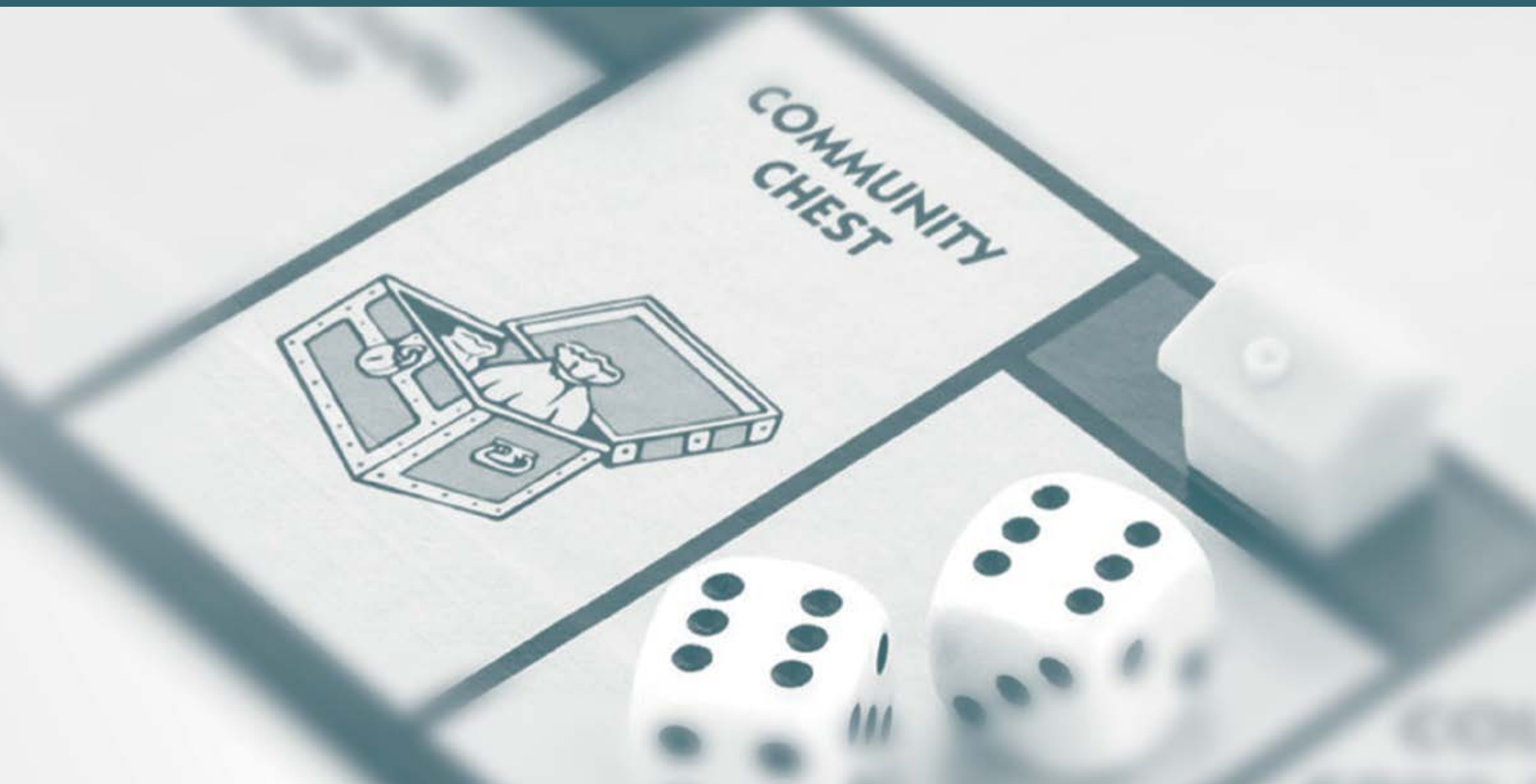
Development taxes and levies: lessons from the past, ideas for the future

A discussion paper



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Executive summary

There is a powerful **economic, moral and political case** for retaining in the hands of public authorities the windfall gains in land values arising from the granting of planning permission. But there is also a pragmatic case, because **the proceeds can be spent on the delivery of infrastructure to support growth,** unlock land supply, and mitigate the adverse effects of development on local communities and local environments.

The current system is not, however, working well. Negotiated section 106 agreements are flexible, but have been criticised as time-consuming, costly and uncertain. Once contributions are agreed, they are often late in being delivered, of poor quality, or do not materialise at all. The Community Infrastructure Levy (CIL) is a quick, predictable, and intuitive charge. Revenues are flexible. But CIL has also been criticised as being insensitive to site-by-site values, which cause it to be set at rates well below the available development value.

The existing system permits the majority of development to pay nothing. We estimate that only 15% of minor developments pay CIL and only 33% of major developments have a section 106 agreement attached. Supermarkets, offices, and logistics warehouses almost always pay nothing.

There is also an **emerging threat to the stability and credibility of the system in the form of new mandatory micro levies** aimed at securing money for very specific environmental objectives.

Improvements could be made to all of these tools. **But the structural weaknesses of the existing instruments strongly imply that a better designed system could deliver more** without affecting incentives to develop. In particular, **taxes and levies on development could play a bigger role in securing public goods** to mitigate the impacts of development and support growth.

Suggestions for new or reformed taxes and levies are often met with claims that similar previous taxes were all short-lived and controversial failures; that they had severe adverse effects on the land market; and that they should not be attempted again. New research published alongside this report shows that there is **little evidence for this received wisdom, and that many beliefs we have about the design and effects of previous taxes may not be true.**

This is not to say that previous taxes were well-designed. **Design mistakes were certainly made,** driven by bad land economics, a lack of exemptions, too many objectives, and over-complex development valuation rules. They also suffered from an **inflexible integration into wider land policies** which made the taxes very vulnerable to the adverse effects of those wider policies.

The **key ingredients for success** appear to be the avoidance of interdependence between taxes and other policies; good design and workability as a prerequisite for a pragmatic political consensus; an emphasis on flexibility to make adjustments in the light of experience; limiting exemptions to what is necessary to secure political support; ensuring taxpayers can benefit in principle from the way the proceeds are spent; re-using existing design features wherever possible; and good evidence and data to support legitimacy and check impacts.

These research findings offer new **insight into why CIL has survived three attempts to repeal it.** Its relative simplicity, its wide exemptions, and its free-standing nature appear to be crucial. The political consensus supporting it rests on simple design and workability, and on there being a ‘pay off’ for local authorities and the landowning community in the form of local infrastructure which facilitates growth, thus raising local land values.

Many stakeholders have expressed concern about the disruption associated with change and therefore doing nothing is, in theory, an option. But while the government has made some proposals for improvements, **the government's ambitions for housing and growth exceed the capability of the existing system** to deliver them. It is therefore politically and economically risky not to attempt bolder reforms than are currently proposed.

