

EAST AYRSHIRE COUNCIL

DEVELOPMENT SERVICES COMMITTEE - 8 MARCH 2006

PLANNING GAIN SUPPLEMENT: A CONSULTATION

Report by Executive Director of Development and Property Services

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to advise and obtain the Committee's views on a consultation paper entitled 'Planning Gain Supplement' issued by HM Treasury and the Office for the Deputy Prime Minister, and to homologate the officer response on the document sent on 24 February 2006.

2. INTRODUCTION

- 2.1 The consultation paper forms part of the Government's response to the Barker's review of the housing market which examined why housing supply consistently failed to meet demand. The paper notes that, if the planning system is to bring forward more land for development, there will be increased potential for unearned gains through the sale of land with permission for development and that there is therefore a strong case for the government to use a levy to allow the wider community to share more broadly in the development gains its actions will create.

3. THE PLANNING GAIN SUPPLEMENT

- 3.1 The Planning Gain Supplement (PGS) is seen by Central Government as a possible way of capturing a portion of the increase in land value created by the planning process throughout the UK. If implemented the current system of Section 75 Agreements would need to be scaled back to deal only with those matters directly related to the environment of the development site and affordable housing issues. However, any change to S75 Agreements would require to be promoted through the Scottish Parliament as it has responsibility for planning matters.
- 3.2 The paper proposes that all types of development would be subject to a PGS apart from householder developments and small scale improvements to commercial properties but would not be implemented before 2008.
- 3.3 The consultation paper suggests that the most appropriate time to apply the PGS would be when full planning permission was granted. A valuation would be taken of the land before consent was granted (current use value) and the PGS would relate to the increase in value after planning permission was granted. It is stated that the PGS would need to be set at a modest rate so as to capture a portion of the uplift in value but not so high that it discourages development. The possibility of a reduced rate for brownfield developments could be considered. It is proposed that the PGS would be paid on commencement of the development.

- 3.4 It is also proposed that the scheme would be administered by HM Revenue & Customs (HMRC) who would operate a self assessment scheme. Local Authorities would be involved in the allocation of funds raised and enforcement of the scheme. It is stated that “a significant majority” of the funds levered in would be recycled directly to the local level for local priorities and that revenues would be dedicated to financing additional investment in the local and strategic infrastructure necessary to support growth. In addition it is stated that such a scheme would ensure that local government would receive more funding through the PGS than was raised through s75 Agreements.
- 3.5 Two options for recycling PGS revenues to the local level are put forward in the consultation paper. The first is based on a direct proportion of the actual revenue raised by each area. This would benefit areas with high land values. The other is where revenue allocated is related to the amount of development brought forward which would be better suited to areas of low land values. Views on how funds are recycled to the local level are sought.
- 3.6 A further proposal for allocation of funds is that a small proportion is used to deliver strategic, regional as well as local infrastructure through the expansion of the Community Infrastructure Fund. The Community Infrastructure Fund is already established in areas of major growth in England. If this method were to be applied in Scotland, it could be the case that Ayrshire would not be seen as a distinct region but would be considered part of the Glasgow conurbation.

4. COMMENT

- 4.1 The general principle of removing planning gain powers from Local Authorities and transferring it to Central Government is of great concern. As previous reports to committee have shown East Ayrshire is currently suffering from low levels of investment in infrastructure in the past particularly in relation to water and sewerage. Only in recent months has the extent of underinvestment in comparison to other areas in Scotland has become clear. It is considered that the local plan alteration currently being prepared will begin to address this issue of underinvestment based upon a detailed understanding of the issues. The proposed PGS if implemented would create greater uncertainty for developers as funds will need to be channelled to the Treasury via HM Revenue and Customs, will require to be paid upfront and prior to completion of any development, will drive a wedge between payment and implementation of any strategy to overcome the lack of investment and will extend the time frame before funds are allocated to local Councils.
- 4.2 It is considered that the mechanism for raising funds for local improvements is best carried out at the local level as each local authority has its own individual issues and requirements. Funds allocated centrally may not fully appreciate the situation at the local level.
- 4.3 For these reasons and those contained in Sections 5 and 6 below it is recommended that we should strongly oppose this proposal.

