

The Rt Hon Michael Gove MP
Secretary of State
Department for Levelling Up, Housing and Communities
2 Marsham Street
London
SW1P 4DF

9th June 2023

Dear Secretary of State,

We represent organisations and professions working in every community in England who pay, receive and spend developer contributions responsibly. We are calling on you not to introduce the Infrastructure Levy (IL) as proposed in the Levelling Up and Regeneration Bill and outlined in your department's recent technical consultation.

Our sectors share your belief that local leaders need "the right tools to bring forward more affordable housing, transport links, schools and GP surgeries their communities need"¹. As noted in your consultation material, improved homes, infrastructure and services are vitally important reasons for communities to permit local development and, in 2018/19, developer contributions funding those improvements were estimated to be worth £7 billion.

We also share your aspiration to streamline the process and speed up delivery. However, having considered your proposals in further detail and responded to your department's consultation where we've been able, we cannot support reforms that are likely to leave communities with fewer new social and affordable homes, mixed and balanced developments and less of the infrastructure they need.

You will recall that the National Housing Federation² coordinated the submission of a letter to you in February raising initial concerns about the possible impact of the proposed Infrastructure Levy (IL) on affordable housing delivery.

Regretfully, many of the difficulties that we've experienced using existing Section 106 (S106) and Community Infrastructure Levy (CIL) mechanisms look likely to continue after the new system has been adopted.

It remains unclear how IL rates and thresholds will sufficiently uphold the economic viability of projects, protect the delivery of affordable homes and homes for social rent and return enough money to fund the infrastructure growing communities need.

In consultation responses from across our sectors you will similarly find concern that these reforms will make it harder, not easier, for local leaders and communities to secure the benefits of new development. These concerns include that:

- The new system will make the provision of affordable housing and mixed and balanced communities harder than the existing system

¹ <https://www.gov.uk/government/news/new-levy-to-make-sure-developers-pay-fair-share-for-affordable-housing-and-local-infrastructure>

² <https://www.housing.org.uk/news-and-blogs/news/joint-letter-to-the-secretary-of-state-on-infrastructure-levy/>

- The upheaval of a new system and the time it would take to roll it out would create prolonged uncertainty across the planning system, stifling our efforts at a time when the need to build more affordable housing and infrastructure is pressing.
- IL charging schedules would be significantly more complex than CIL ones and will be difficult for – chronically under-resourced – local planning authorities to develop and once introduced, Infrastructure Delivery Strategies may create conflict with local plans.
- Alongside IL, councils and developers will still need to rely on S106 and CIL to some extent, which will not be improved by these reforms
- The principle of allowing planning authorities to borrow against developer contributions is welcome. However, the specific design of IL means that in practice the financial risk of borrowing against future levy proceeds when the final amount is uncertain will be too big for planning authorities to take – especially during a period of economic volatility.
- As acknowledged by local government sector bodies – who are united in their view –, a balance needs to be struck in two-tier county areas for devising better alternatives and calibrating the right balance of affordable housing and wider infrastructure. Any future developer contributions system needs a clear framework for better collaboration to ensure priorities for the use of funding are broadly agreed by all parties.

This radical overhaul of the developer contribution system therefore presents significant operational and economic challenges that will make it difficult for existing communities to realise the benefits of new development in their area.

Every signatory of this letter remains committed to supporting you and officials in your department to get the best outcome for local communities. We have come together today to ask that you work with us to fully reconsider how S106 and the CIL could be improved and more widely implemented.

Though imperfect, we favour retaining and continuing to improve these mechanisms and would value the opportunity to consider how they can be strengthened based on our experience and expertise. To this effect we ask that a Ministerial roundtable be convened immediately so that we can explore these options with you and better inform the planning reforms you take forward.

Together we hope to play a constructive role in strengthening our developer contributions systems on behalf of our sectors and look forward to discussing these issues further at your earliest convenience.

Yours sincerely,

Melanie Leech CBE, Chief Executive, British Property Federation

James Francis, Chair, BuildEast

Suzannah Nichol MBE, Chief Executive, Build UK

Muniya Barua, Deputy Chief Executive, BusinessLDN

Eddie Tuttle, Director of Policy, External Affairs and Research, Chartered Institute of Building

Gavin Smart, Chief Executive Officer, Chartered Institute of Housing

Graham Watts OBE, Chief Executive, Construction Industry Council

Mark Reynolds, Co-Chair of the Construction Leadership Council

Sarah Hendry CBE, Director General, Country Land and Business Association

Cllr Roger Gough, Housing and Planning Spokesperson for the County Councils Network

Cllr Sam Chapman-Allen, Chairman of the District Councils' Network

Cllr Matthew Hicks, Chair, East of England Local Government Association (EELGA)

Brian Berry, Chief Executive, Federation of Master Builders

Fiona Fletcher-Smith, Chair, G15

Karen Cooper, Chair, G320

Stewart Baseley, Executive Chairman, Home Builders Federation

Louise Swain, Chair, Homes for South West

Steve Coffey, Chair, Homes for the North

Shelagh Grant, Chief Executive, The Housing Forum

Paul Brocklehurst, Chairman, The Land Promoters and Developers Federation

Cllr Darren Rodwell, Executive Member for Regeneration, Housing and Planning, London Councils

Cllr Linda Taylor, Chair of Environment, Economy, Housing and Transport Board, Local Government Association

Jules Pipe CBE, Deputy Mayor, Planning, Regeneration and Skills on behalf of the Mayor of London

Richard Beresford, Chief Executive, National Federation of Builders

Kate Henderson, Chief Executive, National Housing Federation

Mike Kiely, Chair, Planning Officers Society

Victoria Hills, Chief Executive, Royal Town Planning Institute

Polly Neate CBE, Chief Executive, Shelter

Ursula Bennion, Chief Executive, Trent & Dove Housing Ltd

Fiona Howie, Chief Executive, Town and Country Planning Association

cc The Rt Hon Rishi Sunak, Prime Minister
 Rachel Maclean, Housing and Planning Minister