

THE FOUNDATIONS OF THE HOUSING CRISIS

HOW OUR EXTRACTIVE LAND AND DEVELOPMENT MODELS WORK AGAINST PUBLIC GOOD

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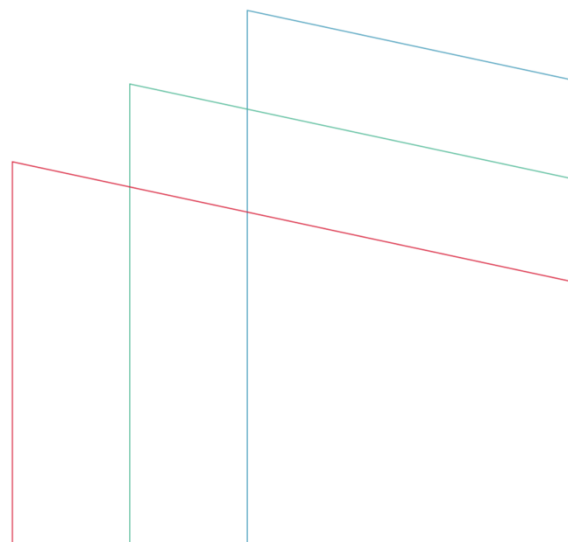
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EXECUTIVE SUMMARY

The economic model that underpins the development of places and homes in the UK is fundamentally broken. It serves to extract value that is collectively created through the economic life of these places for the benefit of relatively few private owners. In doing so, it reinforces the stark income and wealth inequalities in the wider economy.

However, this development model is not inevitable. It is the result of policy choices, particularly those that determine the planning, land and housing systems, which can be changed and improved. This position paper is the first output in a New Economics Foundation (NEF) series, *Fixing Our Broken Development Model*, as part of the multi-year *Reclaiming Our Regional Economies (RORE)* programme.¹ Here, we argue that by adopting ambitious policies that have been proven here and abroad, the UK can begin to create more equitable, healthier and sustainable places.

An ongoing housing crisis has left at least 8.5 million people in Britain with some form of unmet housing need.² Sharp increases in house prices relative to incomes over the past two decades have trapped many in an increasingly unaffordable and poorly regulated private rented sector, where housing costs eat up a large proportion of income and leave people struggling to afford other essentials.³ A significant increase in the construction of social housing is needed to respond to unmet housing need, but the current developer-led model of housebuilding is poorly equipped to deliver these social homes.

The UK's dysfunctional land market contributes in large part to these housing issues and serves as an engine of wealth inequality, with the value of land nationwide having risen by over 600% since 1995.⁴ Increased financial value created by place development is privately captured as landowners are able to lean on the existence of "hope value"⁵ to capitalise on their asset. As a result, land cannot be used to provide public goods such as the creation of high-quality public spaces, transport and local amenities. Private land banking has seen sites sit unused for extended periods of time while local authorities are not adequately resourced to play a role in their local land markets.

While the planning system has the potential to address these issues, it is currently not well positioned or equipped to do so. Planning departments have been left under-resourced by deep budget cuts in the past decade and their approach to consultation leaves many local people unable to exercise democratic control over what happens in their area. The mechanisms intended to recapture value for the public during the development process, such as Section 106 (S106) contributions and the Community Infrastructure Levy (CIL), have failed to deliver.

In the face of these challenges, the present political debate on what to do about our development model is often narrow and incremental. Solutions are framed in simplistic terms such as ramping up new housing supply regardless of affordability or tenure, and the planning system is portrayed solely as an obstacle to this desired construction boom. We argue instead for a planning system that redistributes power over land and housing development from private developers and landowners to local government. Doing so would see community need prioritised over profit. We also call for this system to be more democratic, so that ordinary people ultimately determine how local government uses any new powers to meet their needs.

