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Ensuring investment in transport through the Infrastructure Levy

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Background

The recently announced planning reforms reimagine the planning system. Depending on its outcome, these reforms could result in positive environmental impacts of new housing developments, including on nature, urban green space, resilience and housing standards. This briefing focuses on how the planning system could support sustainable travel infrastructure, such as trains, buses, cycleways and walkways.

Opportunities for decarbonising the transport sector through the Infrastructure Levy

Responsible for a third of all carbon dioxide in the UK, domestic transport was the most polluting sector in the UK in 2019. Reducing transport emissions in time to meet the national net zero climate target requires a shift away from private cars towards cleaner and greener transport.

Research from Transport for New Homes reveals the serious problem of new settlements and urban extensions being located and designed in ways that exacerbate car dependency. It has found that many developments supported by Homes England have seen infrastructure investment targeted at new or expanded road networks, running the risk of increased patterns of car use.

The government has proposed to reform the Community Infrastructure Levy (CIL) and Section 106 planning obligations and replace it with a nationally set, value based flat rate charge (the 'Infrastructure Levy'). The Infrastructure Levy should be a key mechanism of a planning system that prioritises sustainable transport links by promoting sustainable transport infrastructure. Below are our proposals on how this could be achieved:

- **Ringfence funding in the Infrastructure Levy for sustainable transport** as a safeguard to ensure every new development can be accessed by public transport, walking and cycling. This should be set at a variable rate, linked to a well designed and robust Sustainability Test. The levy could be higher where the test demonstrates poor sustainable transport access, measured through a metric similar to the Access to Opportunities and Services (ATOS), used by Transport for London to measure access to essential services through public transport and walking. Brownfield developments should always be prioritised, but where all other options have been exhausted and greenfield development is necessary, a higher amount should be ringfenced for sustainable transport, rather than road building.
- **Help rural and urban combined authorities fund strategic infrastructure for new developments** through the introduction of an additional Infrastructure Levy to allow for more cross boundary transport infrastructure, like railways or bus networks. This will ensure previous successes, using the Mayoral

Community Infrastructure Levy, such as the Crossrail network in London, can be replicated. Combined authorities must be supported in the devolution white paper to be able to do this effectively.

- **Allow phased borrowing against upcoming levy payments for local authorities** to ensure sustainable transport infrastructure can be completed by the start of people’s residency in their new homes, phased to prevent risks (see below). As suggested by the government, allowing borrowing against future levy payments is essential to ensure infrastructure is in place.

Risks of the proposed reforms to the planning system and the Infrastructure Levy

The government must ensure that the new planning system works before it is implemented nationwide through appropriate desk based evidence and pilots.

- **The nationally determined rate for the Infrastructure Levy does not take into account the needs of different locations and regions.** It risks affordable housing and sustainable transport being built where it is cheap to do so rather than where it is needed. Local authorities should be involved in the process to ensure it is successful.
- **The allocation of land in the reformed planning system must ensure there are existing sustainable transport links, or the capability to build sustainable transport links.**
- **The Infrastructure Levy should not be the sole source of funding to create and improve transport infrastructure for new developments.** The planning system should ensure that all new developments will meet net zero goals and promote the use of brownfield sites located close to existing urban developments.
- **Allowing local authorities to borrow against upcoming levy payments may be risky,** in case market conditions change substantially and land value drops. Releasing the levy payments in a phased way could mitigate these risks to an extent but further assurances may be needed.

Opportunities for transport outside of the Infrastructure Levy

Alongside ensuring the Infrastructure Levy supports sustainable transport links, the government can enable better funding for low carbon transport in new developments in other ways, such as:

- **Land Value Capture reform:** Land value is currently based on how much the land value after a development is built, rather than the true value at the point of planning permission. For example, if agricultural land is granted planning permission for housing, its value increases from £21,000 to £1.95 million per hectare, leaving little for the developer to spend on local infrastructure. While the Infrastructure Levy can somewhat help to alleviate these concerns, reforms to Land Value Capture will result in better outcomes for local infrastructure.
- **Make sustainable transport a compulsory part of the Housing Infrastructure Fund (HIF):** Almost none of the HIF has so far been spent on sustainable transport infrastructure, despite transport being a vital part of everyday life. A portion of the HIF should be ringfenced for sustainable transport infrastructure. The government could use some of the £14 billion pledged for new roads in the Road Investment Strategy 2 to enable the HIF to deliver this.

Ensure that sustainable design is reflected in the strategic objectives of Homes England: Currently Homes England spends almost all of the money allocated to infrastructure on new roads. Enshrining sustainable

transport provisions, alongside other urban sustainable design, into the strategic priorities of Homes England will help to ensure this is prioritised.