

# Funding the Infrastructure Gap: Infrastructure Levy

Stefano Smith, Director of Planning 11th October 2017

# What contribution could an infrastructure levy make to Local Development Plan delivery and in what timescale?



# Infrastructure Levy Structure

- Context
- What is Scottish Government proposing?
- How might it work?
- ☐ Key issues:
- 1. What would the infrastructure levy fund?
- 2. Impacts on project viability?
- 3. How much money would levy raise?
- 4. How could the levy operate?



### Context

#### **Timeline**

May 2016 Independent review of the planning system reported

January 2017 'Places, People and Planning' – 20 proposals for

change

April 2017 Consultation closed

Independent analysis of views on the proposals

June 2017 'Places, People and Planning. Position Statement'

## **Proposals for Change**

Proposal 14 Creating a fairer and more transparent approach to

funding infrastructure

"... *Infrastructure Levy* could be used to strengthen the scope for planning to support the delivery of development."



# What is Scottish Government proposing?

A new means of capturing land value uplift in the form of an infrastructure levy

General support subject to further details

Consultee	Issues
Development industry	What would the levy fund? Would it be used to replace central funding or infrastructure?
Businesses	Impacts on project viability? Could it apply to development which has no impact on infrastructure?
Public sector	The amount of money a levy might raise may be limited? It may not help if it does not make funds available to support upfront costs?



# Infrastructure Levy How might this work?

# NATIONAL LEVEL INFRASTRUCTURE INVESTMENT

- National funding
- Infrastructure Investment Plan and National Planning Framework

# STRATEGIC/REGIONAL INFRASTRUCTURE INVESTMENT

- Infrastructure Charging Mechanism / Infrastructure Levy
- Strategic/Regional Infrastructure

# LOCAL/SITE SPECIFIC INFRASTRUCTURE INVESTMENT

- Section 75 planning obligations or other methods
- Site specific infrastructure
- Funding to mitigate impacts not covered by the levy



# Infrastructure Growth Contribution (IGC) Model

#### INFRASTRUCTURE GROWTH CONTRIBUTION (IGC) Aim **Key Principles** To deliver strategic infrastructure that is needed IGC charging mechanism set nationally. to support development across a wider area Should be applied to most development and would help to build a more confident types, with some potential exemptions. "infrastructure first approach" to planning and Should complement and not replace development. 'national infrastructure' and 'site specific infrastructure' funding - to support 'strategic/regional infrastructure'. IGC OPTIONS **CENTRAL CO-ORDINATED** LOCAL CO-ORDINATED Key characteristics **Key characteristics** · Collection and Distribution Collection and Distribution · the charge would be collected centrally · the charge would be collected locally. and amounts collected passed to the · funds collected would not be holding and distribution agency. hypothecated to a particular piece of · Agency would be appointed by infrastructure but held in a trust by the Scottish Ministers under general Authority in a general pool. enabling powers, with a natural remit · Infrastructure Plan to hold, invest or borrow on expected • the ability to raise funds through the receipts and to distribute funds. charge could be made dependent Infrastructure Plan on the authority having a Local · Funds would be distributed by the Development Plan which identifies agency to areas which have a 'fit for new infrastructure need and sources of purpose' strategic infrastructure growth funding for these. plan produced by a grouping of one · Legal implications or more planning authorities and the This approach could be designed so as infrastructure providers. to fall within the devolved framework. · Legal implications · This approach may not be implementable within the existing devolution framework and may need Westminster to change legislation.



# Issue 1 – What would the levy fund?

Infrastructure that enables growth – bringing forward additional land for development. An Infrastructure Growth Contribution.

Infrastructure that is not necessarily related to the contributing development. Section 75 remains to deliver infrastructure necessary to make the proposed development acceptable in planning terms.

Infrastructure that is part of a local or combined authority Plan for Strategic Infrastructure. Annual monitoring report detailing use of IGC.

Additionality of IGC identified within the costed plan showing resources available from Government Departments, Utilities, the Local Authority, Highways Scotland and others.

IGC would require up to five years' lead in time. One to two years of preparation followed by two to three years before funds are raised. Perhaps some "pump priming" should be considered.

