

# BRIEFING



Local Planning Charge (and PGS)

10 October 2007

## **Local Planning Charge (and Planning-gain Supplement) and Government Housing Supply & Affordability PSA Delivery Agreement**

### **1. Local Planning Charge**

The Government has announced (9<sup>th</sup> October) that it has abandoned the proposed Planning-gain Supplement (PGS) in favour of a local planning charges for infrastructure to new development alongside “negotiated contributions for site-specific matters” (S106).

This represents a major victory for the house building and property industries. HBF had lobbied the Treasury and CLG very hard over the inadequacies of the proposed PGS which we opposed. More recently, we had joined with the property industry and others (Major Developers Group, BPF, London First, CBI, etc.) to propose an alternative local infrastructure tariff/charge. The Government has listened to our representations. Indeed, I understand the clinching factor in persuading the Government was that the house building and property industries joined forces to put forward a single, clear proposal. The Government's charge builds on the tariff proposal we jointly put forward.

The new charge is a done deal, not a consultation. The Government will introduce legislation later this year in the Planning Reform Bill for the new local planning charge. However we are assured key organisations, including HBF, will be consulted on details of the new charge and the legislation. Primary responsibility for the charge rests with the CLG, not Treasury (who had the lead on the PGS), although Treasury will take a close interest in the charge.

The statement (9 October) by Housing Minister Yvette Cooper, is reproduced at the end of this note.

### **2. Housing Supply and Affordability PSA Delivery Agreement**

The Government has also published its new PSA Delivery Agreement, which is to “increase long-term housing supply and affordability”. Among the six ‘Indicators’, three are of importance to the house building industry:

Indicator 1: Increase the number of net additional homes provided per annum to 240,000 by 2016

Indicator 2: Affordability: the ratio of lower quartile house prices to lower quartile earnings [This does not have a specific objective.]

Indicator 6: Local planning authorities to have adopted the necessary Development Plan Documents, in accordance with their Local Development Schemes, to bring forward developable land for housing in line with PPS3.

HBF features prominently in the document's section on The Role of the Housebuilding Industry:

"CLG will continue regular engagement with representatives of the housebuilding industry, including the Home Builders Federation, and through this seeks to explore and address barriers to housing delivery. The Home Builders Federation, along with other stakeholders, is involved in consultation on the plan making process at all levels."

John Stewart

#### **Written Statement by Yvette Cooper, 9 October 2007**

Today my Rt Hon Friend the Chancellor of the Exchequer, in his Pre-Budget Report said that the Government intends to legislate in the forthcoming Planning Reform Bill for a new statutory planning charge to enable councils to capture greater levels of planning gain to support new infrastructure and housing. This investment will be in addition to Section 106 agreements, the Â£1.7bn targeted infrastructure investment to support growing areas from the Communities and Local Government Comprehensive Spending Review, and the additional mainstream support for infrastructure investment through programmes such as Crossrail. This statement sets out further details of the new statutory planning charge.

This Government believes that everyone deserves a decent home at an affordable price. Homes are the building blocks of our communities and are essential to ensure a sustainable future for the next generation. That is why the Housing Green Paper published in July 2007 set out ambitious plans for delivering three million new homes by 2020.

For new homes and communities to be sustainable, we also need to invest in the infrastructure needed to support the people who live in them - transport, hospitals, schools and community spaces. Through the planning system local communities can secure a contribution to this infrastructure from developers, via section 106 agreements. But only a small proportion of all developments currently contribute to the costs of infrastructure in this way. The current system is also limited in the extent to which it is able to mitigate the cumulative impacts of development on infrastructure, and local authority use of these powers varies significantly. Therefore a new mechanism which properly addresses these concerns is required.

The Government also believes that it is right and fair that local communities should benefit more from the uplifts in land value arising from planning permission to finance the infrastructure needed to support housing growth. This is why, as part of our

response to Kate Barker's review of Housing Supply, published in 2004, the Government accepted her recommendation in principle and consulted on proposals for a PGS. In the Housing Green Paper we also asked stakeholders to put forward alternative approaches for capturing more planning gain for consideration.

The Government welcomes the constructive and focused way in which stakeholders have engaged with this challenge since the Green Paper. This has included a clear recognition on the part of the development industry that it is right that they should contribute more to the costs of infrastructure needed to support housing delivery. Many in the industry - including the British Property Federation, the Home Builders Federation, London First and the Major Developers Group have supported proposals for planning charges, building on the current section 106 approach and the tariff models developed by Milton Keynes and other areas. The Local Government Association has also supported a similar approach.

Following these representations, and others, we have concluded that the best way at this stage to increase contributions towards infrastructure alongside greater house building is to take forward the Housing Green Paper option of a statutory planning charge.

Compared with the existing system, we believe our proposals will:

**Capture more planning gain to finance additional investment** in local and strategic infrastructure, while preserving incentives to develop.

**Make the planning charge-setting process simpler and more certain.** By giving a clear basis on which to set a planning charge to support the delivery of planned infrastructure.

**Provide a fairer means of securing contributions from developers for infrastructure.** At present, infrastructure benefits for local communities are typically secured from major developments only.

**Encourage regions and local authorities to plan positively for housing and economic growth** and for the infrastructure needed to deliver it, and, in the plan context, to decide priorities and detailed charging arrangements which reflect local and regional needs and circumstances.

The Government's approach builds on the strengths of the current system and experience from areas where a form of charging is already being applied. We therefore propose to include provisions to introduce statutory planning charges in the forthcoming Planning Reform Bill, and we will not be introducing a Planning Gain Supplement Bill in the next Parliamentary Session. We will keep under close review the development and operation of statutory planning charges to make sure that they achieve our aims of increasing investment in infrastructure alongside supporting new development.

These provisions will empower local authorities to apply standard planning charges for all new development in their areas to support infrastructure delivery. The main features of the planning charge will be as follows:

Subject to low *de minimis* thresholds, residential and commercial development will be liable to pay the planning charge.

Where appropriate Local Authorities will be able to use planning charges to supplement a negotiated agreement. Negotiated agreements will still be necessary to secure affordable housing and to address costs related to the specific development site.

Planning charges should be based on a costed assessment of the infrastructure requirements arising specifically out of the development contemplated by the development plan for the area (which comprises the regional spatial strategy and the local development framework), taking account of land values.

Planning charges should include contributions towards the costs of infrastructure of sub-regional and regional importance identified in development plans.

Planning charge policies in development plans will be tested through the development plan process, in consultation with developers, stakeholders and the community to ensure they support the viability of new development and levels of new housing required.

The level of support which both the development industry and the local government community have now offered for increasing resources through a planning charge approach is very welcome and provides an important basis on which to implement the proposals successfully. We will be in touch with the development industry and local government very shortly to discuss how we can best work with them and other stakeholders as we prepare the new legislation, and put new planning charges in place.

As with other policies, once the planning charge has been introduced the Government will carry out an evaluation to ensure that its objectives - a step change in infrastructure provision to deliver more homes in more sustainable communities, funded by a fair contribution from development - have been achieved.

**John Slaughter**  
**Director of External Affairs**

**October 2007**