



## Clark: Communities to share in the advantages of development

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New reforms will give more of the benefits of development to communities while providing more certainty for industry, Decentralisation Minister Greg Clark announced today.

Councils and communities will have more control over how new infrastructure in towns and cities is funded, and more of the money will benefit the neighbourhoods where new developments are built.

Mr Clark confirmed a Community Infrastructure Levy, introduced by the previous Government in April 2010, would be continued because it provides a fairer system to fund new infrastructure. The levy will give councils the option to raise funds from developers building new projects in their area, and provide a more certain and flexible system for housebuilders, cutting the costs of lengthy legal negotiations.

However, the levy will be reformed to ensure neighbourhoods share the advantages of development by receiving a proportion of the funds councils raise from developers. These will be passed directly to the local neighbourhood so community groups can spend the money locally on the facilities they want, either by contributing to larger projects funded by the council, or funding smaller local projects like park improvements, playgrounds and cycle paths.

The new system will be more transparent with levy rates set in consultation with local communities and developers, unlike planning obligations that are negotiated behind closed doors. Developers will know upfront exactly how much they will be expected to pay towards infrastructure, enabling them to work out costs earlier.

Decentralisation Minister Greg Clark said:

"Communities should reap the benefits of new development in their area and these reforms will put in place a fairer system for funding new infrastructure while also providing certainty for industry.

"Too little of the benefits of development go to local communities, and our ambition is to correct that with a reformed levy under genuine local control. Neighbourhoods will now get a direct cut of the cash paid by developers to councils - to spend how they wish to benefit the community, from parks and schools to roads, playgrounds and cycle paths.

"Our decentralising changes will also benefit developers through a system that is flexible, predictable and transparent while also cutting the red tape and bureaucracy faced by councils.

"Alongside the New Homes Bonus, this is another way to make sure communities benefit from development in their area. It will help change the debate about development from opposition to optimism."

## Notes to editors

1. All but the very smallest building projects will contribute to the levy ensuring communities reap the rewards of new development in their area. The neighbourhood funds will complement powerful incentives that will be delivered through the New Homes Bonus. Under the new scheme, communities that support the construction of new homes will receive direct and substantial extra funding to spend as they wish.

2. Other changes include:

- more control for councils over the levy. Independent examiners will ensure councils do not set unreasonably high levies, but councils will control the detail of what type of levy rate is charged, including what rates are set for specific areas and types of development; and
- allowing councils to set their own flexible payment deadlines and offer the developers the option to pay by instalments. The £50,000 minimum threshold for payments in kind will also be scrapped so councils can accept a payment in kind for any level of contribution.

3. Mr Clark also confirmed no significant changes will be made to the current rules about planning obligations, also known as Section 106 agreements. They will continue to fund affordable housing, and will remain scaled back so they directly relate to the proposed development. In recent years the use of planning obligations to secure cash contributions to general infrastructure needs had grown in scope and complexity, and often resulted in years of protracted negotiations that delayed development and were a drain on council resources. The levy ensures proper transparency and fairness over such contributions.

4. Councils will monitor the use of the levy and provide regular reports to ensure that local people understand how new development brings benefits to their area. Affordable and social housing projects as well as charity developments will be exempt from the levy.

5. The new Government believes it is reasonable for developers to make a contribution towards additional infrastructure that is needed as a result of their development. The Government also believes a tariff-based approach provides the most satisfactory framework to fund new infrastructure.

Therefore, after careful consideration, the Government has decided to retain the Community Infrastructure Levy. However, in order to retain the levy it will be reformed to ensure it:

- hands more power to councils and communities to decide what they want the levy to fund; and
- is simple and transparent for local communities and provides clarity to the development industry.

6. The levy will not apply to the vast majority of household extensions as they will be less than the threshold of 100 sq m (the average house size in the UK is 76sq m).

7. Some changes to the levy will require amendments to legislation and regulations. The Government will include provisions in the Localism Bill to limit the binding nature of examiners' reports, and amend the Community Infrastructure Levy Regulations 2010 to give local communities more control over the levy, and make it more responsive to local needs.

8. The Government will require charging authorities to allocate a meaningful proportion of their levy revenues raised in each neighbourhood back to that neighbourhood to spend on the infrastructure that local people consider is most needed.

9. Local authorities will work closely with neighbourhood bodies to ensure that the levy can help provide for their infrastructure needs. This could mean working with neighbourhoods to decide what infrastructure is needed, as well as giving levy money to neighbourhoods affected by a new development in their area.

10. Local authorities will retain the ability to use the levy where it is needed in their area to address the cumulative impact on infrastructure that may occur further away from the development. They will need to balance neighbourhood funding with wider infrastructure funding needed to support growth.

11. The report, *Valuing Planning Obligations in England: Update Study for 2005-06*, published by Sheffield University in 2008 showed that only 6 per cent of developments made any contribution to the cost of new infrastructure via planning obligations.