Experience in responding to housing shortages can inform the way forward. An alternative development model would make use of best practice from past UK experience and adopt models applied in countries such as the Netherlands, Germany, France, South Korea and Japan. We outline the broad features of an alternative development model, including:

- Stronger land readjustment powers for local government, allowing public land acquisition of a site at use value, redistribution of ownership within the site, installation of necessary infrastructure, and subsequent development of social housing.
- More substantial public ownership of land and housing over the long term, to recapture the value uplift generated in these places to fund public goods.
- Restored resourcing for local planning departments to pre-austerity funding levels.
- Increased funding and capacity for public sector housebuilders to build higher volumes of social homes and devolving the Right to Buy to allow local leaders to take control of social housing stock.
- Devolved upfront capital funding via social housing grants to parts of the country experiencing underinvestment, to account for regional inequalities that inhibit development in those places.

Housing and land policies are key aspects of the current development model which have the greatest potential to deliver transformative change. What happens in the land and housing markets has significant implications for the wider economy, including the positive consequences that result from access to secure low-cost homes. An alternative development model that delivers those homes has the potential to provide improved financial security, economic resilience and resident wellbeing in turn. Amid an escalating crisis in housing and land, ambitious policies are needed more than ever to reassert the power of the public in providing the places we need.

However, there are opportunities to further improve the development model by pursuing other relevant policies, as this paper also touches upon. These include locking in the provision of public transport and active travel to newly developed areas, creating places that are fully compatible with climate and biodiversity commitments, and providing sufficient affordable community and commercial space to allow for a strong local foundational economy.

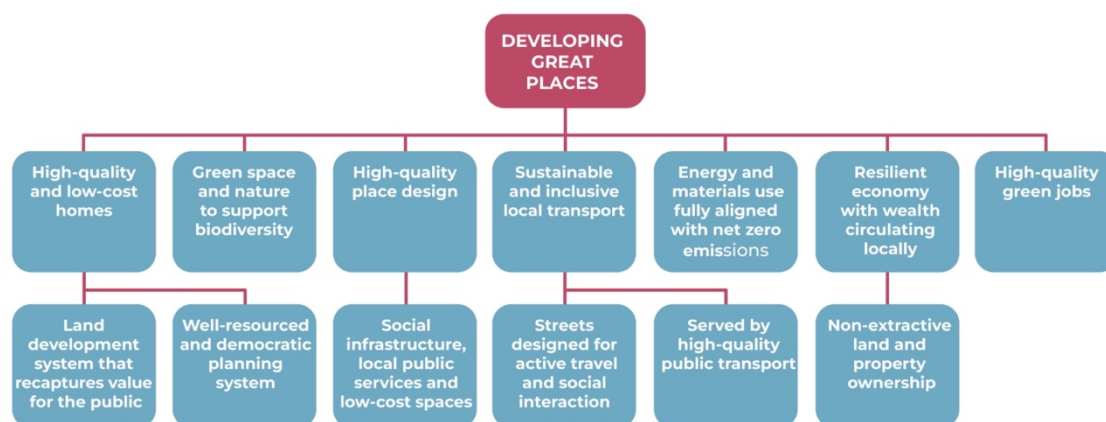
1. INTRODUCTION

Far too much of the value arising from the development and economic life of our places, which is created collectively, is captured by a few private owners. Many of the places where we spend time and live our lives are not serving us well. Local economies are blighted by poor quality and unaffordable housing, high household bills, inefficient transport systems and car-centric neighbourhoods. These serve as a daily reminder of a broken economy that is not serving the needs of people or planet. Stark regional wealth and health inequalities characterise England today. Many of these imbalances are made possible by the extraction of money from local areas through high rents, low wages, land banking and private sector development premised on profit creation.

