


The Infrastructure Levy (or 'IL')

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Contents

- 1 Planning for the Future
 - The Objectives
- 2 The Current System
 - How does it operate?
 - What does it generate?
- 3 The Prospective System
 - What will it entail?
- 4 IL Regulations & Guidance
 - The devil in the detail
- 5 Transitional Arrangements
 - Process and timeline
- 6 Concluding Remarks

A large, white, stylized number '1' is positioned on the left side of the slide. It has a thick vertical stem and a horizontal base with rounded ends. The top of the stem is slightly curved.

Planning for the
Future

“ The Community Infrastructure Levy and the current system of planning obligations will be reformed as a nationally set, value-based flat rate charge (the ‘Infrastructure Levy’). ”

Planning for the Future
White Paper August 2020
MHCLG

Consolidated IL System

- Single and simplified
- Mandatory
 - Nationally set
 - All / wider uses
- Value based:
 - Final development value
 - % over fixed threshold
 - ‘Buoyant’ / responsive
 - Transparent

Increase LPA Powers

- Incorporate affordable housing funding:
 - In-kind on-site
 - Specify types, tenures etc.
 - Levy payment
- Forward fund (via borrowing)
- Reduce expenditure restrictions
 - Wider public service funding

No Viability Negotiations

- Maximise capture of land value uplift via planning
- Non-negotiable process
- Remove site-specific viability assessments
- Remove S106 Agreements

Close PD Loophole

- Bring in PD change of use
- Broaden levy base
- Ensure mitigate impacts



The Current System

Planning Obligations and CIL • Section 106 Planning Obligations:

- Legislated for under TCPA 1990 (as amended)
- Determined locally: based on national policy and adopted Local Plan policies
- Infrastructure and affordable housing needs evidence base prepared
- Primary viability testing of site-typologies / strategic allocations:
 - Plan-making stage in setting of policies
 - Targets introduced for affordable housing
 - Other policy-costs for mitigating infrastructure burden
- Application stage:
 - Obligations sought towards necessary mitigating infrastructure
 - Optional site-specific viability assessment (at determination stage)
 - LPA flexibility to determine priorities and adjust obligations accordingly
 - Obligations legally secured via Section 106 Agreement

Planning Obligations • Community Infrastructure Levy ('CIL'): and CIL

- Legislated for under Planning Act 2008 and CIL Regulations 2010 (as amended)
- Optional to LPAs (circa 50% adoption):
 - Discretion as to whether to introduce in tandem with S106 regime
 - Rates set via Charging Schedule
- Viability-tested:
 - Charging rates determined locally
 - Rates based on IFS, viability evidence and examination in public
 - Set on £/m² GIA (net) floorspace
 - Fine-grained – rates by use, location, scale, site-specifics etc.
- Fixed-charge: triggered by grant of PP and payable from commencement
- Index-linked: rates increase annually subject to RICS BCIS All-in TPI
- Expenditure focused on infrastructure (excluding affordable housing)