The lessons from history noted above give us confidence to make **fresh proposals for reform of the existing system.**

Firstly, **we offer ideas for a range of reforms to CIL and section 106 for consideration.** These are based on three principles; firstly that both of these instruments have a reason to exist, but that they are not each playing to their strengths. Secondly, that reform should be as much about increasing the number and type of developments exposed to value capture, as about attempting to secure more value from those developments which are already exposed. While windfall gains can in theory be taxed at high rates without distorting incentives, a successful system should not ask for so much value that the incentive to develop is removed. Thirdly, flexibility for local authorities in CIL implementation should be maximised to encourage take-up.

We propose that **the government should allow CIL to be spent on affordable housing; allow CIL to be borrowed against; and allow a wider range of authorities to charge CIL.** However, allowing local planning authorities to choose whether to adopt CIL at all has now turned from an advantage to a weakness. So **the government should consider taking new steps to encourage and incentivise the remaining minority of authorities to adopt CIL,** to raise more money by increasing the number and type of developments asked to contribute.

As part of this effort, the government could further constrain **the use of section 106 so that it is only used where no other mechanism is appropriate, and only in relation to on-site, in-kind mitigation.** Finally, the government should set out a clear strategy on the relationship between CIL and new micro levies, which risk undermining the planning system, increasing administrative complexity, and inadvertently choking off development.

We also offer more radical options for going further. CIL's big disadvantage is its insensitivity to specific site development values. The biggest flexibility that local authorities could be given is **to be allowed to set CIL rates with direct reference to value,** rather than floorspace. Such a change should therefore be considered, while retaining the other benefits of CIL. **A new National or Regional Development Levy could be considered to raise money for sub-regional or regional level infrastructure,** especially for spending in low-value areas. And the former new towns model of **direct land purchase at a sub-market price could be applied more widely** where it is in the public interest.

Our proposals are not intended to be seen as the whole solution to local infrastructure provision. The **majority of funding for most public goods will still need to be funded by HM Treasury** from general taxation. And the state can only capture windfall gains where those gains exist, which means that **infrastructure requirements of much development in low-value areas will have to be met another way.** Capturing a greater share of windfall gains in high-value areas would, however, create additional fiscal headroom to support growth in lower-value regions.

1 The case for change

1.1 The principled case for developer contributions

A significant increase in land value is often crystallised when land is granted planning permission. This 'development value', also sometimes referred to as 'betterment' or 'planning gain', is created by the actions of public authorities granting consent for higher value land uses. An increase in land values is also generated by public sector infrastructure investment which enables development to take place.

This development value is legally owned by the state because the 1947 Town and Country Planning Act bought it.[1] The Act nationalised development rights, and therefore the value of those rights. It was originally intended (through the Development Charge – see section 2) that this value should never be returned to the landowner, but subsequent legislation has meant that, in practice, most of it does return to the landowner, even when some is occasionally retained by the state using section 106 or Community Infrastructure Levy (CIL) (see section 1.3).

Development value is a windfall gain. Economists refer to it as an economic rent, or as an unearned increment, because it is an income received not for work done, but instead because of the possession of a scarce resource: land.[2] Thus, it has been argued that windfall gains should be taxed when they are given back to landowners. Most economists agree that even quite high taxes on windfall gains should not in theory change landowners incentives to undertake development, provided always that the landowner must benefit from at least some of the gain. If they do not, landowners are no better off from undertaking development than they would be if they keep land in its existing use, and development would not be profitable. Therefore, although the state is legally entitled to retain the whole windfall gain, it is in practice counterproductive in a liberal market economy to do so. Quite what proportion the landowner needs to be given is contested.

Most economists agree that even if a tax is formally levied on developers, it will usually be borne in economic terms by landowners in the form of reduced land sale prices. This effect has been routinely evidenced by econometric studies for both residential and commercial development.[3] Most economists also agree that, at least in the British context, landowners cannot usually demand any price for land that they like; rather prices are constrained by what buyers can afford, and by prices of existing comparable buildings in the same local market.

1.2 The pragmatic case for developer contributions

These arguments make a powerful technical and moral case for capturing development value. It is both fair and efficient. And the broad acceptance of these principles is reflected in the fact that there are now two stable mechanisms which have the effect, if not the explicit objective, of achieving it. In theory, no further arguments ought to be required to justify their use. But the challenge we face is much more than just ensuring fairness between landowners and the public, or the need to impose taxes to fund public services. Reform offers opportunities:

1 In England and Wales. There was equivalent legislation in Scotland.

2 For the economic theory discussed here see for example chapter 2, 'The Economics of Development Value and Planning Gain' in Crook, T., Henneberry, J. and Whitehead, C. (2016) *Planning gain: providing infrastructure and affordable housing.* Chichester, West Sussex: John Wiley & Sons

3 See chapter 2 of the accommpanying research report, *British development taxes since 1945,* for the evidence base for these key concepts.

- **for central government.** Public spending remains under extreme pressure and the government's target for new housing has a steeper trajectory than the increase in infrastructure funding announced recently. A lot of development will be delayed because the basic infrastructure to support it is not being delivered. Anything that enables more investment in infrastructure is therefore vital to housing supply and growth. Healthy and affordable homes and communities, and effective stewardship of the public realm over the long term, also rely on recycling at least part of the development value. Effective development value capture is an additional tool to unlock more development at a higher quality.

- **for local communities,** who distrust that there is the funding and capacity to deliver adequate mitigation, and resist development accordingly. Improving value capture will improve acceptance of development.

- **for developers and landowners.** The existing system ensures that landowners and developers collectively get something in return for the value that they have surrendered. It ringfences that value for spending which de-risks development, unlocks previously unviable sites, and reduces community objections. It also raises land values locally. Provided the system is a 'something for something deal' then it is in the interests of developers and landowners collectively to support it.

There are two very important caveats to this case for change.

Firstly, value capture will never be the full solution. This is because:

- **Other funding will still be needed.** The £2bn generated annually by developer contributions for infrastructure other than affordable housing (see section 1.3) is dwarfed by the £70bn capital budget of central government departments such as transport, education and health.[4] While £50bn is likely to be generated over the next 10 years for affordable housing via section 106 agreements, which is larger than the £39bn recently confirmed by HM Treasury for the same purpose, affordable housing is the only public good which developers play the majority role in funding.[5]

- **Development value can only be captured where it exists.** The solutions that are proposed in this paper therefore cannot help in promoting growth in areas of low development values – at least not in the short term. This is not a good reason not to capture value where it does exist, but the existing system risks exacerbating spatial inequalities if there is no funding of infrastructure provision in areas of low development value. Capturing a greater share of windfall gains in high-value areas could create additional fiscal headroom to support growth in lower-value areas, for example through the local government finance settlement.

> "…it is hard to see how current arrangements can come close to achieving the government's ambition of 1.5 million new homes by the end of this parliament."

4 See HM Treasury Spending Review 2025 pp51-52. England only, domestic departments only.

5 This £50bn figure is based on the assumption that contributions towards affordable housing from section 106 will be sustained at the 2018-19 level of £5bn per annum for the next 10 years. For the £39bn, see HM Treasury Spending Review 2025 p75.