But this broken development model is not inevitable – it is the result of an economic system shaped by public policy and can therefore be changed for the better. With ambitious policies that have been proven here and abroad, the UK can begin to create more equitable, healthier and sustainable places. This position paper examines the question of what makes a great place, reviewing the evidence on why our current place development model is failing us and suggesting the features of a better alternative model. It is the first output in a NEF series, *Fixing Our Broken Development Model*, that will develop policy proposals for a better alternative. This forms part of *Reclaiming Our Regional Economies (RORE)*, a multi-year programme in collaboration with three combined authorities, the Centre for Local Economic Strategies (CLES), Co-operatives UK and the Centre for Thriving Places (CTP).⁶

Figure 1: Many local economic factors go into making a great place

Overview of the key factors in the local economy influencing place quality



Many different factors play an important role in making a great place (figure 1). An analysis of the problem in all its complexity requires a broad scope, while recognising that there will be many different solutions to different parts of the challenge. As a starting point, this project and its future outputs will focus principally on the land, housing and planning aspects of making great places. The paper begins with a review of the shortcomings of the existing place development model, followed by proposals for what a better alternative model would include. It concludes with a discussion of the economic, social and environmental benefits that would arise from the proposed alternative model.

2. HOW WELL IS THE CURRENT DEVELOPMENT MODEL SERVING US?

Britain's land and housing models are not fit for purpose. The housing system has been pushed into a crisis of affordability, which is having major implications across the country. The existing development model is not able to supply enough homes at genuinely affordable rent and purchase prices. As it stands, at least 8.5 million people in Britain are living with some kind of unmet housing need, meaning housing options available are insufficient to meet their needs, which has been exacerbated by the cost-of-living crisis.⁷ These factors are driving poor physical and mental health for many households.⁸

The current housing system enables multiple forms of extraction of value from the public at large to relatively few private owners. One of the most prominent forms of extraction is impossibly high rents. Rents are now at an all-time high, contributing to three-fifths of private renters being unable to afford an adequate standard of living.⁹ In the face of sharp rises in the cost of other essentials such as food and utilities in the past few years, it is not surprising that many people are also currently struggling to afford their housing costs. The share of people finding it somewhat difficult or very difficult to afford their rent or mortgage has risen from an average of 27% between April and June 2022, to an average of 37% between January and March 2024, after reaching more than 40% during summer 2023.¹⁰ The problem of high rents relative to incomes has become far worse over the past 50 years. Following the removal of rent controls in the 1980s and policies encouraging rent extraction such as buy-to-let mortgages, rent in the private rented sector has grown substantially as a share of income in the UK, from 7-8% in the 1970s to 25% or more over the past 25 years.¹¹

Simultaneous to rising rents, house prices have soared, trapping people in the rented sector. In 1997, 89% of local authorities had a housing affordability ratio of less than five times workers' wages - yet by 2022 that figure had plummeted to only 7% of local authorities.¹² Currently, residents in England must spend on average 8.3 times their annual earnings to buy a home, a ratio which rises to at least 12 in almost a quarter of local authorities and as high as 38.4 in parts of London.¹³ Furthermore, in November 2022 interest rates on mortgages soared, resulting in approvals declining by 33%, which shifted power further towards property speculation within the housing market by hugely advantaging cash buyers.¹⁴ Focusing attention on the unsustainable rise in house prices is paramount considering that this locks many people out of home ownership, leaving

them exposed to the damaging effects of the under-regulated private rented sector in its current form. Recent research has found that the stress of renting causes biological ageing at approximately twice the rate of other determinants of poor health such as unemployment and smoking.¹⁵

