

The much bolder option

David Curry MP is someone else who just can't believe the Planning Gains Supplement

Here we go again! Some ideas keep turning up like winter sore throats. This one has been round the course four times already. Now it is in its fifth manifestation. According to its enthusiasts it is a revelation. For others it is closer to *Apocalypse Now*.

The little number in question is the land value uplift tax. It springs from Kate Barker's 2003 report on housing. Gordon Brown has rechristened it the Planning Gain Supplement and sees it as a key instrument in the government's drive to deliver an extra 50,000 houses (to 200,000) a year by 2010. The main claim made for it is that it will jolt local authorities into a pro-development frame of mind and out of their current mindset hostile to development.

The idea is simple enough. Land values rise massively when planning permission is granted. The government estimates that mixed agricultural land is worth some £9,287 per hectare. Endow it with planning permission for industrial use and the value rises to £750,000. Hit the jackpot — residential use — and the value rockets to £2.5m. This huge windfall occurs simply at the stroke of a pen. So shouldn't society gain some benefit from the profits so painlessly created?

A tax would be levied on the gain in value of land when development began. It would be small - at least at first - so as not to frighten the horses and a significant amount would go back to the council to finance infrastructure.

Finally, it is argued, it should replace the notorious s106 agreement - an arbitrary mechanism stained with the risk of corruption. In fact, the government has

already said it will keep some form of s106 after lobbying from the social housing sector.

The critics are equally adamant in their scorn. This is not a way of accelerating development, they cry, it is a way of stopping it in its tracks. Landowners will sit on their property, the supply of land for housing will diminish, prices will rise in response and fewer houses will be built. Urban authorities will lose out, given that the really big money would come from the designation of agricultural land rather than in urban areas with a much smaller uplift value on brown-field sites. A huge incentive for green-field development - and a wonderful advertisement for the government's environmental credentials!

And just how do you work out how much of the increased value of the land is due to a change in planning designation? And what about multi-phase developments? When would the tax be levied and how often? The only certain beneficiaries from a planning gain tax would be tax lawyers.

Creating such a tax would require cross-party support. Otherwise landowners would put development on hold until a change of government brought cancellation of the levy. What puzzles me is why, if he really wants a radically energised planning system and is prepared to have a huge fight to get one, Mr Brown has not gone for the much bolder option - a tax on the value of the site itself.

This tax would take the form of an annual charge on the value of a site, levied according to its status in the local plan, whether or not it was developed. Its advocates claim that it would

bring idle land into the best use for it, leading to an increase in supply and a decline in price.

Rather than capturing planning gain on one site at one moment, a land value tax would also recover value from neighbouring sites that had benefited from the development. Local authorities would collect more tax by the mere act of designating (or zoning) suitable land for industrial or residential development, thereby increasing its value even if no development took place. Landowners would have no incentive to hold sites back from development. Councils, by contrast, would have an incentive actively to pursue re-zoning.

The links between this proposal and Sir Michael Lyons' work into local government finance are obvious - though to what extent the two processes are 'joined up' is not clear. What is certain is that the fifth version of the betterment levy already has a huge coalition arrayed against it. Stand by for an unexpected outpouring of admiration for the charms of s106. Better the devil we know...

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Mr Curry is the Conservative MP for Skipton and Ripon and was Minister of State with responsibility for Local Government, Housing and Urban Regeneration under Prime Minister Major



Licencing the use of our seas

The Government overlooks the haemorrhaging of the value of the sea, claims Jo Stocks

The Government recently launched a public consultation in England and Wales on licencing access to marine resources.

The review centers on the charging system for marine industry environmental licenses. The Government says that "action is needed because the cost of regulating industries like dredging and marine construction is not being fully recovered through the licensing system."

The present 'cost based' system requires an authority to charge for the 'reasonable expenses' of processing a licence and regulating its subsequent operation. According to the Department for Environment, Food and Rural Affairs, when it itself does so, it "pays special regard to the need to reduce the burden for industry as far as possible". The consequence of this approach is two-fold: an effective disregard for the need to reduce the

burden on the environment; and a failure to capture for the public purse the full value of the common resource being alienated.

The marine environment and its capacity to absorb waste are natural, common resources. We all have equal claim to their value. The government holds and manages these assets in public trust. Licenses are the limited transfer of public value into private hands.

Might it be more appropriate for licenses to be charged for on the basis of the benefit received by the licensee - the benefit foregone by the rest of us - rather than on 'cost'?

The present approach means that those costs which arise as 'externalities' - including many 'environmental' costs - are not paid for by the licensee. They're paid for by the rest of us, and by the environment, by way of a degraded resource.

The failure to bring fully to account the users of the marine resource for the effects of their activities, lies at the root of the ongoing decline of our seas. According to the EC's Marine Strategy Directive, "Europe's oceans and seas are under threat, in some cases to the extent that their structure and function is being jeopardised." A new approach to licencing could help reverse the current trends.

Currently the value of the sea is given away, gratis, with the issuing of the license. The present system allows the haemorrhaging of public value onto the balance sheets of private enterprise.

Readers wishing to learn more or to respond to the consultation should visit www.mceu.gov.uk/MCEU_LOCAL/FEPA/whatsnew.htm.