Secondly, recent attempts at reform have highlighted some anxiety about changing the existing system, despite frequent acknowledgement that it is far from optimal. That anxiety rests on the potential for disrupting either short-term housing delivery or the long-term hard-won consensus over the principle of capturing development value, or both.

Despite these concerns, it is hard to see how current arrangements can come close to achieving the government's ambition of 1.5 million new homes by the end of this parliament. No government has ever met a housing target of 300,000 new homes a year under the system of development value capture which exists today. We suspect that the nagging question of more effective development value capture simply will not go away.

1.3 The existing system of UK developer contributions

Our current system of capturing development values depends on two main instruments.

Section 106 agreements (which contain planning obligations) are bespoke negotiated contracts between planning authorities and developers designed to deliver a range of public goods which make a development acceptable in planning terms. They are thus material to planning decisions. Scotland has an equivalent system known as section 75 agreements.[6]

The amount of development value captured by section 106 is unclear. As the National Audit Office (NAO) noted, 'beyond those relating to affordable housing, MHCLG does not have accurate or timely data on development contributions'.[7] However, it has been estimated that around 4,500 agreements were signed in 2018-19 in England.[8]

Affordable housing contributions are usually paid in kind, but other contributions are usually paid in cash.[9] Between 38% (12,500 homes) and 51% (30,075 homes) of all affordable housing provision in England was delivered annually via section 106 agreements between 2015 and 2024.[10]

Community Infrastructure Levy (CIL) is a non-negotiable charge on development based on floorspace. Local authorities in England and Wales can decide whether to introduce CIL and income must be spent on local infrastructure. It was introduced in 2010.

It is difficult to estimate both how much windfall value uplift is available, and how much is captured by section 106 and CIL. The most transparent independent estimate of development value is £18.4bn pa in 2016-17, in England. At the time, a maximum of £5bn of this was being captured via section 106 agreements and CIL. An estimated £3bn was also being captured via national taxes, such as Stamp Duty Land Tax and Capital Gains Tax (CGT).[11] These estimates suggest that the planning system is capturing at most 27% of the available value, while national taxes are capturing a further 15%.[12]

6 Respectively section 106 of the Town and Country Planning Act 1990 and section 75 of the Town and Country Planning (Scotland) Act 1997.

7 National Audit Office (NAO) (2025), *Improving Local Areas Through Developer Funding,* p8

8 See for example NAO (2025), cited above, p27

9 Lord, A., Dunning, R., Buck, M., Cantillon, S., Burgess, G., Crook, T., Watkins, C., Whitehead, C. (2020) *The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2018-19.* London: MHCLG; pp35,44,69

10 NAO (2025) cited above, p31

11 Aubrey, T. (2018) *Gathering The Windfall: How changing land law can unlock England's housing supply potential.* Working Paper 03/18. London: Centre for Progressive Policy

12 Leading academics offered a 'back of the envelope' estimate in 2018 that a 64-unit greenfield housing site outside London would be exposed to a 48% call on development value at the height of the boom in 2007-08, of which 13% would come from national taxation, and 35% from section 106 (CIL was not in force at the time). A Savills analysis in 2023 suggested almost identical proportions, although the data used for this calculation is unclear. See https://committees.parliament.uk/writtenevidence/87763/html/ and https://lpdf.co.uk/latest-lpdf-publications#Consultation_Responses, *LPDF Response to Land Value Capture Consultation, 10 March 2025*

These figures also imply that about two-thirds of value capture (£5bn out of £8bn in 2016-17) currently occurs via specific development value capture tools, thus justifying their use in addition to national taxes.[13] It is important to note that section 106 agreements and CIL are usually tax-deductible expenses, so an increase in the use of these instruments is partially offset by a reduction in developers' national tax liabilities.

More recent estimates than those cited above indicate that the use of section 106 and CIL has grown. In 2018-19, section 106 agreements were estimated to have a value of £5.9bn. Of this total, £4.7bn related to contributions by developers towards affordable housing, and the other £1.2bn to contributions for matters such as education and transport. However, these figures relate to what is agreed, rather than what is actually delivered, and there is clear evidence that the value of what is delivered is significantly less. Meanwhile CIL was thought to raise approximately £1bn per year in 2018-19.[14] This means that CIL is probably now raising as much money for non affordable housing purposes as section 106 is.

More recently, the NAO has reported estimates of value agreed of between £4bn and £6.4bn annually from 2019-2020 to 2022-23, for section 106 and CIL combined. However, there is significant uncertainty over these estimates and they do not include revenue raised by the single biggest CIL charging authority (the Mayor of London).

Finally, there is also an emerging new category of national levies on developers, which we call micro levies because they deliver small amounts of revenue for highly specific purposes. They aim at funding objectives such as Biodiversity Net Gain, building safety, nature restoration, or at incentivising developers to build out their sites more rapidly. Economic theory suggests these levies will be paid out of the development value, which means that they compete for that value with CIL and section 106.

> "Estimates suggest that the planning system is capturing at most 27% of the available value."

1.4 The case for change: section 106 agreements

Section 106 is a flexible negotiated instrument which can be adapted to the circumstances of an individual site, including its development economics. It provides a substantial amount of affordable housing. Developers retain some control of the type, location and quantum of infrastructure and affordable housing which is provided, and local authorities sometimes also prefer to delegate delivery of infrastructure to developers. Developers, housing associations, infrastructure providers and planning authorities thus all have good reason to support this system. It also has a role in persuading local communities that development impacts will be mitigated.

However, section 106 has faced substantial and persistent criticism, mainly arising from the fact that agreements are negotiable and bespoke. This means they are by definition uncertain in cost and content, and negotiations can be lengthy, not least because of imbalances in skill and capacity among the parties involved. One recent Home Builders Federation survey of 50 local authorities found that the average agreement now takes over 500 days to conclude.[15] However, there are also other criticisms:

- **Quasi-taxation and scope creep:** section 106 agreements are now sometimes used for purposes with only an indirect connection to

13 This proportion is consistent with historic patterns. In 1985, HM Treasury estimated that national taxation of development gains would fall by two-thirds due to the abolition of Development Land Tax. See accompanying research paper, chapter 6.

14 Lord et al (2020) cited above, p44 and pp68-70

15 Home Builders Federation (2025) *What is the timeframe for communities to agree community investment?* https://www.hbf.co.uk/research-insight/section-106-timeframe/

the specific land use impacts of the site in question. They have become quasi-taxation mechanisms, not least because (except when delivering affordable housing) developers are usually asked to pay contributions in cash, rather than undertake on-site mitigations.[16] These cash contributions are sometimes paid into loosely defined 'community chests', or seek to secure wider social objectives. Despite a tightening of the system in 2010, developers sometimes feel that they are being 'held to ransom' to provide benefits or mitigations that are not really necessary.[17] Similarly, local communities may feel that they or the local authority are being 'bribed' to accept development, damaging trust in the system.