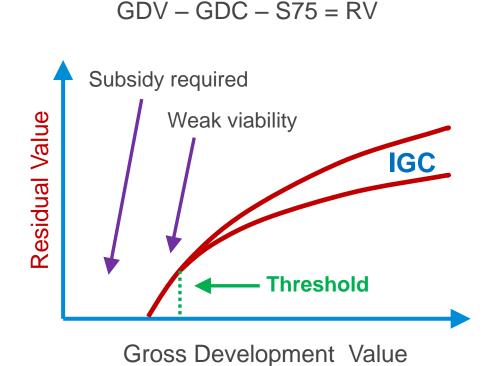


# Issue 2 – Impacts on Project Viability

IGC is designed to prevent market distortions – no exceptions that might create unfair advantage – applied to all development of buildings that people use.

IGC is designed to minimise impact on viability, taking into account a projected growth in value of S75 obligations.

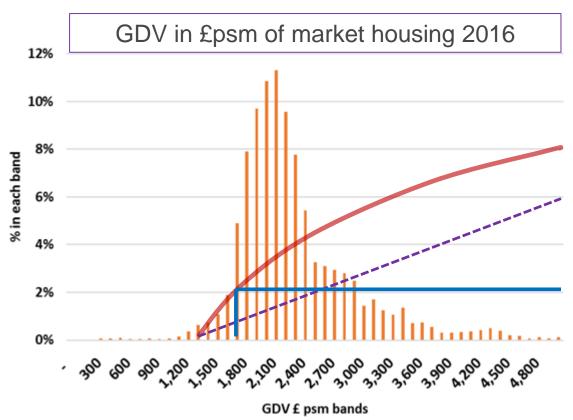
IGC is based on the ability to pay.





# Issue 3 – How much money would levy raise?

Dependent on complexity of formula and on the number of authorities applying IGC.



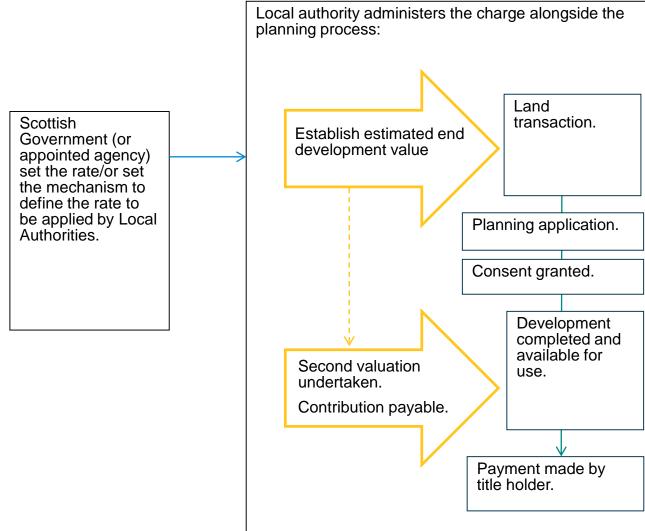
Non-linear formula = up to 2% of national development value. Progressive.

Fixed % of GDV = well under 1% of national development value. Proportional.

Flat rate psm = up to 1% of national development value. Regressive.

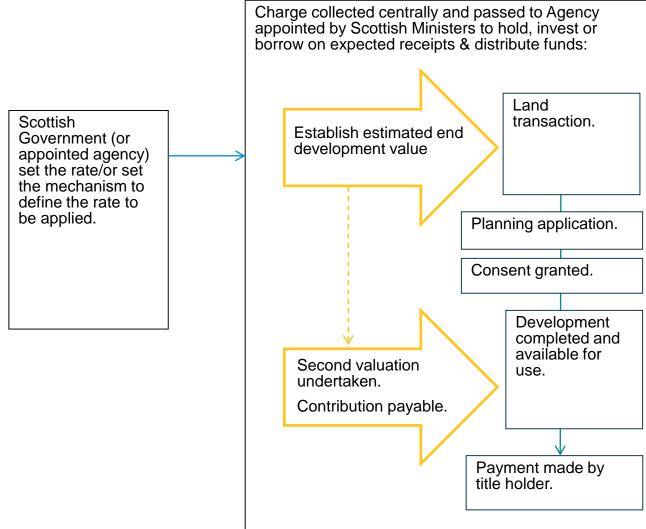


# Issue 4 – How could the levy operate?





# IGC – Central Co-ordinated Option







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