NATIONAL PLANNING FORUM : 9 MARCH 2006 ITEM 4(c)

PLANNING GAIN SUPPLEMENT WORKING GROUP NOTE OF MEETING

Attendees:
Liz Peace, BPF and Vice Chair, NPF (Chair of PGS Working Group)
Henry Oliver, CPRE and Chair, NPF
Paul Miner, CPRE
Geoff Cross POS
Sandra Brown, LGA
Kelvin MacDonald, RTPI
Brian Waters, Chair, LPDF
Pat Thomas, Law Society
Emma Wild, CBI
Jonathan Price, EN
Rachel Hughes, EN
Nick Powell, NHF
Alison Quant, CSS
Kay Powell, Secretary, NPF

Apologies: John Stewart, HBF; John Anderson, CAP; Paul Browne, BRC

Liz Peace outlined the aim of the meeting: to consider PGS from a cross-sectoral perspective and attempt to find common ground, with a view to sharing any agreed position/observations with HMRC and ODPM. She invited contributions on the Government's proposals under 4 headings:

Philosophy / is this the right thing to do?

- The concept of capturing uplift in land values appears OK in theory, but problems with the mechanics, particularly in cases of negative land value (eg contaminated land)
- Proposals unlikely to meet the objectives, in particular of increasing land supply, though difficult to assess consequences without knowing the intended rate(s)
- Could work in growth areas/greenfield, but unlikely to work on brownfield sites. Application could therefore be limited given 72% of housing developments now on brownfield sites.
- Company profits/capital gains already taxed; PGS would be an additional burden. PGS likely to be an allowable business expense, PGS would at least capture off-shore profits
- Proposal to tax at commencement would increase risk at the most critical stage in the development process
- PGS would complicate an already complex development process/ add to delays
- Would require substantial bureaucracy to administer/enforce even under a self assessment regime
- Could result in perverse or unintended consequences/ be regressive/ be seen as bribing people to accept unsatisfactory development.

- Work to date (Frank Knight, Surrey, on applications above the national threshold ie 13% of the total) indicates greenfield S106s already achieve 30% of uplift for affordable housing; SE work suggests another 60% needed for transport, 10% for other, ie around 100% of planning uplift would be needed to meet infrastructure costs (not 20%)

Redistribution/localisation issues

- Impact mitigation and infrastructure provision relates primarily to local/regional conditions, implying the need for a bottom-up approach
- The plan-led system (once in place) would underpin this
- Local collection could allow for regional and national tranches
- If PGS introduced, need to consider how funding for Govt Agencies (HA, EA etc) should be accommodated additional to S. 106 or paid for out of PGS.

Is PGS workable?

- Not as simple as it sounds – uplift in land values often happens downstream of the grant of planning permission; what will be the basis for estimating current use value?
- PGS will lead to smaller S106s
- PGS will need to come out of land value, but this will be difficult as successive land transactions contain an element of uplift
- Lots of schemes are already marginal (eg in London appraisal shows that some cann't afford the required levels of affordable housing)
- Brownfield is the big unresolved problem
- Most receipts would arise from taxing large numbers of smaller landowners – this is risky and labour intensive
- A single road scheme in one region could cost £1/2bn, so a £1-2bn national yield from PGS wouldn't go far to meet infrastructure requirements
- There would be a large increase in workload for valuers (? capacity)
- Local connectivity unclear if revenue goes to HMRC, hence reducing the acceptability of development to communities
- Difficult to pinpoint value of mixed use/redundant buildings/brownfield
- Large numbers of appeals likely, adding to administration costs and reducing net yield
- Would need to be simplified as far as possible without distorting the market
- Would need thresholds to ensure the system was not clogged up with small scale developments/changes of use etc
- Would need the recently widened scope of S106 to be reigned back
- Would need to take account of phasing of large developments; deferred payments likely

Are there alternatives to PGS?

- If the case for capture of uplift in land values in proven, the most obvious option would be to introduce a roof tax or tariff. This is transparent, certain, and uses the new planning system (however it wouldn't provide land for affordable housing unless there was a policy for this in the LDF, and wouldn't unlock all betterment)
- Tariffs could work, particularly in areas with "better" local authorities, and with clear RSS and LDF context

The meeting went on to consider a fifth point:

What would be needed to make PGS work?

- Regional or local "Infracos" to act as banker to fund infrastructure in advance
- Ensuring that the proceeds accrue to the body(ies) accountable for delivery
- Statutorily scaled back S106
- Hypothecation of the proceeds
- Would have the effect of making development without planning permission illegal
- Setting the rate low initially with fixed rate rise over time, to act as an incentive for land-owners/developers to bring forward land for development quickly
- Yield needs to be additional to site-related S106s, otherwise not worth setting up separate system

Next steps

It was agreed that the Secretary would circulate a draft note of the key points discussed to attendees for corrections/additions/comments prior to sharing the note with other members of the Forum.

The NPF Executive Board would consider putting forward the conclusions of the Working Group to HMRC and ODPM, possibly before the next meeting of the Forum.