

## Is the Infrastructure Levy IL- conceived?

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*The Levelling Up and Regeneration Bill has already faced several rounds of markups, and the Secretary of State for the Department of Levelling Up, Housing and Communities, Michael Gove, may be faced with another round.*

Thirty organisations, including councils, housebuilders, housing associations, charities, business groups and planners have sent an open letter to the Government urging them to reconsider the 'Infrastructure Levy' (or 'IL'). These signatories represent those directly involved with developer contributions, whether paying, receiving or spending them.

The idea behind IL is to "simplify" contributions, by introducing a non-negotiable, locally-set levy, calculated on a final gross development value of a scheme. This way, the levy amount would be tied to the actual Gross Development Value ('GDV') of the final scheme. To alleviate the issues caused by not receiving payment up front, authorities would be allowed to borrow against future IL revenues. The levy would replace CIL and aims to do away with the need for many Section 106 agreements.

Most practitioners no doubt feel that the system of developer contributions can be streamlined. Section 106 agreements do not give authorities or developers much certainty for contributions at the outset of a scheme, and whilst CIL can give certainty, it inevitably ends up only being one of many contributions, and therefore the uncertainty persists. Additionally, the CIL calculations themselves end up becoming more complex when charged alongside s.106 contributions. However, the feeling amongst those organisations writing to Mr Gove is that IL will not fix these issues:

- Section 106 agreements will still be necessary for all but the simplest projects.
- IL charging schedules would be more complex than CIL, and the upheaval would create more uncertainty. Rate setting would vary wildly even within a single borough and so additional viability assessments would be necessary.
- Authorities are already allowed to borrow against CIL payments, but against a backdrop of turbulent markets, most have chosen not to do so.
- IL would leave communities with fewer new social and affordable homes, and less of the infrastructure they need. This would perpetuate regional inequalities and exacerbate the housing crisis. One of the few things the sector can agree on is that we need more affordable housing, not less.

- Better calibration of the balance of affordable housing and infrastructure contributions is required in areas with two-tier authorities.

The organisations have therefore urged the Government to reform the current developer contributions system instead. There is also a prevailing sense in the sector that they wish the Government would stop tinkering with things. Over the last decade, the sector has come to understand CIL. It may not be perfect, but if we are going to change it, we should not replace it with a confusingly similar levy that will still result in many of the existing difficulties!

If you have any questions or would like any further information on these issues, please contact:

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