- **Low coverage and arbitrary incidence:** agreements may capture reasonable proportions of development values where they are sought. But agreements are often the exception rather than the rule (see section 1.6). Local authorities do not have the capacity to negotiate them in all circumstances where they might be warranted in theory. This leads local authorities to concentrate negotiating resources on the largest sites with the biggest impacts. Value capture is secured where direct impacts can be most easily demonstrated, rather than where value exists to address more diffuse impacts.

- **Late, partial or no delivery:** developers and local authorities have been criticised for partial delivery of agreements and underspending, some of which is likely due to a lack of capacity. But it causes delay, as well as community resentment and distrust, and greater resistance to planning applications. Recent research argues that local authorities are holding £8bn of unspent section 106 funds.[18] Delivery is 'lumpy' and dependent on larger developments coming forward with which an agreement can be negotiated.

- **Poor quality:** housing associations are reluctant to take on some of the affordable housing units which developers offer.[19]

- **Uncompetitive procurement:** by definition, planning obligations delivered in kind are a single-tender procurement from the developer. There may sometimes be a good case for this, but the developer's competitors may be able to undertake similar works off-site faster and at lower cost. By limiting infrastructure procurement options, agreements may increase costs and reduce competition and innovation, especially when compared with procurements undertaken in competitive conditions using cash raised via CIL.

- **Low transparency and poor community engagement:** while there is a requirement to publish the 'heads of terms' of a section 106 agreement, the agreements themselves are usually confidential. The legalistic and technical nature of the process means that citizens struggle to engage with it. Neither local communities nor other developers can easily test whether the deal was fair and the best that could be struck. Nor can the government and industry bodies easily monitor policy effectiveness or cumulative burdens.

The NAO has recently declined to conclude that the present system represents value for money.[20]

16 Lord et al (2020), cited above, p69, shows that of the £462m of non-affordable housing contributions actually delivered in 2018-19, only £42m was delivered in kind. This suggests that developers undertake works (on-site or otherwise) in only 17% of cases.

17 Community Infrastructure Levy Regulations 2010, Regulation 122

18 Home Builders Federation (2024) *Unspent Developer Contributions: Section 106 and Community Infrastructure Levy funds held by local authorities*

19 See NAO (2025) cited above, p32 and pp36-37

20 See NAO (2025) cited above, p11

1.5 The case for change: CIL

The introduction of CIL in 2010 went some way to address the above criticisms. Transparency is higher due to reporting requirements and the fact that charges are set in public; there is no site-by-site negotiation, which reduces developer and local authority costs, increases fairness and reduces delays; even small and less experienced developers can calculate their liability well in advance; and the legislation protects levypayers from abuse and ensures everyone is treated the same. CIL is now probably raising more money than was originally forecast.[21] Collection costs are low, saving local authority negotiating capacity for larger and more complex development proposals.

The liquidity of cash makes the revenues more flexible in the hands of local authorities, which reduces the risk of underspend to negligible proportions. We estimate that only around 13% of all the CIL that has ever been raised remains unspent.[22] Furthermore, the legal requirement to spend CIL revenues on infrastructure gives it a legitimacy in the eyes of developers because of the likelihood that CIL spending on infrastructure will remove obstacles to growth and facilitate an increase in land supply.

Finally, CIL is capable of generating a relatively predictable steady stream of revenues, partly because it can be charged on a large number of small developments. Revenue is less ‘lumpy’. This is a crucial difference which means infrastructure to unlock a future site can be provided using funds paid by developers of previous sites.

Despite these advantages, CIL is not a perfect instrument either. It has been argued that it has added another layer of complexity to the developer contributions system; that it is too demanding to introduce; and that there are too many exemptions. Local authorities are also often reluctant to charge CIL on non-residential development, which risks unfairness and a distorted land market.

> “…local authorities are often reluctant to charge CIL on non-residential development, which risks unfairness and a distorted land market.”

CIL also suffers from some key structural problems.

- **Insensitivity to site-by-site development value:** CIL’s floorspace basis forces local authorities to set CIL rates well below the average development value in order to preserve the viability of developments with below-average development values. Local authorities can set differential rates for different zones to improve efficiency somewhat, but this increases complexity. Although CIL rates are automatically indexed to a measure of inflation, charging by floorspace means that rates cannot automatically adjust to major economic downturns – or indeed upturns.

- **Changes of use cannot be charged:** CIL is only charged on increases in floorspace. Thus changes of use escape CIL entirely, even where there is a substantial increase in value – for example, in office-to-residential conversions.

- **Scope creep:** in 2011, CIL legislation was amended to require up to 25% of CIL revenue to be returned to the neighbourhood or parish in which it was raised. This hyper-localism arguably undermined the rationale of CIL by attempting to do the job which section 106 agreements are better at doing, namely securing mitigations in the immediate

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21 The original forecast in the 2009 Partial Impact Assessment for CIL (DCLG) predicted £1bn by 2016; Lord et al (2020) cited above, p44, show that £945m was raised in 2016-17 and £1,030m in 2018-19.

22 Based on HBF research showing that £1.8bn of CIL remains unspent in 2024 (see HBF (2024) cited above) and our estimate that the total amount of CIL ever raised is £13.4bn. This latter figure is calculated by assuming linear growth in CIL receipts from nil in 2011 to £1bn in each of 2016, 2017, and 2018 in line with the estimates provided by Lord et al (2020), cited above, p44; and then rising by inflation thereafter to 2024. See also NAO (2025), cited above, p33.

proximity of the site. There is little evidence that neighbourhood allocations reduce resistance to development.[23] These funds arguably are most exposed to being underspent because of low capacity within neighbourhood organisations to manage the money, and they reduce the amount available to local authorities with the responsibility to fund the types of infrastructure most needed for growth.

- **Unsuitable platform for new micro levies:** the fact that local authorities can choose to charge CIL has now arguably turned from an advantage to a weakness. CIL would in theory be a very suitable umbrella mechanism for charging micro levies, not least because CIL can already lawfully be spent on many objectives to which micro levies are addressed (see section 1.3). But in areas where CIL is not charged, it cannot be used as a vehicle for any micro levy which is mandatory across the whole country.

1.6 The case for change: what the system does not capture

The amounts raised by section 106 and CIL may seem substantial. But in fact many developments make no contribution at all. Research shows that in 2018-19 in England:

- no contribution was made via either planning obligations or CIL by 66% of residential developments of 1-9 units; by 30% of residential developments of 25-100 units; and by 47% of 'Commuter Belt' residential developments (of any size). Even in London, 37% of non-householder residential development made no contribution by either route.
- no contribution was made via either planning obligations or CIL by 97% of all non-residential developments. This includes supermarkets, offices, and logistics warehouses. Even in London 77% of commercial property made no contribution.[24]
- 8,153 major planning applications were approved; but only around 2,730 major applications (33%) had a section 106 agreement attached, and only 1,783 (22%) of major developments paid CIL.
- 47,538 minor planning applications were approved; but only 7,472 (15%) minor developments paid CIL. Perhaps more understandably, only 1,813 (4%) of these applications had a section 106 agreement attached.[25]

Even allowing for low development values, and timing lags which mean that applications and developments are not strictly comparable, these figures make it difficult to believe that charges are being imposed anything like as widely, fairly or efficiently as they could be. For example, if £1bn of CIL can be raised by charging only 15% of minor development (let alone CIL on major development), it would appear that there is potential to raise substantially more – or alternatively to reduce the average burden on those who do pay, thus improving viability.