Over half of those in housing need (4.3 million) would have their needs best addressed through a social home – one which is not priced relative to market rates.¹⁶ There is a strong moral case for social housing which gives people a secure and safe foundation from which to build their lives.¹⁷ There is also a robust economic case. Evidence shows how costly the existing housing crisis is for taxpayers, with housing benefit costing the taxpayer an estimated £23.4bn in 2022.¹⁸ At least £9.5bn of this sum goes straight into the pocket of private landlords a figure which is forecast to increase to £70bn over the next five years.¹⁹ Building the 90,000 social homes needed to address the backlog in England would create an estimated net benefit of £51.2bn to the economy. This includes £7bn in direct benefits to the exchequer through reduced housing support and tax collected from the construction sector, along with £16.8bn in indirect fiscal benefits from improvements in health, reduced homelessness and the tax and benefits associated with higher employment.²⁰ Sufficient provision of social housing could add over £50bn to the economy, accumulated through both savings on temporary accommodation which currently plug the gap in social housing and the wider social and economic impacts of secure housing, namely growth, productivity and improved well-being.²¹

Similar to the case for new developments, NEF research has shown that the acquisition of 10,000 existing homes by London councils over 10 years, to be re-let at social and London affordable rents, would reduce the cost of temporary accommodation by £1.5bn and save £340m in housing benefit subsidies.²² It would yield a further £440m in indirect savings over two decades via improved earnings and health for the residents of these homes. A programme of this kind would pay for itself within 25 years through savings to public expenditure that would offset its cost.

2.1 THE HOUSING CRISIS IS A LAND CRISIS

Whilst rent and purchase prices have spiralled, one of the underlying catalysts for the dysfunctionality of the housing system in Britain is the broken land market, which has propelled wealth inequality. Between 1995 and 2022, land value has increased by more than 600%, and now stands at £7.2tn,²³ representing more than 60% of the UK's total net worth.²⁴ In this period land has shifted from making up 23% of households' net wealth to 45%.²⁵ This asset economy is inherently unequal, with 30% of households owning no property wealth, accounting for the largest source of regional wealth

inequality in the country.^{26 27} Land value is largely derived not from landowner activity, but investment elsewhere in the economy – for example new public infrastructure nearby or well-paying jobs in the area – meaning land can accrue financial value despite the landowner making no additional investment after purchase.

This kind of value extraction, where value that is created collectively by all of us is captured by a relatively small numbers of private owners, occurs throughout the development process and continues via the operation of economic activities relating to housing and property. The hope value accruing to landowners when selling their land (i.e. the increase in the sale price that arises from the prospect of some future planning permission on the land)²⁸ has been well documented.²⁹ Landowners in England made an estimated £13.4bn in windfall profits in 2016/17 due to the granting of planning permission, while only an estimated £4bn of land value uplift was recaptured for the public through S106 contributions and the CIL.³⁰ The massive scale of this form of value extraction represents a key way in which the existing development model fails to deliver value for communities impacted by development.

The outsized rewards to land transactions in turn encourage land to be treated as a financial asset, rather than being used for public benefit. Not only does this system concentrate more wealth in the hands of the already wealthy, but the unequal distribution of land ownership also sees large areas of land sit unused for years. The persistence of vacant sites occurs either due to the normalisation of land banking or because local authorities are under-resourced to use their land, while the housing crisis worsens. Failing to attend to the broken land market undermines our ability to secure macroeconomic stability or address Britain's poor productivity in investment terms. The nature of the land market and liberalisation of planning in the past decade has served to crowd out small and medium-sized builders, allowing large developers to gain substantial market power in the housebuilding sector.³¹

2.2 BRIDGING HOUSING AND LAND: TURNING TO PLANNING

Underpinning the affordability crisis of housing is the planning system. However, a wide variety of diagnoses of the system's problems exist. On the one hand, it has been subject to heightened contestation in recent years, critiqued as archaic, inefficient and a roadblock to house building.³² On the other, there are calls to restrict - or at least carefully consider - the building of new homes as they encroach on existing communities and green space. In this context, the planning system itself has become the centre of a political battle, as mainstream parties compete on public promises of

planning reform or renewal as an antidote to the current crisis.³³ Such debates are often overly narrow. The complex causes of the housing and land crises are reframed as a simple lack of housing supply and the potential solutions are reduced to a focus on ramping up construction of new housing regardless of affordability or tenure. Meanwhile, the planning system is characterised as nothing more than an obstacle to be torn down in the pursuit of the desired construction boom. This false dichotomy, which frames all possible solutions crudely as “for” or “against” new housebuilding, needs challenging. Addressing the crises in a meaningful way will require a planning system that is more powerful and democratic, ensuring that power over land and housing development is redistributed from private developers and landowners to local government. We need a planning and land system which prioritises need over profit and is built in favour of local government seizing opportunities to engage with communities to determine how our built environment attends to their best interests.

