (%)
£10,000 per dwelling, affordable on 90% of potential sites	679	51
£10,000 per dwelling, affordable on 95% of potential sites	455	36
£5,000 per dwelling, affordable on 90% of potential sites	620	74
£5,000 per dwelling, affordable on 95% of potential sites	421	61

Risks and assumptions

The main risk from introducing a Community Infrastructure Levy centres around the level at which any charge is set. Setting a Community Infrastructure Levy at too low a level may lead to much needed infrastructure projects being delayed or not going ahead, thus potentially jeopardising further development. Conversely, setting a Community Infrastructure Levy at too high a level could, at the margin, risk some land not coming forward for development, for example, some brownfield sites that require substantial remediation. The Government has therefore built safeguards into the design of the Community Infrastructure Levy. Local authorities can set differential rates so that the Community Infrastructure Levy is more responsive to local economic circumstances.

Also, as explained above, authorities will need to subject their proposed charging schedules to a public examination by an independent examiner. The examiner will test whether the proposed charging schedule supports, and does not place at serious risk, development across the area. As noted above, the Government will limit the binding nature of these recommendations to enable local authorities to take responsibility for decisions affecting their local area, but examiners will nevertheless be able to prevent an authority approving a Community Infrastructure Levy rate that is genuinely unreasonable.

Administrative burden and policy savings calculations

The changes being proposed to the Community Infrastructure Levy will not result in any additional burdens for business or civic society. Indeed, the proposed minor change to limit the circumstances when permitted development must be notified to local authorities, for Community Infrastructure Levy purposes, may reduce overall burdens. However, as a whole, the Community Infrastructure Levy will result in a minor administrative burden for those developers that choose to participate in the consultation process for establishing Community Infrastructure Levy charges and to submit evidence to the Community Infrastructure Levy examination. But there will be no requirement for a developer to engage in these activities, so any costs will be optional.

We expect that any additional upfront costs on developers should be offset by the benefits associated with greater certainty and predictability about potential liability for developer contributions, although we have not quantified these effects in this impact assessment, because of the absence of data. In addition, the scaling back of planning obligations will reduce the administrative burden on developers. This impact assessment therefore assumes that there will be a neutral effect overall in terms of the administrative burdens on developers.

'One-in-one-out'

The 'one-in-one-out' policy aims to limit the regulatory burden so that any new regulatory cost is, at least, matched by cuts to the cost of existing regulations. The changes to the Community Infrastructure Levy proposed will not result any new burdens to business or civic society, so one-in-one-out is not relevant in this case. In addition, the Community Infrastructure Levy is a fiscal instrument and as such, is currently exempt from the one-in-one-out policy to limit the regulatory burden.

'Sunset clauses'

The Community Infrastructure Levy is not designed to be time-limited and is a discretionary mechanism for local authorities to introduce as and when they consider it appropriate. Furthermore, it is intended as a long-term funding tool for infrastructure. Therefore, there will not be any requirement for a 'sunset clause' to limit the life of the Community Infrastructure Levy.

Wider impacts

The Government is committed to ensuring that local communities benefit from development and are able to obtain the necessary resources to finance the infrastructure needed to support it. The Community Infrastructure Levy will enable local authorities to raise more funding to support development, and is expected to generate additional housing, even after allowing for the possibility of the Community Infrastructure Levy rendering a very small amount of potential development unviable. In particular, the reforms to give back a meaningful proportion of the Community Infrastructure Levy funds to the neighbourhood in which it was raised will incentivise development, as communities will see the benefits of development, not just its costs.

In order to illustrate the magnitude of this effect, the economic benefit of facilitating 2,500 to 5,000 additional residential housing completions per year has been estimated. We assumed that each dwelling is associated with an uplift of £57,000 (based on the average uplift across England in July 2008 from the modelling described above, and adjusted in each year to reflect the long-run rate of house price inflation), and used this per dwelling uplift to estimate the economic value of the new development, which when grossed up amounts to £1400m to £2800m discounted over 10 years.

Summary and preferred option with description of implementation plan

The preferred option is option 2: to reform the Community Infrastructure Levy to ensure it gives power to local authorities and communities, whilst providing the certainty and transparency that business needs. The costs and benefits set out concern option 1: whether to retain a Community Infrastructure Levy. Having determined to retain the levy, the costs and benefits of the proposed reforms to it are those arising from the difference between option 1 and option 2, and our assessment is that there is insufficient evidence to monetise these, but equally we do not expect them have a significant impact on the financial costs and benefits of option 1. We do however believe the reforms will support the realisation of the assessed costs and benefits.

