What is the Community Infrastructure Levy?
The Community Infrastructure Levy (CIL) is a standard charge payable by developers undertaking new building projects in an area. The charge is expressed in pounds per square metre and calculated based on the amount of new floor area in a new development. Money raised from the Community Infrastructure Levy will be used to support the new development planned in the Waveney Local Development Framework by funding new infrastructure such as schools, open spaces and transport schemes.

How is CIL paid?
It will normally be collected as a cash contribution based on the liability of development. CIL will normally be paid in instalments. Prior to introducing CIL, the Council will publish an ‘Instalments Policy’ which will set out the timescales for paying CIL. There may be circumstances where it will be more desirable for the Council to receive land instead of monies to satisfy a charge arising from CIL, for example, where the most suitable land for infrastructure is within the ownership of the party liable for payment of CIL.

Why is Waveney District Council introducing a CIL?
New development needs to be supported by new infrastructure. CIL provides a funding stream for this infrastructure, and a mechanism for ensuring that new development bears a proportion of the cost of new infrastructure that will serve the District. Over £11 million worth of infrastructure is needed to support the development of District planned in the Council’s Local Development Framework.

CIL is a simple, highly transparent charge that provides certainty to communities and developers as to how much development will contribute to infrastructure. It will also avoid some developments having to pay a disproportionate contribution to
Why can’t the Council continue to use Section 106 planning obligations to collect financial contributions for infrastructure?

The Council currently collects contributions from developers for infrastructure such as schools, open space and libraries through a system known as Section 106 planning obligations.

The Section 106 planning obligations system has been criticised for not being transparent and local planning authorities and developers alike have been accused of using the system to buy and sell planning permission. As such the Government introduced the Community Infrastructure Levy as a preferred tool to collect contributions from developers. As the Government wishes to see Local Authorities use CIL instead of Section 106 for collecting contributions from developers, they have introduced restrictions on how section 106 can be used in the future. The restrictions dictate that after 2014 it will no longer be possible to use Section 106 planning obligations to pool developer contributions from more than five development sites for a type or piece of infrastructure. These restrictions mean that it will be very difficult, if not impossible, for the Council to continue to use Section 106 to collect contributions from a number of developments to collectively fund infrastructure. Section 106 can and will still be used in some circumstances to provide site-specific onsite infrastructure on larger sites such as those in the Lake Lothing area of Lowestoft.

CIL has a number of benefits over the Section 106 planning obligations system. CIL provides more certainty to developers of the likely contributions they need to make towards infrastructure. As CIL is mandatory, it can also avoid the sometimes long negotiations that are associated with Section 106 planning obligations. CIL may have the potential to generate more funds for infrastructure from development than the current system of Section 106 planning obligations as more development is likely to be liable.

Will the Council still be able to spend money already collected through Section 106 planning obligations once CIL is in place?

Yes.

What development will be liable for CIL?

Development will potentially be liable for CIL if it is for a building into which people normally go and is of at least 100sqm of gross internal floorspace or
involves the creation of one or more dwelling units. Development by charities for charitable purposes is exempt from CIL as is the development of social housing.

The Council’s Draft Charging Schedule proposes a zero rate of CIL for most types of development. The only development the Council is proposing to charge a positive rate of CIL on is residential development, care home development, holiday let development, and supermarket and retail warehouse development.

**How have the CIL rates proposed in the Draft Charing Schedule been arrived at?**

The rates of CIL proposed in the Draft Charing Schedule have aimed to strike an appropriate balance between the desirability of funding the total cost of infrastructure required to support the development of the District and the potential effects of the imposition of CIL on the economic viability of development across the District.

The CIL Infrastructure Study identifies there is a funding gap of over £11 million for infrastructure needed to support growth. The CIL rates have been set at the highest possible level to help fill this funding gap whilst maintaining the overall viability of development across the District. As such the rates of CIL have been informed by the recommendations of the CIL Viability Study which examined the amount of CIL different types of development in different areas of the District could viably pay.

**Why is the residential rate proposed for Southwold and Reydon over twice as much as the rate for the majority of the District?**

Regulations and statutory guidance dictate that rates of CIL have to be set with regard to the viability of development to afford CIL. Viability is most influenced by sales values of new property. Sales values are much higher in Southwold and Reydon than they are in the remainder of the District. As such development in these locations can afford to pay a much higher rate of CIL.

**Why is the residential rate for Zone 1 in the Lake Lothing area zero when it is this area that has the greatest infrastructure need?**

Regulations and statutory guidance dictate that rates of CIL have to be set with regard to the viability of development to pay CIL. Development in the regeneration area of Lake Lothing involves abnormal costs not found elsewhere in the District. The extra costs in dealing with contamination, demolition and mitigation of flood risk means there is little scope for any CIL contribution in the current market conditions. Imposing even a small level of CIL in this area could undermine the viability of development in the short term. This does not mean that development in this area will
not contribute towards infrastructure needed to make the development acceptable in planning terms. Instead it will have to contribute through Section 106 planning obligations that have overage clause attached to them, so that when viability improves, a higher contribution is made. As most of the infrastructure needed is site-specific, onsite infrastructure, a Section 106 planning obligation will still be able to be used despite the restrictions imposed.

There is a possibility that CIL collected elsewhere in Lowestoft and the wider District could be spent on infrastructure in this area. However, the CIL funds will not be used to subsidise developers to give them a commercial advantage. CIL will not be used to fund infrastructure in the Lake Lothing Regeneration area where it will deliver developer profits above normal levels or where it will support historic or higher than normal residual land values for landowners. However, CIL similar to other public funding could be used to help unlock development sites early where viability is a problem and where infrastructure on or near those sites brings wider benefits to other developments.