> "…no contribution was made via either planning obligations or CIL by 97% of all non-residential developments."

A lack of capacity to negotiate section 106 agreements must explain some of this gap. But it is also partly because around 150 local authorities in England and Wales have not yet introduced CIL (48% of the total). Even where

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23 See for example CIL Review Team (2016) *A New Approach to Developer Contributions,* pp16-17

24 Lord et al (2020) cited above, p21 and pp37-39. 'Commuter Belt' relates mainly to the Home Counties, arguably a high-value area of the country.

25 Lord et al (2020) cited above, p35, sets out the number of developments where a contribution was sought; MHCLG Live Tables P120A and P120B provide the number of developments which were given permission.

they have, optimal value capture is not achieved for the reasons set out in section 1.5.[26]

Poor development viability – and the related problem of the floorspace-based charge – seems unlikely to explain all local authority decisions not to introduce CIL. It seems as likely to be driven by variations in skills, custom and practice. There is a puzzling variation in take-up in England's largest cities. Birmingham, Newcastle, Leeds, Bradford, Sheffield and Hull all charge CIL; but Liverpool and Manchester do not. Dozens of local authorities in the South East of England, including large parts of Hertfordshire and Cambridgeshire, do not charge CIL. This might be because of green belt designations, but many rural authorities have adopted CIL, including the South Downs National Park. This may be because rural authorities consider CIL to be a useful tool to capture value from smaller developments, and because they do not have the capacity to undertake section 106 negotiations.

1.7 The case for change: micro levies

Micro levies are a relatively new phenomenon. But, despite the impact they have on development, we can see no systemic appraisal of their impact on either revenue or administration of section 106 and CIL, for both local authorities and developers.

While we recognise the important intentions of these levies, they risk preventing development from happening in low value areas, and will crowd out negotiable contributions such as affordable housing, education and transport, in higher value areas.

Micro levies also undermine the ability of planning authorities to allocate development value to the biggest economic, social and environmental challenges facing their areas, in accordance with policies in their development plan. Indeed, the revealed preference of the government is that national statutory and mandatory requirements for cash-based offsetting of selected environmental impacts should trump non-statutory planning policies seeking economic growth and more housing. We suspect that other government departments who feel that the planning system does not deliver for them will quickly notice that mandatory micro levies are an alternative for securing their own objectives which MHCLG has been unable to resist.

26 NAO (2025), cited above, p6. For local authority views on whether CIL results in an increase or decrease in total value captured, see Lord et al (2020) cited above, p9

2 Lessons from the past: previous development taxes

2.1 New research challenges the received wisdom about previous taxes

Since 1945 there have been four national development taxes in the UK, all of which were repealed relatively quickly (see Table 1). Over time, a broad consensus has developed about the reasons for these failures. This section outlines the findings of major new research which challenges that consensus and unearths interesting ideas for future policy development. The research has been published alongside this policy paper.[27]

Despite the theoretical case that development taxes can be efficient and non-distortionary, it is often claimed that, in practice, high headline tax rates and complex rules created serious land market distortions, which were exacerbated by expectations of repeal. It is alleged that landowners responded either by withdrawing large amounts of development land from sale or by passing the cost of the tax on to buyers of development land. This is said to have inflated land and house prices. The taxes are also thought to have been publicly unpopular, and to have raised little money. These problems are

Table 1: previous development taxes compared with CIL and Infrastructure Levy

Tax	Development Charge	Betterment Levy	Development Gains Tax (DGT)	Development Land Tax (DLT)	Community Infrastructure Levy (CIL)	Infrastructure Levy
Dates in force	July 1948 – Nov 1952	Apr 1967 – Jul 1970	Dec 1973 – Jul 1976	Aug 1976 – Mar 1985	Apr 2010 – today	Not implemented
Rate	'100%' (negotiable liabilities)	40%	Taxpayers' marginal rate, eg in 1973-74: • 40% for companies • 30-75% for individuals	• 66.6% or 80% • 60% from June 1979	Set locally per square metre of net additional floorspace	Set locally at percentage of gross development value minus cost allowance
Territorial extent	Great Britain	Great Britain	UK	UK	England and Wales	England
Proposed by	Labour	Labour	Conservatives	Labour	Labour	Conservatives
Collected by	Central Land Board	Land Commission	Inland Revenue	Inland Revenue	Local authorities	Local authorities
Peak annual revenue £m (restated in 2024 prices)	400	1,770	Unknown	326	1,295	Not implemented

Source: Gibson (2025), Table 1.1, published alongside this policy paper.

27 Gibson, M (2025) *British development taxes since 1945,* University of Cambridge/TCPA

regularly cited as reasons not to attempt such taxes again.[28]

To establish the credibility of this narrative, the research re-analysed 130 commentaries, each of which contained an explanation about the failure of at least one of these taxes. This is the largest such review ever undertaken on this topic. Surprisingly, it found almost no concrete evidence supporting the narrative outlined above. The consensus may be broad, but it is also alarmingly shallow.

Later researchers have mainly relied on unevidenced assertions made by earlier commentators, who sometimes simply repeated the arguments made by the repealing government. But those arguments never supplied any credible analysis of adverse market effects, and almost nothing has been added since. Only one of the 130 studies uses statistical techniques of any sophistication to analyse land market effects, and this relates only to the Betterment Levy. For the other three taxes, no land market analysis has ever been undertaken.

It is often claimed that Conservative Party pledges to repeal the taxes aggravated these land market effects by giving landowners a further reason to wait. Certainly, the Conservatives objected vociferously to the wider land policies of which Labour's taxes were a part. These wider policies (the Land Commission and the Community Land Act) aimed to nationalise all development land, by compulsory purchase if necessary. The Conservatives saw these schemes as 'socialist' and 'communist' and promised to repeal them as soon as they were announced.

But only in the case of the Betterment Levy is there any record of the Conservative Party leadership actually promising repeal of a development tax in advance. Even that threat was made only a few months before it was carried out, and it had no documented land market effects. Conservative commitments to radical reform or abolition were more usually conspicuous by their absence, at least in the early years of each tax. Even later commitments were usually limited to vague promises of 'review' or 'overhaul' which appeared to accept the principle of taxation.