Planning Obligations and CIL

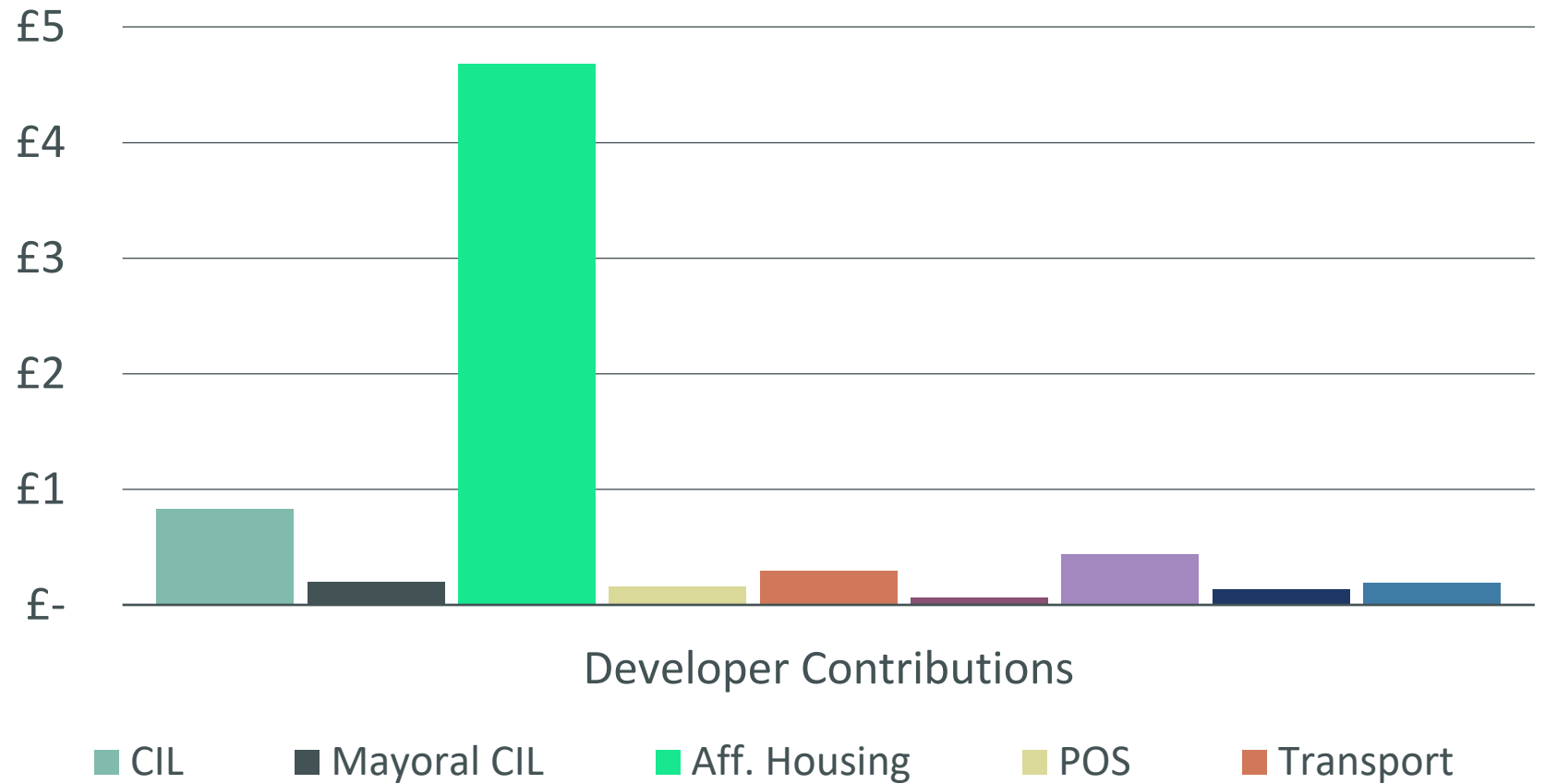


MHCLG publication – University of Liverpool (August 2020) *The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018-19*

Planning Obligations and CIL

- Aff. Housing = £4.68bn (67%)
- Other S106 Obl. = £1.27bn (18%)
- CIL = £1.03bn (15%)

Value of Developer Contributions – Disaggregated (£ Billions)
Financial Year: 2018/19



To stand still, a 'consolidated' IL must be higher than CIL by a factor of:

6.8x

IL must fund at least as many affordable homes as secured under
S106:

24,576



*2020-21 (Nil Grant) =
47%



The Prospective System:

The Levelling Up and
Regeneration Bill
(‘LURB’) 11 May 2022

Implementing IL

- Locally determined by LPA
- Flexibility in setting differential rates:
 - Location; types; thresholds
 - Stepped rates over time
- Introduced via similar process to CIL:
 - Viability evidence-base
 - Infrastructure Delivery Strategy
 - Statutory consultation
 - Examination in public
 - Adopted IL Charging Schedule

Affordable Housing

- Brought under IL funding regime:
 - Will be ‘infrastructure’
- Deliver ‘as much’ as current regime
- New ‘right to require’:
 - LPA sets provision of AH on-site
 - PIK subtracted from IL

S106 & CIL

- S106 remains to:
 - Secure integral infrastructure
 - Support delivery of ‘largest sites’
 - Facilitate legacy regime
- CIL remains:
 - Mayoral CIL (Greater London)
 - Wales
 - Legacy regime (phased out)

Wider LPA Role

- IL administration:
 - Estimating IL liability
 - Managing in-kind delivery
 - Collection and expenditure
 - Retain neighbourhood share and administrative portion (as CIL)
- Utilise borrowing powers:
 - Procure, forward fund and recoup
 - Direct delivery or acquire (e.g. AH)

4

IL Regulations &
Guidance

The devil is in the detail...

