

Consultation Response

Shelter's response to the ODPM consultation on Planning Gain Supplement

February 2006

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Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 100,000 homeless or badly housed people every year. This work gives us direct experience of the problems caused by the shortage of affordable housing. Our services include:

- A national network of over 50 housing aid centres
- Shelter's free housing advice helpline which runs from 8am-midnight
- Shelter's website which provides housing advice online
- The Government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, which are approached by people seeking housing advice
- A number of specialist projects promoting innovative solutions to particular homelessness and housing problems. These include four 'Homeless to Home' schemes, which work with formerly homeless families and the Shelter Inclusion Project, which works with families, couples and single people who have had difficulty complying with their tenancy agreements because of alleged anti-social behaviour. The aim of these particular projects is to sustain tenancies and ensure people live successfully in the community.

Introduction and overall Shelter position

Shelter welcomes the opportunity to respond to the Planning-gain Supplement: a consultation. We welcome the Planning-Gain supplement as a valuable means of funding the infrastructure needed to support development and of incentivising local authorities to deliver growth. However, we do have some reservations about the details of how it would work in practice:

- A key point in determining our support is that any Planning Gain Supplement should be set at a rate which finances additional infrastructure "while preserving incentives to bring forward land for development". We believe there is no point in proposing a mechanism that inhibits development and we recognise that affordable housing provision now depends substantially on private development continuing to take place.
- The PGS must be designed in such a way as to be simple to operate and to keep administration costs to a minimum.
- We believe that there will need to be a transition regime that exempts land currently held or being processed through the planning system from PGS.
- In the past, landowners and developers have sat on land waiting for similar taxes to be abolished by a new Government. It will therefore be important, as

far as possible, to establish cross party consensus on how the PGS should be implemented.

Consultation question responses

These responses address, so far as is possible, each of the consultation questions.

Q 2.1 What further clarifications to the definitions of planning value and current use value (as described in Box 2.2) would be helpful to provide further certainty to developers?

No comment.

Q 2.2 How can the self-assessment of PGS valuations and liability be made as easy to comply with as possible?

No comment.

Q2.3 What information on the condition of land at the granting of full planning permission should be made available to the chargeable person?

No comment.

Q 3.1 Should payment of PGS occur at the commencement of development or another point in the development process?

Shelter believes that the proposals are right to defer liability to pay PGS from the date the planning permission is granted to the date the development commences. This should help prevent cash flow problems for developers. However, we are concerned that the proposals do not appear to deal effectively with cash flow problems on large developments, where income may not be received from the sale or rent of much of the development until a substantial period after commencement of the first structure, especially as these may be the sites that are capable of achieving the most for affordable housing supply and other community benefits. We believe there may be a case for phasing the payments of PGS so that they can coincide with the availability of income received from the development.

Q3.2 Should the Development Start Notice be submitted to the local authority or HMRC?

We suggest that the submission to the HMRC (as proposed) should be copied to the local authority. The local authority requires this for planning purposes and HMRC requires it for tax purposes.

Q3.3 How should the proposed approach to compliance fit with larger, phased developments?

See response to Q 3.1 above.

Q 4.1 To encourage regeneration, should a lower rate of PGS be applied to brownfield land? What might be the drawbacks?

The proposal that a lower rate of PGS should be applied to brownfield land is welcome. However, there is a risk that an excessive differential between greenfield and brownfield rates could create an incentive for local authorities to prioritise development on greenfield sites, knowing that in this way they would receive substantially more tax revenue. This must be avoided.

Q 4.2 How should a PGS threshold for small-scale development be set? What factors should be considered?

Shelter believes that the proposal to keep home improvements outside the scope of PGS is sensible. We believe that there is also some merit in avoiding interference in personal investment, which in most cases is for private domestic benefit. To avoid market distortions, we believe a low threshold should be set for levying PGS. This would avoid creating a situation where schemes are developed to come in just under the threshold. We also believe that uplifts in land value should be taxed regardless of the type of development. In particular, there may be a risk that if the scope of PGS was confined to residential housing, landowners would have an incentive to promote other kinds of development (e.g. commercial development in urban areas). Shelter is concerned that there could be a risk that necessary housing development (and in particular social housing development) would be discouraged.

Q 5.1 Does the development-site environment approach proposed here represent an effective and transparent means of reducing the scope of planning obligations?

Shelter agrees with the benefits cited in paragraph 5.17. S106 agreements have been an important means in delivering affordable housing and we believe that the way PGS is constructed should be to maximise the opportunities for affordable housing provision. We would welcome further guidance defining the scope of section 106 agreements and PGS and the relationship between them.

Q 5.2 How should infrastructure no longer funded through planning obligations be provided, including through the use of PGS revenues?

In the vast majority of developments very little infrastructure has been funded through planning obligations (beyond the confines of the individual site), so there is some question about whether anything much is being 'lost' under the new arrangements. It is probably only in major freestanding growth areas that this issue arises to any substantial degree.

The short answer to the question is that the proposed scaling back of the scope of section 106 agreements should have no downward impact on the level of infrastructure funding available: if s106 agreements in current circumstances would have secured an infrastructure contribution, but could not do so under the proposed arrangements, then the revenues raised from the PGS should allow the same infrastructure to be funded but this time out of the PGS. The true benefit of PGS should lie in the additional infrastructure funding which it allows: the object of the exercise is to recover some of the increment in land value which is not recovered at present.

Q 6.1 How should PGS revenues be recycled to the local level for local priorities?

Shelter believes that some surplus resources collected through PGS, should be recycled to those locations that need it most, which may well be the poor parts of the region or other regions that are less well off. Resources are also needed for strategic infrastructure projects that extend beyond the boundaries of local authorities. Nevertheless, a balance is needed and we agree that some recycling of locally raised revenues back to those who raised it is necessary as an incentive for development. In addition, if the PGS is to be used to fund infrastructure improvements, there is a strong case for this to be stipulated as part of the structure of the PGS arrangements.

Q 6.2 How should PGS revenues be used to fund strategic infrastructure at the regional level?

Shelter agrees with the proposals to collect PGS centrally and then redistribute it.

Q 6.3 How can local and regional stakeholders, including business, help determine the strategic infrastructure priorities most necessary to unlock housing development?

No comment.

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