5. DEVELOPER CONTRIBUTIONS OFFICER

5.1 At its meeting of 12 October 2005, the Development Services Committee considered and agreed a report which provided information regarding the range and type of development contributions that are likely be requested from prospective developers through the East Ayrshire Local Plan alteration process and Section 75 Agreements. The principle of a Development Contributions Officer who would have responsibility for:

- negotiating, on behalf of the Council, the level and extent of developer contributions within the context of the East Ayrshire Local Plan and any other documents relating to development impact;
- depositing and ensuring proper accounting of all financial contributions obtained; and
- tracking expenditure and monitoring implementation in accord with any legal agreements

5.2 An appointment has yet to be made and it was proposed to begin the process following publication of the draft local plan alteration. If the PGS was brought into force, developer contributions would no longer be under the control of the Council and the opportunity to directly negotiate with developers to benefit growing communities would be lost. In the meantime it is suggested that the appointment be made as the real impact of the proposal is likely to affect the next local plan review and not that currently taking place.

6. POOLED CONTRIBUTIONS FOR WATER AND SEWERAGE INFRASTRUCTURE

6.1 It is anticipated that a significant amount of new housing land will be released through the alteration to the East Ayrshire Local Plan in conformity to the finalised Ayrshire Structure Plan and as outlined above due to the presence of constraints in the water and sewerage networks developers will be required to make contributions to ensure that their developments are connected to the system. In some cases it may be necessary for developers of different sites to pool resources to achieve the most cost effective solution. It is considered that the Council is best placed to coordinate this through the Development Contributions Officer. Close working with Scottish Water is also required to ensure that any works they have programmed can take place simultaneously. The PGS consultation document does not make clear how such situations would be dealt with.

7. FINANCIAL IMPLICATIONS

7.1 Although there are no direct financial implications for the Council as a result of this report there could be significant implications for the Council's ability to raise financial contributions from developers to meet infrastructure deficiencies or mitigate the impact of new development (see section 4 and paragraph 6.1 above).

8. LEGAL/AUTHORITY IMPLICATIONS

8.1 There are no direct legal or authority implications for the Council as a result of this report. However if the PGS was to be implemented changes to current practice with

regard to legal agreements under s75 of the Town and Country (Scotland) Act 1997 would be required.

9. PERSONNEL IMPLICATIONS

9.1 There are no direct personnel implications for the Council as a result of this report although if the PGS was implemented it would require a reassessment of the recently approved Development Contributions Officer.

10. COMMUNITY PLAN IMPLICATIONS

10.1 The impact of the proposals on the Council's ability to raise financial contributions from developers will also hinder the ability of the Council to implement key actions contained within the themed Community Plan Action Plans.

11. RECOMMENDATIONS

11.1 It is recommended that Committee:

- (i) note the contents of this report and in particular that the Council is strongly opposed to centrally controlled planning supplements;
- (ii) agree that the comments contained in sections 4, 5, 6 and 9 be passed to The Treasury in response to the Planning Gain Supplement consultation paper; and
- (iii) agree to homologate this response already sent to HM Treasury

James Lavery
Executive Director of Development and Property Services
23 February 2006
(EF/SA) - FV

LIST OF BACKGROUND PAPERS

1. Development Services Committee Report entitled 'East Ayrshire Local Plan: Developer Contributions' considered by Committee 12 October 2005.
2. Policy and Resources Committee Report entitled 'Connecting to the System: Consultation on paying for connections to the water and sewerage networks'

For further information on the contents of this report please contact Emma Fyvie, Senior Planning Officer, telephone 01563 576756.

Implementation Officer: Alan Neish