- Practical matters remain for regulation and guidance:
 - IL rate setting contentious:
 - High-stakes at IL Examination
 - >7x CIL fixed charge with no viability release valve
 - Expect landowners and developers to scrutinise and contest
 - GDV % threshold methodology – question effectiveness:
 - Generic fixed GDV % over threshold risks being overly blunt
 - Low value markets - sites unviable or LPA raises no / limited IL
 - High value or rising markets – developer makes outsized returns
 - Site-specific top-slice profit capture likely to secure higher levy funds
 - Government prioritising simplicity in GDV over maximising IL receipts?

The devil is in the detail...

- Practical matters remain for regulation and guidance:
 - Valuation protocols:
 - How and when will scheme GDV be valued, and by whom?
 - What is the process for resolving valuation disputes and Appeals?
 - Collection and timely expenditure:
 - When will IL payments be required?
 - How will timely IL expenditure be ensured?
 - Unintended consequences:
 - Developers go 'risk off' from brownfield / low value locations to max GDV?
 - Who foots the bill if funding costs overrun, or IL receipts undershoot?
 - Will LPAs prioritise infrastructure over public services in tough times?



Transitional Arrangements

2022

2023

2024

2025

2026+

LURB

- Primary Legislation
- Passed 1st / 2nd Readings in Commons
- Presently at Committee Stage
- Still to undergo:
 - Report Stage (Commons)
 - 3rd Reading (Commons)
 - Repetition of process in Lords
 - Consideration of Amendments
- **Royal Assent in 2023 ('Act')**

IL Regulations

- Secondary legislation 'made'
- **Anticipated in 2024**
- Expected to be supported by:
 - Impact assessment
 - Technical guidance

“Test and Learn”

- Local Authority volunteers:
 - **Anticipated 2024-25**
- Switch to IL from CIL/S106:
 - Details not yet published
- Examine impacts of transition:
 - Will require meaningful period
- Refine IL Regulations and guidance

Phased Roll-out

- SoS to set timetable for each LPA:
 - Expected to be staggered
 - Minimum lead-in of 12 months
 - **Anticipated 2025-26+**
- IL will continue to operate alongside:
 - Mayoral CIL (indefinitely)
 - Adopted CIL / planning obligations (phased out)



Concluding
Remarks

Strengths

- Transparency / accountability
- Broader base for securing funds:
 - All / wider uses levied
- Accelerated determination process:
 - Smaller sites
- Self-adjusting to conditions:
 - Levy payable moves with market
 - No need for renegotiations
- Larger sites excluded:
 - Maintain flexibility via S106 route

Weaknesses

- Absence of impact assessment:
 - No options appraisal
 - No clarity over performance
- Too much left for Regulations
- Technical methodology unknown:
 - No clarity if genuinely simpler
 - Oversimplification less effective
- Slow build-up of IL funds:
 - Unless LPAs take on debt
- GDV ignores actual scheme performance:
 - Profitability more reasoned
- Needs maintained / increased land supply

Opportunities

- ‘Clean slate’ – redesign system
- Compress development land values
- Capture greater ‘upside’ via final GDV
- Grow funds beyond current system
- Ring-fence affordable housing
- Increased delivery role for LPAs:
 - Affordable housing requirements
 - Tenures / types / sizes
 - Procure / acquire stock

Threats

- Increased LPA administration:
 - Becomes overly complex (again)
- Delayed implementation / roll-out
- Fails to outperform current system
- The Marcus Jones amendment:
 - IL spending on non-infr. matters
- Undermines regeneration
- Forward funding (borrowing) risk
- Increased developer’s risk:
 - High stakes – rates contested
 - Deter brownfield first
 - Valuation disputes and Appeals

Thank you

CBRE

Gracias ধন্যবাদ Salammat धन्यवाद Obrigado 謝謝 Спасибо 감사합니다 Merci תודה شكریه Danke あかたう Terima Kasih شکرا

FOR MORE INFORMATION

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