The Government and Welsh Ministers will continue to work closely with local government and industry to ensure that the Community Infrastructure Levy is implemented effectively and will be revising guidance and providing support for local authorities seeking to introduce the Community Infrastructure Levy. This implementation programme will keep under review the effectiveness of the Community Infrastructure Levy as a means of securing developer contributions and its impact on the wider planning system, including on affordable housing delivery. The primary legislation has been framed in a way that, subject to affirmative resolution of the House of Commons, the Community Infrastructure Levy Regulations can be changed as practice amongst local authorities in England and Wales evolves over time.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A formal evaluation of the Community Infrastructure Levy will be held five years after the Regulations first came into force. It will focus on the increased provision of infrastructure and the extent to which this has facilitated development. Evaluation will build on existing evidence from three 'Valuing Planning Obligations' surveys and information about the revenues generated through the Community Infrastructure Levy.

The Community Infrastructure Levy Regulations require authorities that decide to establish a Community Infrastructure Levy to report certain information to their local communities in order to ensure that local communities and developers can hold authorities to account on the way that receipts are used to support the growth of their area. This will be a source of data for monitoring the implementation of the Community Infrastructure Levy.

A Post Implementation Review should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. A Post Implementation Review should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the Post Implementation Review Plan as detailed below. If there is no plan to do a Post Implementation Review please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), it could be to review existing policy or there could be a political commitment to review]; We will review the amended Community Infrastructure Levy Regulations five years after they come into force – i.e. in autumn 2015.
Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] To assess whether the Community Infrastructure Levy has increased the funds available to local authorities for infrastructure, and the extent to which this has supported development.
Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] We will draw on available information and statistics, building on existing evidence from three 'Valuing Planning Obligations' surveys, future similar surveys (if appropriate and good value), and information about the revenues generated through the Community Infrastructure Levy, including that provided within the reports that local authorities introducing the Community Infrastructure Levy must provide to their local communities each year on how much has been received and how receipts are used to support the growth of their area. Over the coming months, further details of any proposed research and analysis will be considered by a Localism Bill review steering group, to ensure that the methods are appropriate, proportionate, and cross-cutting where possible, so that we collect only essential information/data at both the baseline and follow-up review stages.
Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] The baseline position is that no revenue is currently raised by the Community Infrastructure Levy. In 2007-08, planning obligations (section 106 agreements) are estimated to have raised £4.9bn, of which £2.6bn was for affordable housing.

Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]

The policy will be successful if Local Authorities raise the Community Infrastructure Levy and use it to fund local and strategic infrastructure.

Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review]

- We will monitor how many local authorities have adopted a Community Infrastructure Levy and the rates charged per square metre. This information will come from published charging schedules that all charging authorities are required to place on their website.

- We will monitor total receipts for authorities introducing the Community Infrastructure Levy and how these revenues are being spent to fund infrastructure. Local authorities that adopt a Community Infrastructure Levy are required to report certain information to their local communities by placing it on their websites each year. They may use their Annual Monitoring Reports to fulfil this requirement if they wish. This information must include their total annual Community Infrastructure Levy receipts, annual Community Infrastructure Levy expenditure, a summary of what the Community Infrastructure Levy is spent on and how much is carried over to the following year. We aim to use this information to assess the types of infrastructure on which the Community Infrastructure Levy is spent and how it has responded to local community priorities.

Reasons for not planning a PIR: [If there is no plan to do a PIR please provide reasons here]

Not applicable.

Specific impact tests

Competition assessment

We do not anticipate the Community Infrastructure Levy having an adverse impact upon fair and open business competition. Conversely, Community Infrastructure Levy charging schedules by making costs clear upfront, will reduce the distortions associated with the existing system of planning obligations, which may be regarded as rewarding developers' ability to negotiate.

We also do not anticipate the proposed reforms to the Community Infrastructure Levy having an adverse impact upon fair and open business competition.

Small firms' impact test

Currently, developers and authorities negotiate individual planning obligations for each new project. However, given the high associated administrative and legal costs, only a minority of (typically larger) developments contribute to the infrastructure needed to support growth.

