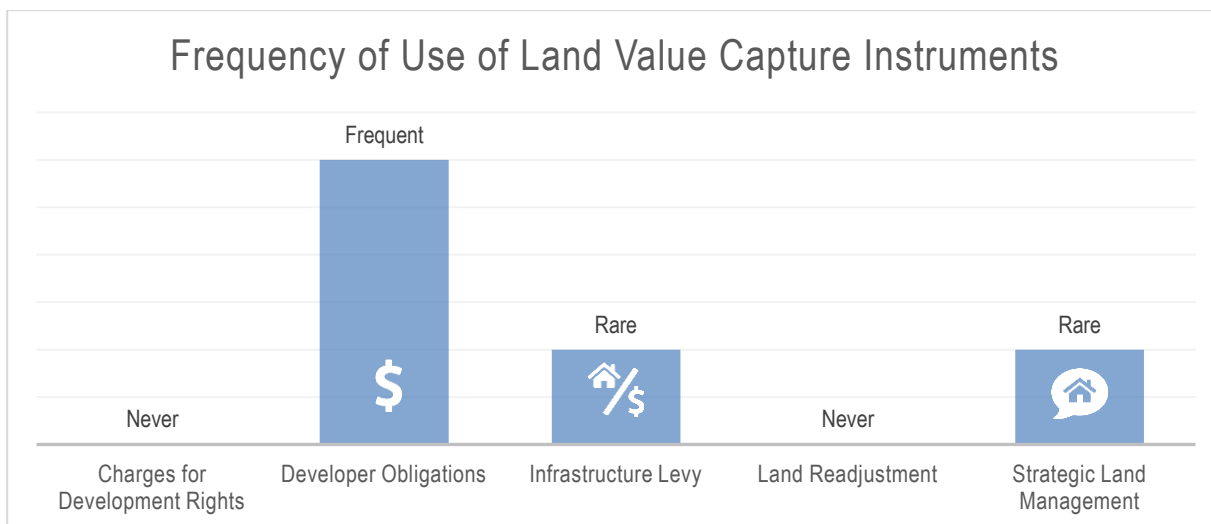




# United Kingdom



The land value capture instruments in the United Kingdom are developer obligations and strategic land management. Developer obligations seek to compensate the impacts that new developments have on local infrastructure. Regarding land banking, the government sometimes sells redeveloped land to private actors, whereas leasing is less common. Landowners and occupants pay additional local taxes for public improvements that take place in Business Improvement Districts. There is no legal framework for charges for development rights or land readjustment.

## Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Developer obligations	<i>Planning obligations</i>	Section 106 of Town and Country Planning Act 1990 (England and Wales) and Section 75 of the Town & Country Planning Act 1997 (Scotland)	Local governments	Frequent
	<i>Community Infrastructure Levy</i>	Part 11 of Planning Act 2008 (England and Wales)	Local governments	
Infrastructure levy	<i>Business Improvement Districts</i>	Part 4 of Local Government Act 2003 (England and Wales) Part 6 9 of the Planning Act 2006 (Scotland)	Local governments	Rare
Strategic land management	Compulsory acquisition of land	Compulsory Purchase Act 1965 (England and Wales) and Acquisition of Land Act 1947 (Authorisation Procedure) (Scotland)	National and local governments, as well as special purpose bodies	Rare

# United Kingdom

| 2



## Enabling framework

The United Kingdom is a unitary state with an asymmetrical decentralization system, composed of four constituent nations: England, Northern Ireland, Wales and Scotland. The UK governs the local governments in England, and the devolved nations govern their own local governments. Because Wales was merged into England's legal system, there are three legal systems in place: the laws of England and Wales, Northern Irish laws and Scottish laws (OECD/UCLG, 2019<sup>[1]</sup>, p. 432).

The local territorial organisation differs greatly in each of the four constituent countries. England has a mixture of unitary and two-tier subnational local government system. Where there are unitary authorities the local government is responsible for all local government services, including planning. Where there are two-tier arrangements, the county council provides most local government services including education and social services, and the district councils provide other local services, including planning. Scotland, Wales and Northern Ireland have only one tier of local authorities.

The *National Planning Policy Framework* is the national policy of land value capture in England. It covers the policy on developer obligations and similar policies which can oblige developers to contribute to the costs of infrastructure and community needs. The Welsh and Scottish governments enact national spatial planning frameworks that structure the planning system in their territories (OECD, 2017, p. 214).

