

### **Question from Cllr Pippa Heylings to Council, 13 July 2023**

Could the Leader explain the impact on communities and local authorities of Government plans contained in the Levelling Up Bill to replace Section 106 contributions with an Infrastructure Levy. This levy will only be payable by developers on the sale of the first house. Specifically what will be the impact on “infrastructure first” strategies, and on the provision of affordable and social housing.

### **Written response from Cllr Dr Tumi Hawkins, Lead Cabinet Member for Planning**

The Council has provided a detailed response to the recent consultation on the proposed Levy.

Unusually, we are united alongside the majority of the development industry in considering the proposals ill-judged and likely to place significant long term funding burdens on this Council and Councils across the Country. The prospect of SCDC having to borrow hundreds of millions of pounds against the potential future income from the levy, and to then pay interest on that borrowing to fund infrastructure delivery on sites where new homes and levy payments may be many years away, will create considerable financial risks to the Council. The Council would also have to find additional resource at more cost to deliver the infrastructure and this is not its core responsibility.

Furthermore, as a result of the uncertain Gross Development Values and income from the levy, it could dramatically reduce the provision of affordable homes that are so desperately needed.

We already know that up front infrastructure payments have a significant impact upon development viability – because developers have to borrow the money to make the payment – on top of borrowing money to build the homes. The government proposal to require payment of the levy on the first home being occupied will only add to development costs as it will impact viability assessments of what can be secured from new development. It may also encourage developers to never start building – if they sense a downturn in the economy is in the offing.

This proposed Levy is in effect, trying to transfer the developers’ financial risk to cash-strapped local authorities and local taxpayers are being asked to underwrite developers’ cashflow.

Last week, in the face of significant opposition from across the public and development sector, the government published further proposed amendments to the LURB (Levelling Up Review Bill) to try and guarantee future levels of affordable housing within the levy provisions. But that process only risks further cuts to future infrastructure receipts which will hamper the ability of this Council to deliver, whilst covering our borrowing costs.

We are therefore not in favour of the current levy proposals, and will continue, along with the LGA and many others across the development sector, to make representations against its introduction.