This studied ambiguity reflects acute Conservative awareness of periodic public concern over soaring land prices, which often led them to support development taxes. In 1965, Nigel Lawson argued that the absence of a development tax policy had cost the Conservatives the 1964 general election. And in 1973 the Conservatives did impose a hefty development tax – the Development Gains Tax (see Table 1). And after Development Land Tax (DLT) was introduced at a 66-80% rate, the Conservatives (and the British Property Federation) simply called for a lower rate of 50-60%. Rather than repeal DLT on returning to power in 1979, the Conservatives cut the rate to 60% and ruled out any further cuts. This hardly gave landowners much expectation of repeal.

Evidence of actual landowner expectations and attitudes is also elusive. Of all 130 studies, only one contains a transparent landowner opinion survey. It is much more typical for claims about what landowners did and thought to rest on unsourced anecdotes, or untested theoretical predictions about the incentive effect of high headline tax rates, without considering other aspects of the tax design, let alone the wider tax and economic environment which landowners faced.

28 See for example Housing, Communities and Local Government Committee (2018) *Land Value Capture.* Tenth Report of Session 2017–19. London: House of Commons, pp15-18

These examples are drawn from a much wider range of problems with the usual narrative of failure. Claims about alleged widespread public outcry boil down to a few, mainly unsourced, anecdotes. There is an inexplicable willingness to accept that if a government believed or said something then it must have been true. Revenue figures, revenue forecasts and collection costs are missing or have been badly misinterpreted. For example, it is usually claimed that none of these taxes made any money; but as Table 1 shows, in fact on an inflation-adjusted basis CIL is still making only £1.3bn annually after 15 years of operation compared with the £1.8bn the Betterment Levy was making after just four years (at the point it was abolished).

Claims about widespread valuation disputes are not really born out by the facts, especially for the later taxes. One alleged source of dispute was the decision to tax so-called 'unrealised' gains where there was no immediate income (for example, from a sale of the development) with which to pay the tax. Such gains were admittedly more demanding to value. However, there was probably less dispute over valuation than is usually claimed, and probably no more than in the system we have today. For example, an average of 2,700 formal valuation disputes were experienced annually under the Betterment Levy, and the Lands Tribunal only ever dealt with a handful of cases annually. This compares to the 4,500 section 106 negotiations concluded in 2018-19, with a much wider scope for dispute than valuation matters.[29]

2.2 The real lessons of previous tax repeals: what (not) to do

These findings mean that it is no longer credible to argue that any future development tax is doomed to failure or even that this history of repeals supports the type of cautionary tale which is usually offered. In fact, the research suggests that each tax was repealed for different and often quite circumstantial reasons, rather than because of any shared inherent flaw which will doom any similar future attempt. Seen in isolation, some of them look like reasonable designs which would probably work better today than they did when introduced originally, not least because of the wider availability of credit, the pathfinding work on development viability assessment undertaken in relation to CIL and section 106, and a generally more stable political consensus over the need for such instruments.

This is not to say that no mistakes were made. In fact, serious mistakes are easy to find. Previous tax policy makers applied a flawed understanding of land economics, failed to appreciate the political impact of taxing small developments, and introduced unnecessary complexity which added little to revenue. This led to unnecessary rigidity and a loss of political support.

Perhaps most importantly, the research shows that many of the taxes failed not because of intrinsic flaws but because their success depended on the success of closely related policies. These other policies suffered from major problems of their own. For example, it was not so much the Betterment Levy itself that the Conservatives objected to, but the fact that the Levy was collected by the Land Commission. When the Land Commission was abolished, the Levy went with it. The instrument which lasted longest – Development Land Tax – arguably did so because it was a free-standing tax. It was abolished when, and only when, it became incompatible with another interrelated policy – Corporation Tax.

The research offers some key lessons about what is likely to work. In particular:

- **Policy interdependencies need to be minimised, at least initially.** Complexity can be added later once the core instrument is stable, but if levy designers attempt to achieve multiple objectives, or to achieve those objectives through multiple mutually-reliant tools, history indicates a high risk of failure.

29 See accompanying research paper, chapter 4, table 4.7; Lord et al (2020), cited above, p35

- **Political consensus is usually founded in a clear rationale and high workability,** rather than ideological positioning. If the levy solves a problem which both the taxpayer and the wider public thinks needs to be solved, then it is likely to command pragmatic political support.

- **Policy must be flexible** enough that it can respond quickly to unexpected effects, especially political effects. In previous taxes, extensive interdependencies and poor theoretical models fatally reduced flexibility. Flexibility can be increased if there are range of ways of implementing the instrument and if the choices left to local authorities are maximised. If impacts are uncertain, optional take-up is an appropriate first step.

- **Exemptions play a crucial role** in securing political support, for example by avoiding levies on householder development. But in all other respects, exemptions are best avoided. In attempting to meet additional social objectives they produce land market distortions, introduce complexity, risk creating unfairness, and reduce revenue. Spending levy proceeds on these same social objectives may be the better policy choice.

- **New levies should build on existing structures and norms;** previous taxes got into difficulties when they departed from well-understood planning, land and property law, especially in attempting novel valuation concepts. This increased risk, reduced acceptance, and increased familiarisation and valuation costs. This is not to say that policy cannot be radical, but radicalism should re-use existing tools at hand if possible.

- **Evidence and data increases chances of success.** Poor monitoring of previous taxes meant that policy makers could not check whether their policies were working as intended, and adjust accordingly. This meant that political channels were the only form of feedback, which allowed opponents to claim, almost always without any evidence, that the taxes were not working. Evidence and modelling can also confirm whether or not the tax design assumes a valid model of cause and effect, and is likely to achieve its objectives.

2.3 Applying the lessons: why CIL has survived

Analysis of the reasons for the repeal of previous taxes help us to understand why CIL has survived longer than any previous development tax or levy.

Three formal proposals have been made to repeal CIL – in 2010, 2016, and 2020 – and yet, in contrast to previous taxes, none of these attempts were successful. The research implies that there are five main reasons why CIL has experienced fewer difficulties to date than previous taxes and levies:

- **unlike previous development taxes, CIL was not introduced as part of a wider policy package,** and thus is not dependent on the success of other policies. For example, CIL has no role in affordable housing and can be introduced separately from the local plan process.

- **as a floorspace-based tax CIL does not suffer from the difficulty of having to establish case-by-case valuations** of development value, which is alleged to have been a difficulty with previous taxes. Valuations are still carried out, but only at the zonal level when setting CIL rates. The floorspace basis also forces charges to be relatively low.

- **The risk of adverse land market effects was dissipated** because local authorities could choose whether or not to introduce CIL. Implementation was phased.

- **CIL was introduced on the basis of widespread political and industry tolerance.** Thus, the risk of land market hesitation arising from the possibility of repeal was reduced. The repeal commitment which the Conservatives did briefly make in 2010 was swiftly reversed once they returned to power, giving the impression that CIL had cross-party support and would be stable for long enough to be worth implementing.

- **CIL was designed from the start to be a flexible instrument,** with wide enabling powers permitting a variety of different implementation routes. CIL has mainly been implemented through secondary legislation, which enabled some serious teething problems to be fixed quickly. This contrasts with a marked reluctance of Labour governments to reform previous taxes even when they ran into political and technical difficulties.