**In terms of commercial development, why are only supermarkets, retail warehouses, care homes and holiday lets proposed to be charged CIL?**

Most commercial development in the District is only of marginal viability. Therefore it is not possible to charge a CIL. The CIL Viability Study examined the ability of many types of commercial development to pay different levels of CIL and found that only supermarkets, retail warehouses, care homes and holiday lets could afford to pay a CIL.

**Given the ageing population is it sensible to propose a CIL rate for care homes?**

Regulations and statutory guidance dictate that rates of CIL have to be set with regard to the viability of development to pay CIL. The CIL Viability Study shows that due to the value of these developments there is a significant increase in land value from the typical existing use value of land. Therefore, there is scope for a developer to pay less for land to cover the extra costs of CIL. The proposed charge has been set at a rate which is only a very small percentage of the overall cost of development and therefore should not reduce land value below the point which would deter a landowner from releasing land for development. The CIL rate proposed will therefore not undermine the viability of care home developments in the District.

**Will the CIL put developers off developing in Waveney?**

The rates of CIL proposed in the Draft Charging Schedule only represent a small proportion of overall development costs. Developers need to make a certain level of
profit to convince banks to finance their projects. Any increase in development costs has to therefore be passed onto the landowner in the form of a reduced offer for the land. The CIL Viability Study has shown that the rates proposed will not reduce land value to a level where it would not be economic for a landowner to release the land for development.

Will the CIL increase the price of homes in Waveney?
Developers have to make a certain level of profits to convince banks to finance their projects. Developers cannot rise the price of homes to take into account increased development costs associated with CIL as the price of homes is dictated by the market which consists mainly of second-hand homes - which have not paid CIL. Therefore the option left to developers when faced with extra costs such as CIL is to pay less for the land. Therefore the effect of CIL may reduce the return to landowners. The proposed charges have been set at a rate which is only a very small percentage of the overall cost of development and the CIL Viability Study has shown that the rates proposed should not reduce land value below the point which would deter a landowner from releasing land for development.

If a neighbouring authority is charging a higher or lower rate of CIL will that encourage or discourage development in Waveney?
As developers will normally pass the cost of CIL (and other planning policy requirements) on to the landowner in the form of a reduced offer for the land, it is effectively the landowner who pays CIL. Unless the same landowner owns developable land both sides of the border, the differential rates will not favour one area over another.

What about if the viability of development changes in the future?
It is currently proposed that the Charging Schedule will be fully reviewed in 2016. It is expected that by 2016 market values would have improved and the cost implications for higher levels of the Code for Sustainable Homes will be clearer.

However, values and build costs will be monitored annually and if significant shifts occur prior to 2016 an early review may be necessitated. Similarly, if significant changes have not occurred by 2016 a review at this point may not be needed. CIL charges are also indexed linked to build cost inflation so automatically change to reflect the market to a degree.

How will CIL be spent?
The District Council has control over how CIL is spent. CIL has to be spent on infrastructure needed to support development. Up to 5% of funds received can be
used by the Council to administer the system. The Council has complete freedom to pool CIL funds from all over the District and spend them where it likes in accordance with priorities of the time. Given this freedom, the Council will need to develop policies and protocols to prioritise the spending of CIL funds.

To ensure local accountability the Government will be shortly introducing regulations that require the District Council to pass back a ‘meaningful proportion’ of CIL funds raised from a particular Parish back to that Parish or Town Council for spending on infrastructure of their choice. The Government has not yet defined what a meaningful proportion is.

**Does the CIL have to be spent on infrastructure identified in the Infrastructure Study?**

No. Priorities and projects may change overtime and new funding sources may arise. Unforeseen developments may also occur which have infrastructure demands. Therefore just because a project is mentioned in the Infrastructure Study it does not commit the Council to spending future CIL receipts on it. Similarly the absence of a project or type of infrastructure from the Infrastructure Study does not preclude the Council from spending CIL receipts on it in the future.

**How much money will CIL raise?**

Based on these projected levels of development it is likely that the rates proposed in the Draft Charging Schedule will raise £2.44 million over the period to 2025 (2.18 million from residential development and £260,000 from supermarket development).

**Can CIL funds be used to help fund a Third Crossing over Lake Lothing?**

CIL has to be spent on infrastructure to support new development. None of the development proposed in the Council’s Local Development Framework is dependant on the completion of a third crossing over Lake Lothing. Therefore it will not be possible to spend CIL receipts on a third crossing in the foreseeable future. Based on the level of development proposed in the Council’s Local Development Framework, CIL is likely to raise £2.44 million over the period to 2025. This is a small figure compared to the estimated cost of the third crossing which is estimated to be at least £40 million.
What is infrastructure and what infrastructure is needed to support development?

Infrastructure is not explicitly defined in any of the legislation bringing CIL into effect. Although the legislation states that things such as transport, education facilities, flood defences, medical facilities and open space are all to be regarded as infrastructure. Currently the legislation explicitly states that affordable housing is not to be regarded as infrastructure. Therefore CIL funds cannot be spent on affordable housing.

The Infrastructure Study outlines the infrastructure needed to support development planned in the Council’s Local Development Framework. This includes a new pedestrian bridge over Lake Lothing, new cycle paths, improvements to schools to accommodate 94 additional school places, over 10 hectares of new/improved open space and 154m2 of new library floorspace.

For more information on the Community Infrastructure Levy, email planningpolicy@waveney.gov.uk or call 01502 523079.