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Spatial Economics Research Centre

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The Boles 'Bung'

Interesting to [see Nick Boles](#) suggesting that local communities will get some share in the (Community Infrastructure Levy) development gain generate by new housing.

CIL is a charge that Local Authorities can impose on new development. The money can then be used to fund infrastructure in the local area. Nick Boles ring fencing of a share of this money for town and parish councils is trying to do several things. First, by varying the amount depending on whether or not there is a neighbourhood plan he's trying to provide incentives to draw up such plans. Second, he's trying to counter NIMBYism by giving the most directly affected residents a financial incentive to say 'yes' to development.

There's just one problem with this - LAs need CIL money because new development imposes costs on them that it's impossible for them to recoup (at least in the short to medium term) because council tax from new homes only generates a small percentage of local revenue. Even then, those future council tax revenues might not be enough to cover the additional costs of new housing (schools, roads, etc). The rest of the cost comes from central grants that are (a) slow to adjust and (b) open to all kinds of central government manipulation.

Using some CIL money to try to tackle NIMBYism, reduces the usefulness of CIL money in offsetting the financial disincentive LAs face when agreeing new development. My gut feeling is that CIL income isn't likely to be enough to *both* offset the cost of new development and compensate local residents affected by those developments. For that, local communities need to be able to hold on to more of the gains that come from allowing new housing. This either requires reforms to the local tax system or some kind of ring fencing of central government tax revenues generated by expanding local authorities. It's hard to see either of those happening on a large scale anytime soon.

[PS: One final point - one might have thought that a government committed to localism would leave LAs free to decide how best to split the income from CIL depending on local circumstances. Oh well ...]

Posted by [Prof Henry G. Overman](#) on [Thursday, January 10, 2013](#)

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