None of this means that CIL is immune to repeal. But if CIL is repealed, it is likely to be for different reasons to those which caused previous repeals. Indeed, as noted in section 1, CIL remains subject to a wide variety of criticisms, some of which were the justification for previous attempts to repeal it. These criticisms may still prove fatal if reforms are not undertaken to resolve them.

2.4 Applying the lessons: why the Infrastructure Levy did not survive

The research can also be applied to identifying vulnerabilities within the design of the Conservative government's Infrastructure Levy proposal. The Infrastructure Levy proposal evolved over time, but in its final form adopted many of the apparent strengths of CIL, not least a very similar legislative basis, local rate setting and collection, and the retention of all proceeds locally for spending on infrastructure. But the Infrastructure Levy reintroduced the concept of direct taxation of the development value, in an attempt to address the structural insensitivity of CIL to individual site values.[30]

However, this change was arguably not the key vulnerability of the Infrastructure Levy. In fact, it appears that the main difficulty was that it was part of a very radical wider policy, which involved moving responsibility for the provision of an estimated £5bn of annual affordable housing contributions from planning obligations to the Infrastructure Levy. The proposal included the proviso that as much affordable housing should be provided under the new system as under the old one.

This proposal resulted in a tight and arguably very risky policy interdependency. It meant that tax rates would be heavily influenced by the fact that a certain amount of money needed to be found to cover hypothetical levels of future affordable housing contributions. This in turn meant a significant increase in the technical demands upon local authorities in order to work out what rate of tax would deliver this hypothetical level of spending.

As noted above, bad design arising from attempting over-ambitious and tightly-integrated policy packages is a major reason for the failure of previous taxes. It was a mistake of policy makers to attempt such an ambitious package of reforms. The complexity of the Infrastructure Levy, plus the risk to affordable housing delivery, reduced support for it to such an extent that the whole policy package was quickly abandoned in 2024 by the new Labour government.

30 See Ministry of Housing and Local Government (2020) *Planning for the Future,* p60 and Department for Levelling Up, Housing and Communities (2023) *Technical consultation on the Infrastructure Levy.*

3 Ideas for the future

Section 1 showed that, while the existing system may be delivering some benefits, it is hardly optimal. And the research set out in section 2 fundamentally challenges our understanding of the history of development land capture, and sheds useful new light on why tools like CIL have secured a foothold whereas other ideas like the Infrastructure Levy have not. The lessons from these approaches can be placed back into the mainstream of the wider land tax policy debate, plundering them for interesting ideas and the cautionary tales that they really tell.

In that context, this section sets out three scenarios for the future of development value capture.

3.1 Policy scenario A: Do nothing (...while change happens around you)

The balance of evidence to the recent Housing, Communities and Local Government Select Committee inquiry into land value capture had various criticisms of the current system, but did not demonstrate a consensus for significant change.[31] There is something to be said for policy stability if the existing policy stands a high chance of delivering the more ambitious outcome sought. The costs and risks of change may be high both in political and economic terms, while the benefits of change may be uncertain. And the current system has the benefit of yielding something rather than nothing. The government's focus on housing delivery, plus the fear of disrupting the consensus around the current system, are powerful forces sustaining the status quo.

However, policy stability is an illusion. Change is happening anyway – but in an incremental and arguably fragmented way. New micro levies are being introduced. Guidance on viability is being reviewed and resources are being offered to local authorities not to change, but simply to do more negotiating. HM Treasury is forced to cover certain types of local infrastructure spending partly because value capture is so inconsistent. And the Planning and Infrastructure Bill before Parliament, and reforms to the National Planning Policy Framework, are intended to deliver other significant planning reforms to which developers will have to adjust anyway.

Indeed, it would appear that developer contributions is one of the few major areas of policy where significant reform is *not* proposed. However, no government has ever met its housing targets under the system of development value capture which prevails today. The cost of not changing may, therefore, be that housing targets continue not to be met, infrastructure remains undelivered, and communities continue to delay development for entirely understandable reasons. Poor-quality housing and placemaking will continue to deter investment and increase climate change risk.

"…the cost of not changing may, therefore, be that housing targets continue not to be met."

3.2 Policy scenario B: Improving the current system

Improvements to the current system could go some way to increasing the amount of value which is captured, but also reducing the costs of doing so.

This scenario focuses on proposals to improve the current system by addressing some the established weakness of the section 106 and

31 All written evidence is available at https://committees.parliament.uk/work/8817/delivering-15-million-new-homes-land-value-capture/publications/written-evidence/

CIL regimes, as much as is possible without structural reform.

Three key principles inform our proposals under this scenario:

- **Firstly, to recognise that section 106 and CIL have legitimate and complementary rationales;** and that reform should focus on ensuring that each instrument is 'playing to its strengths' – and not things that it was not designed to deliver or which undermine that rationale. Section 106 is best at on-site, site-specific mitigation of direct land use impacts, especially for large or complex sites. CIL is best at more general area-wide mitigation of more diffuse impacts, or for impacts which are best handled through cash transfers where it would be inefficient to negotiate or ask the developer to provide mitigations, especially on small sites.
- **Secondly, the focus should be on increasing the number and type of developments exposed to value capture,** rather than necessarily on increasing the proportion of value captured on sites which already make a contribution. Value capture is usually widened wherever CIL is introduced – so every effort should be made to encourage take-up, as the NAO have recently proposed.[32] There should be both incentives and sanctions.
- **Thirdly, that local authority flexibility over CIL should be maximised,** especially because it is not automatically sensitive to variations in development values. This will increase the likelihood that it will work for local authorities who have not yet adopted it.

Evolution of the current system could include the following changes.

Changes to the CIL regime

- **Allow CIL to be spent on affordable housing:** The existing system recognises that not all affordable housing needs to be delivered on-site or in kind, and yet that is what it usually demands. This proposal would increase the range of income sources for affordable housing to, for example, landowners undertaking non-residential development, which plainly generates infrastructure impacts and housing demand. It would also incentivise adoption of CIL, protect affordable housing against micro levies, and reduce developers' ability to influence what is provided, which housing associations demonstrably sometimes do not want. On the other hand it may raise concerns with some stakeholders that funding for other infrastructure might thereby be reduced.
- **Allow CIL to be borrowed against:** This would enable local authorities to provide infrastructure in a more timely way against future CIL receipts and support an 'infrastructure-first' approach. This was the previous government's policy in respect of the Infrastructure Levy, which implies that the principle has now been accepted.
- **Review which authorities can be a charging authority in light of the government's devolution agenda:** Local government reorganisation, and the reintroduction of strategic planning, means it is logical to consider who can and would be best placed to collect and spend CIL. For example, all combined authorities (and their mayors) could be given the power to levy a CIL or, more simply, to impose a precept on the CIL of constituent authorities. Development Corporations could also be given the power, subject to ensuring that receipts are retained locally.
- **Give local authorities more discretion on exemptions and spending:** Local authorities could be given flexibility to vary national CIL exemptions and reliefs. For example, the national $100m^2$ *de minimis* threshold may be too high in some areas. Local authorities could also be given the choice to decide whether to continue with neighbourhood CIL allocations.