At present, only 7 per cent of planning permissions in England make any contribution under the planning obligations regime. Under the Community Infrastructure Levy, we anticipate contributions would be paid by a broader range of developments – including smaller sites. While it does not necessarily follow that all large developments are undertaken by big firms, it is possible that for some smaller firms, the Community Infrastructure Levy might be their first experience of paying developer contributions. However, we would ultimately expect these costs, for small and big businesses alike, to be passed back to landowners through reduced prices for land. The Community Infrastructure Levy might also result in a minor administrative burden on developers, for example, through their engagement in consultation on and examination of the Community Infrastructure Levy charging schedule, although such engagement is discretionary, so any costs will be optional. Furthermore, the scaling back of planning obligations will reduce the burden on developers. This impact assessment therefore assumes that there will be a neutral effect overall in terms of the administrative burdens on developers.

The Government is committed to making the system simple and flexible to ease the burden on all businesses. The Community Infrastructure Levy is based on set formulae which relate the size of the charge to the size of the development. As a charge set upfront, the Community Infrastructure Levy simplifies the process for developers, giving them greater certainty about their role and contribution, helping them to plan their investment strategies. The previous Government introduced some new design features to the Community Infrastructure Levy to reflect issues raised by the development community through the consultation process. To ensure that charging on a net basis does not impact disproportionately on small firms, the previous Government introduced a £50 threshold for Community Infrastructure Levy liability, below which firms will not be charged. While it is not necessarily the case that smaller firms deliver only small developments, the 100 square metre threshold for Community Infrastructure Levy liability will minimise the impact on developers delivering smaller schemes.

The Government proposes to reform the Community Infrastructure Levy regulations to remove the £50,000 threshold for payments-in-kind, thereby giving local authorities the discretion to accept payments-in-kind for any level of liability. This provides more flexibility for small firms.

The Government is also amending the Community Infrastructure Levy regulations so that local authorities can decide their own policy on instalment payments and thresholds. Whilst this introduces the possibility of local authorities reducing flexibility for business, in practice local authorities have the incentives to encourage development and thereby to make it easier for business to pay their Community Infrastructure Levy, so we believe that this change is likely to help small firms.

Legal aid impact test

There will be no adverse impact on legal aid flowing from the Community Infrastructure Levy enforcement procedures proposed in this Bill or amendment regulations.

Sustainable development, greenhouse gas assessment and wider environmental issues impact assessment

We do not anticipate that the Community Infrastructure Levy will have an adverse impact on sustainable development, carbon emissions or other environmental matters. It could be argued that growth and increased development has a negative impact on the environment and increases levels of carbon emissions. However, the Community Infrastructure Levy presents significant opportunities to offset this. As a tool to help local authorities create more accessible and sustainable communities, infrastructure provided through the Community Infrastructure Levy could help to encourage more sustainable patterns of travel, for example, by providing the infrastructure to facilitate more journeys by foot and cycle. Similarly, by providing additional resource for infrastructure, the Community Infrastructure Levy could lead to better provision of public transport, and so reduce the need for private modes of transport. Community Infrastructure Levy monies could also be used to support flood defences, as well as open spaces which enhance the local environment.

We do not anticipate the reforms to the Community Infrastructure Levy changing this assessment.

Health impact assessment

It is not anticipated that this proposal will have an adverse impact on health. The Community Infrastructure Levy can benefit the health of residents by providing additional resources for authorities to deliver the infrastructure and services required to create sustainable communities. For instance, Community Infrastructure Levy monies might support local medical facilities, sports facilities or open spaces and playgrounds, all of which enhance the health and well-being of communities. We do not anticipate the reforms to the Community Infrastructure Levy changing this assessment.

Equality

The Community Infrastructure Levy is unlikely to have an adverse impact on any social group. By making communities more sustainable, the Community Infrastructure Levy will facilitate economic growth and liveability and so create opportunity for all. The infrastructure and services that the Community Infrastructure Levy will provide (such as medical and community facilities and transport networks) will enhance accessibility and liveability for all sectors of society, and could help to deliver new infrastructure that serves different needs within the community, for example, by increasing mobility and accessibility. We do not anticipate the reforms to the Community Infrastructure Levy changing this assessment.

Human rights

This proposal will not have an adverse impact on human rights.

Justice Impact Test

The changes to the Community Infrastructure Levy proposed will have no impact on the criminal justice system.

Rural proofing

The infrastructure needs and economic circumstances of a small rural community are likely to differ from those of an urban borough, and it is our view that the Community Infrastructure Levy, through its flexible design and discretionary nature, can be effective in rural and urban communities alike. The increased flexibility that the reforms mean for the setting up and administration of the Community Infrastructure Levy should only increase the suitability of the Community Infrastructure Levy for both rural and urban communities.