



*Chartered Institution of Highways and Transportation*

# Technical Consultation Infrastructure Levy

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CIHT welcomes the publication of the Technical Consultation on Infrastructure Levy by the Department for Levelling Up, Housing and Communities (DLUHC). We support the objective of the Government to improve the existing Levy system and create a simpler and more transparent developer contribution to support funding for infrastructure.

CIHT would like to build our response based on assessing the pros and cons of the new Infrastructure Levy and raising some of our concerns about the administration, clarity, and effectiveness of the new system. CIHT believes that the implementation of the Infrastructure Levy needs further engagement with local authorities on the viability of available resources, skills, and training required for the system to operate smoothly, given that there is neither skill nor the capacity available in many local authorities at present.

CIHT is also concerned that any new Levy ensures that the focus is on providing sustainable transport solutions and not reinforcing the provision of road-based solutions where these are inconsistent with the Government's decarbonization objectives and local authority's declarations of a climate emergency.

## **Pros**

- As the new Infrastructure Levy (IL) is a mandatory - unlike the previous Community Infrastructure Levy (CIL) – and locally-set charge, it has immense potential to enable local authorities to receive a fairer contribution to support infrastructure funding. The new Levy is highly likely to capture smaller developments that previously did not contribute to the infrastructure development.
- The new system shows potential to improve knowledge and skills exchange for setting levies and infrastructure plans across the country while creating good practices and improving the current disintegrated system of poor monitoring and reporting.
- Overall, seeing a government's attempt to simplify and rationalise the system is positive. This Infrastructure Levy will enable local authorities to choose how best to spend available resources in case they need additional support for other sectors rather than infrastructure (point 4.31).
- The new principle of the 'right to require' (point 5.1) will enable greater protection of affordable housing delivery as a proportion of Levy liabilities, resulting in no downward negotiation at the end of the development project due to the non-negotiable nature of the new Infrastructure Levy.

## Cons

- Local authorities are allowed to determine the level of levies without the central government's approval. Thus, it poses a significant risk of fostering competition between local authorities as some might impose low levies to encourage development in their area.
- As the final Levy received will be based on the *Gross Development Value* (GDV), there is always a risk that the GDV will go down (e.g., during a recession), reducing the burden on the developer but leaving local authorities worse off at the completion of development (section I): meaning local authorities will be carrying a financial liability in case GDV goes down. This means there can be delays in the delivery of infrastructure needed to support new developments, leaving a massive gap between what is required and what is provided.
- Even though local authorities do not have to wait until the project is completed (which can take 10-15 years) and can borrow money beforehand through the Public Works Loan Board, there is an inherent financial risk that authorities may experience considerable financial losses (as the infrastructure will increase in cost under any circumstances), the size of which will vary depending upon the economic cycle phase at that moment. It is, therefore, important to reconsider the system to allow authorities to better plan infrastructure delivery without imposing a lot of financial burden. As there is the need to have all the funding available before delivery commitments can be made, if an authority does not borrow it means infrastructure cannot be delivered if there is no upfront funding. Given the current financial situation in local authorities, there will be many who are unlikely to want or able to take the risk and cost.
- Although the extended period of introducing the Levy is welcomed to ensure that local priorities and circumstances are reflected in it, such a delayed start might cause significant disparities between those local authorities who are willing and able to adopt the new system and those who do not, given that some local authorities might experience financial/staff constraints needed to set up and administer the new system.
- There is a potential risk that local authorities – due to a lack of sufficient funding available - may not sufficiently prioritise the infrastructure needs of their communities. Given that the current developer's contribution system does not supply sufficient resources for the required affordable housing provision and satisfy transport needs, expanding the list of what can be funded through the IL adds additional unnecessary pressure to the system. There are existing mechanisms for funding services (such as healthcare) that should be responsible for satisfying all other local authorities' needs rather than the Levy itself. There should be a transparent reporting system to ensure local authorities provide the necessary infrastructure with the revenues raised.

- Local authorities will be able to impose different Levy rates (point 2.30) for different zones (e.g., greenfield/brownfield sites). Therefore, it might result in some complex calculations and lead to a potentially overcomplicated and disproportionate system. It might also result in development in the ‘wrong’ place from a sustainable transport perspective as it is cheaper away from urban areas.
- Another question is how the new IL system will operate in two-tier authority areas where transport and planning functions are divided. The charge setting authority – local planning authority (LPA) - is not within the same organisation as the local transport authority (LTA) in 2-tier areas - thus there may be inevitable tension. There is a concern that the new Infrastructure Levy might not allocate any support to strategic transport infrastructure schemes. Furthermore, there is a lack of clarity on whether it would be possible to ensure payment for strategic infrastructure through S106 in line with certain local needs.
- One more concern about the current Infrastructure Levy design is the notion of ‘integral’ infrastructure and how far it will be successfully delivered under the new system. There is little clarity on what will be offered through planning conditions, ‘Delivery Agreements’ or Levy revenues. We believe the list of what be considered an ‘integral infrastructure’ should be set locally according to their needs.

CIHT believes that the new Infrastructure Levy is a reasonable attempt to revive the current system, but there is an urgent need to consider the points made above about IL effectiveness in practice.

CIHT would be pleased to discuss any of the suggestions given in the response.