32 NAO (2025) cited above, p12

- **Increase assistance and incentives to local authorities to take up CIL:** 'Carrots' could include technical support, subsidised inquiry costs, or shared services relating to collection, enforcement and infrastructure planning, or 'match funding' of CIL receipts for a period. 'Sticks' could include an assumption in the local government settlement that CIL is being charged, and new restrictions on section 106 (see below).

- **A review should also consider why local authorities choose not to take up CIL, and whether take-up should become mandatory in certain classes of authorities, especially larger or unitary authorities:** The existing variation in take-up is difficult to explain in terms of development viability or development volumes. The issue of micro levies (see below) may force the government's hand on making CIL mandatory in any case. A public examination could be used to ensure that local authorities do not set rates at negligible levels in order to comply nominally with the requirement to set a CIL.

Changes to the section 106 regime

- **Improve the speed and efficiency of section 106 agreements:** While negotiation is necessary for section 106 agreements, work could be undertaken to prevent unnecessary delays. This could include, for example, the roll out of standard template agreements and better resourcing and capacity building for local authorities, including valuers and economists as well as town planners.

- **Add new statutory tests to ensure that section 106 agreements focus on the thing they are best at:** So the focus should be on on-site physical mitigation works and on-site affordable housing. Cash contributions should be discouraged, since this is much more transparently and quickly achieved via CIL. Regulations could prevent or cap cash contributions, or ban section 106 agreements which *only* seek cash. Or the government could reintroduce a refined version of the original 'anti-pooling rule' which aimed to prevent authorities from collecting cash via formulaic tariffs within section 106 agreements. While this rule may have been crude, it has been admitted that it had the intended effect, because its later abolition reduced the incentive to introduce CIL.[33] The government could also put on a statutory basis its existing policy that planning obligations should not be used where it would be lawful to use a planning condition, building on a similar NAO recommendation.[34]

- **Take an evidence based approach:** More up-to-date data and research on the incidence, value, effects and uses of section 106 is urgently needed. The most recent comprehensive published research dates from 2018-19.

Making CIL mandatory and changes to the wider system of developer micro levies

Simplifying and consolidating the existing micro levies, and preventing the creation of new ones, would reduce complexity and increase flexibility for both developers and local authorities.

- **The government should set out a clear strategy for micro levies:** There should be a published, strategic, and criteria-based process for deciding which mitigation priorities can be for local authorities to decide through their local development plans, CIL spending and section 106 agreements; and which are overriding national priorities for which a separate micro levy is appropriate.

- **This strategy should set out a default assumption that calls on land value should all be imposed via CIL rather than through micro levies:** CIL is the best and most flexible mechanism to deliver infrastructure, including green infrastructure. New burdens placed on land values through

33 Lord et al (2020) cited above, p73 paragraph 6.7
34 NAO (2025) cited above, p12

micro levies should be backfilled by government departments if they displace existing priority calls on land value such as affordable housing. The definition of infrastructure might need to be widened to allow CIL to be spent on matters which other levies aim to fund. This proposal might also require ringfencing of certain CIL revenues, which is undesirable in principle, but might be a price worth paying to prevent developers from facing multiple small levies.

- **If taken forward, the proposed disincentives for slow build out could be levied automatically through CIL:**[35] For example, slow delivery could be penalised by losing the right to pay CIL by instalments; or an additional multiplier could be applied for each year that no commencement notice is served. Or CIL could be charged at the point permission is given, not when development commences, on the grounds that the development should be delivered promptly. Options for charging the building safety levy within CIL should also be explored (or, indeed, vice versa, which would significantly extend the reach of CIL).[36]

Some of these options would either require CIL to become mandatory, so that it becomes a more general platform for charging; or they would require the government to accept that local authorities should be given the choice as to whether any given micro levy should be implemented in their area. This localist option would, and should, still allow CIL to be used, but would not require that CIL becomes mandatory.

> "…to avoid delay, there needs to be less negotiating. To increase land supply, there needs to be more automatic sensitivity to viability."

3.3 Policy scenario C: A return to direct development value capture

While there seems to be a consensus that improvements could be made to the existing system, the structural characteristics of section 106 and CIL suggest that there would continue to be limitations. These limitations suggest that something more or different may be needed, especially given the scale of the government's ambitions. To avoid delay, there needs to be less negotiating. To increase land supply, there needs to be more automatic sensitivity to viability. We think an optimal system will inevitably need to more formulaically address the available development value. Indeed, the government's building safety levy implicitly recognises this in using house prices as the basis for levy rates.

Three main types of options appear to be available.

- **Allow local authorities the choice to charge CIL on the basis of development value, not floorspace,** as part of a wider move to increasing local authority choices over CIL implementation. This would remove CIL's main weaknesses of insensitivity to actual site value at the moment of development and its inability to capture change of use. All other aspects of CIL could remain the same, or be adjusted as proposed in Scenario B. The fact that authorities could self-select this option would be the test of its usefulness. This option could be introduced whether or not CIL is made mandatory and indeed might be necessary if it is. Historic legislation could be reviewed alongside current viability guidance and RICS practice to find valuation rules likely to secure a consensus.

35 MHCLG (2025) *Planning Reform Working Paper: Speeding Up Build Out*

36 See MHCLG (2025) *Building Safety Levy: Technical consultation response – consultation outcome*

- **Introduce a new national or regional development levy** to help fund sub-regional and regional infrastructure, typically across local authority boundaries. This might be a possible solution if national government feels unable to give CIL powers to mayors or combined authorities at this time. If charged nationally or regionally, land value variations would make it very complex to levy this on a floorspace basis, and thus a value basis would be necessary. The levy could be formulated as a separate instrument, or as a special higher rate of Capital Gains Tax, along the lines of the 1973-1976 Development Gains Tax (see section 2). Sub-regional or regional infrastructure pots could be allocated by a bidding process to the best-value larger infrastructure projects in the area concerned. Alternatively, to increase legitimacy, the levy could be charged solely to help fund a single identified infrastructure project of regional importance, along the lines of the Elizabeth Line model. None of the revenue would be retained at national level.

- **A more comprehensive direct development land purchase programme.** The government could seek to buy more land compulsorily, and at a price excluding a formulaically determined amount of the development value, rather than excluding hope value. Purchasing activity could be undertaken by a genuinely expert and credible central agency on behalf of, and at the request of, local authorities seeking to undertake land assembly for development or regeneration. Land purchase funds could be in the form of loans, or even guarantees on private sector loans, to reduce the cost to the public finances, with repayment out of the development value thus captured. Previous attempts to introduce such schemes have been controversial, partly because of perceptions that they were procedurally unfair, but also because facilitating the development land market in general was not seen as a legitimate use of compulsory purchase powers. These objections would need to be overcome both substantively and politically, not least through the articulation of a clear public interest case.

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