

Planning gain

One of the most fraught parts of the debates about new housing and the need to find sites to cater for the expanding population is the issue of planning gain. Greenfields or derelict land come quite cheaply. Land with planning permission to build is very expensive. The gain is created by the planning system. It keeps the supply of building land tight, causing scarcity, and then allows substantial windfalls to the fortunate few who own the land that gets the permissions.

There are usually three interests in claiming the gains in a typical development. There is the original landowner. He or she expects a good profit to make it worthwhile releasing the land for development. There may be some element of compensation if the owner intends to carry on living nearby, for loss of open space and amenity. There is the developer, who expects some gain for the effort of drawing up the plans, and seeking the permission. A developer often has to apply for several sites to get one granted, with substantial costs to produce the wealth of detail planning authorities expect. The developer expects to recoup these costs on the winner and to make an additional profit as reward for the effort. There is then the Council granting the permission, which expects to get a substantial portion of the gain to assist them with the provision of infrastructure to support the new development. They also impose charges to recoup the costs of the planning function itself.

The people who do not necessarily receive any part of the gain are all the people living nearby whose views, amenity and access to public service may be adversely affected by the development. Occasionally developers offer compensation to neighbours to smooth the passage, but it remains a minority event. The Council may claim to be acting for neighbours by claiming and spending money from the gains, but so often the extra facilities offered are the minimum needed to deal with extra demand from the new homes so they do not add to the quality of life of people already living there.

The latest way of handling this is for Councils to impose an infrastructure related levy on the development. These are very variable, and attract everything from full support to hostility from critics who think it is wrong for the permit granting body to be a kind of financial beneficiary of the permit.

Does the present system need reform? Does it get the financial balance right? Or should it be kinder to the neighbours who do not get any compensation. Do Councils spend the money wisely when they have claimed it?