Local authorities have considerable discretion in implementing developer obligations and infrastructure levies. As a result, there are wide variations in local policy and practice, subject to these complying with national policy and guidance.



## Infrastructure levy

Local governments can charge a fee to business owners within a Business Improvement District, with the aim of offsetting part of the costs of public improvements. It is supplementary to regular business taxes. Local governments rarely adopt this levy.

Local governments or private businesses may draft a proposal to create a Business Improvement District. The proposal must specify the size, scope and services to be provided, as well as the calculation formula of the levy and the contributors. Upon receiving or drafting a proposal, local governments conduct a ballot with local businesses, which, if approved, leads to the creation of the Business Improvement District.

Businesses within the area will have to make a periodic cash payment, on top of regular business rates. In exchange, the local government will execute the projects and services set in the proposal. The services should be complementary to regular public services, for instance, extra security, cleansing and environmental measures. The government can charge a Business Improvement District levy for up to 5 years. Once the term is completed, it will automatically cease, unless a new ballot votes for its renewal.

No implementation challenges have been noted, since there are few examples of usage.





# United Kingdom

## Developer obligations

Developers who seek planning permission can enter into legal agreements to contribute to offset the impacts of the project on local infrastructure. There are different types of developer obligations in each of the UK nations. England and Wales adopt Community Infrastructure Levies and Planning Obligations. Scotland only applies Planning Obligations.

Local planning authorities have discretion in implementing the national legal framework and can establish additional local rules. As a result, there is much variation in policy practice and outcomes, even when the real estate market circumstances are similar. Diverse policy approaches can lead to varying levels of revenue collection.

Community Infrastructure Levy (CIL) in England is a charge paid in cash for new developments that create additional floor space of at least 100 square metres or that create a new dwelling. Residential annexes, self-build housing, charitable development and social housing may be exempt from payment. There is an established rule to calculate the fee, but differential rates may apply, according to the geographical zone, type or scale of development. Local authorities have discretion about whether or not to exact a CIL. Its purpose is to secure funds for sub-regional or regional infrastructure.

Planning Obligations consist of in-kind obligations or direct financial payments sought to mitigate the impacts of developments and to contribute to community needs including affordable housing. If a Community Infrastructure Levy is already in place, a viability assessment study must ensure that the combination of levy and Planning Obligations does not undermine the deliverability of the project.

The obligations negotiated with the developer may refer to the provision of land, public space, local infrastructure or affordable housing. Affordable housing units are generally built on-site, within the boundaries of the market-rate project but on occasion developers may pay sums to enable building of affordable units elsewhere. On small sites, developers may pay in cash, and the local authority builds the units elsewhere but in many cases small sites are exempted altogether.

Whilst negotiations have the benefit of relating to site-specific circumstances, they can be long and complex. If local policy is unclear and inconsistent in application, negotiations may adversely affect developers, especially small ones.

Developer obligations effectively capture about 30% of development value on greenfield sites, notably for large builders. In general terms, developers show increased acceptance of the charge, since they can shift the costs to landowners.

The main challenges to implementation are the lack of administrative capacities and the high complexity of operation rules and calculation formulas. Developers sometimes find the charge economically unfeasible and seek to renegotiate it. Revenue collection may be low in places where the real estate market is less dynamic.



## Strategic land management

The priority of strategic land management is to anticipate future projects of land consolidation and urban renewal and to control urban growth patterns. The national and local governments, as well as special purpose bodies, rarely acquire



# United Kingdom

| 4

land strategically. They have powers to acquire vacant land or rural land destined to become urban, through market acquisition or transfer from another government entity but these are now rarely used.

In the past, acquisition powers greatly facilitated the construction of new towns, major urban expansion and redevelopment. Today, local authorities and some public bodies conduct minor acquisitions to facilitate development, e.g., to enable a roundabout to be built or to construct new roads. Acquisitions are made at market price, which in part narrows the initial potential for land value capture.

The local authority or other body develops the acquired land, alone or in partnership with private actors. Development includes basic physical preparation, public utilities, public space, roads, parking, affordable and social housing and residential or commercial property intended for sale at market prices. The local authority or public body recovers investments through the sale or leasing of the developed plots.

Leasing is less common, even though the government holds a substantial amount of land. Leasing serves to generate public revenues, facilitate public development and provide land for real estate development. Leases are typically 99 years long, and the payment scheme varies. Public or nonprofit entities and public interest projects can receive discount or exemption from payment.

The main challenges to strategic land management are the lack of administrative capacities and lack of coordination between public entities, as well as difficulties in financing land acquisition.