



**Correspondence address:**

South East England Councils  
Room 215 County Hall  
Penrhyn Road  
Kingston  
Surrey  
KT1 2DN

**t:** 020 8541 7553

**e:** [nickwoolfenden@secouncils.gov.uk](mailto:nickwoolfenden@secouncils.gov.uk)

**w:** [www.secouncils.gov.uk](http://www.secouncils.gov.uk)

Rt. Hon. James Brokenshire MP  
Secretary of State  
Ministry of Housing, Communities & Local Government  
2 Marsham Street  
London SW1P 4DF  
*Sent via email*

7 March 2019

Dear Secretary of State,

**Funding infrastructure for housing and economic success in the South East – how land value uplift capture can help**

Infrastructure is critical for underpinning the South East's strong track record in economic and housing growth. However, the South East's existing infrastructure deficit is a key concern for our residents and businesses and is jeopardising our ongoing success.

We welcome the Government's renewed interest in capturing increases in land value to reinvest in local infrastructure and affordable housing as indicated through your [response](#) to the HCLG Commons Select Committee Inquiry on land value capture. We want to take this opportunity to put forward the four recommendations below for additional actions which could help us deliver much-needed infrastructure through land value uplift capture in the South East.

South East England Councils (SEEC) is the cross-tier voice of local authorities in the South East. We are a voluntary membership body, bringing together county, unitary and district councils to promote the views and interests of all tiers of local government across the South East, an area comprising 74 local authorities.

The South East has a population of 9.2 million people, the largest in the UK, and has the highest growth in homes, enabling 111,000 in the three years to March 2018. It is a financial power house for the UK, making a net contribution of £154bn to the Treasury between 2000/01 and 2015/16, the highest in England. Despite the relative success of the South East, this cannot be taken for granted. For example, London's fiscal returns to the Treasury overtook those of the South East in 2013/14 and South East unemployment increased in the year to October 2018 by 23%, a higher rate than the national average. The continued success and growth of the South East economy will rely on robust transport, affordable homes and other infrastructure, yet we face an estimated £15.4bn infrastructure funding gap by 2030.

SEEC members recognise public sources of funding are limited, so new approaches are likely to be necessary to help fill the infrastructure funding gap. Whilst generally welcome, recent amendments to s106, CIL, viability and the introduction of the Housing Infrastructure Fund will not make enough difference to significantly address the South East's infrastructure gap. We appreciate there is no 'silver bullet' solution, but a toolkit of mechanisms below could assist in capturing land value for infrastructure and we would be pleased to discuss them with you.

**1. Allowing all councils to set up a Strategic Infrastructure Tariff (SIT)**

We welcome the principle of Strategic Infrastructure Tariffs - a low level levy applied to an area to fund a large, highly visible piece of infrastructure. However, we are concerned that Government currently restricts this power to combined authorities and joint planning

committees, which means SEEC member councils cannot access this source of funding. We ask the Government to extend the opportunity for all local authorities to be able to introduce a SIT, working together as appropriate across council boundaries.

## 2. Further improvements to Compulsory Purchase Orders (CPO)

Currently where CPOs are used there is a requirement on local authorities to pay 'hope value' to the land owner - a speculative value reflecting the possibility of future planning permissions, meaning local authorities have to pay more to acquire the land than would otherwise be the case.

We welcome Government reforms to legislation to firm up the principle of 'no-scheme' which intends to remove the extra value created by, for example, future publicly-funded major transport projects from CPO compensations. However, the no-scheme principle doesn't go far enough to address the impact that 'hope value' has on distorting land prices, encouraging land speculation and reducing availability of public funding for affordable housing and infrastructure.

We call on the Government to reform the 1961 Land Compensation Act to allow local authorities the power to compulsorily purchase land at a fairer price when it is in the public's best interest. An approach could be based on the Commons Select Committee recommendations on land value capture ie. any increases in the value of land arising from public policy decisions should be shared with the local community. This would allow the hope-value compensation paid to owners to be adjusted downwards to reflect the public costs of providing the affordable housing and infrastructure associated with the development.

## 3. Localising receipts to set up community infrastructure funds

SEEC has previously called for Government to consider giving councils greater powers and flexibilities to help fill the infrastructure funding gap with some new, innovative approaches related to land value uplift capture.

We reiterate our previous calls for councils to have access to a share of Stamp Duty the first time a new home is sold. This could form an area-focused community infrastructure fund, managed by the council, to contribute to some of the infrastructure needs arising from new homes in that area.

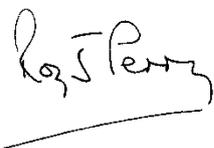
We also see further potential from this type of approach to help with land value uplift capture. For example, a proportion of Capital Gains Tax receipts from sale of land for development could also be put into an area-focused community infrastructure fund. This fund would then allow councils to target funding at infrastructure needs arising from new development. SEEC has also previously called for discretionary powers for councils to charge fees to incentivise private sector build-out of slow-to-deliver planning permissions. Any receipts from this approach could also form part of the fund.

## 4. Sir Oliver Letwin's review

We are interested in Sir Oliver Letwin's outline proposals on land value uplift capture (para 4.4 in his [Independent Review of Build-out](#)). We would welcome more detail from Government on how Sir Oliver's recommendation – that councils should insist on levels of diversity that cap residual land values for large sites at around 10 times their existing use – would release funding for infrastructure.

We would be pleased to meet you to discuss how these land value uplift capture solutions could help close the large infrastructure funding gap in the South East and help our communities and economy thrive.

Yours sincerely



**Cllr Roy Perry**  
Chairman, South East England Councils



**Cllr Ralph Bagge**  
Deputy Chairman, South East England Councils