There is an opportunity to change the status quo by radically reshaping how the planning system works and who it works for.³⁴ This is vital, as land use decisions are hugely influential - they determine where we can live, where we can spend our time and what infrastructure is available to communities. In short, the planning system is fundamental to how communities exist. Yet key decisions over how places are used, what is built and who gets to live there are often made in undemocratic ways, with the current planning system being critiqued for its deregulated, market-led, top-down and bureaucratic approach.³⁵ Public participation is positioned as a barrier to the market, not an essential aspect of planning, raising questions as to whose interests are being secured and protected.³⁶

The existing planning system is defined by a weak consultation process which sees the discretion of decision makers take precedence, often irrespective of the needs of communities outlined in local plans.³⁷ Challenging planning applications can result in costly and lengthy legal battles, which are unaffordable for local authorities that exist within a fiscal straitjacket following austerity.³⁸ The stakes are high because land that has been awarded planning permission is worth on average 275 times more than agricultural land, meaning developers are willing to pursue legal means to secure their projects.³⁹

The existing legal framework, funding arrangements and capacity constraints affecting local and combined authorities are preventing them from embracing a better alternative development model. Planning departments currently lack the capacity to produce regularly updated and detailed plans that will secure the future of neighbourhoods. Planning was the hardest hit area of local government under austerity, suffering cuts of more than 50% to resources,⁴⁰ meaning its core functioning is often outsourced to

private consultants.⁴¹ Planning officers and elected members of local authorities report that their capacity to create well-designed places is constrained by the lack of design training available, and pressure to award planning permission quickly and efficiently.⁴² Until recently, requirements set by central government for local authorities to identify a five-year supply of land for housing and to meet housing delivery targets have put significant pressure on planning departments to accept what the market proposes to build, reducing their ability to require more socially inclusive or environmentally sustainable new developments.⁴³ Moreover, existing systems such as land obligations, like S106 payments and the CIL, are focused on mitigating impacts of developments as opposed to capturing land value for the public.

While mechanisms such as S106 can be sources of affordable housing supply - 43% of social housing in 2019/20 derived from developer contributions⁴⁴ - in the current system developers are able to continually water down contributions and propose trade-offs especially in regions more reliant on inward investment. In many cases these contributions go uncollected or fall short of agreements on affordable housing provision.⁴⁵ For example, in Richmond upon Thames, 50% of new units should be affordable, according to local planning policies. However, only 1% of S106 units were affordable between 2017 and 2019. The constraints of the current system allow developers to argue against their S106 obligations due to potential risks to a project's "financial viability", which must include a 20% developer's profit margin.⁴⁶ In contrast, the CIL is a fixed charge local authorities levy on new developments to raise funds for local services and infrastructure, aimed to overcome renegotiation of S106. However, this is not a national mechanism and therefore CIL rates are not set in all regions, making way for further regional inequality in infrastructure development.⁴⁷ In the absence of robust taxation on land, estimates show up to £185bn in tax revenue could be collected over the next two decades with a different land taxation system.⁴⁸ Under the Levelling Up and Regeneration Act, there is a proposal to phase in a new Infrastructure Levy to replace CIL and S106 in the coming decade.⁴⁹ This proposal has been criticised by prominent organisations in the local government and housing sectors, who expect that it would lead to a reduction in affordable housing delivery from the current levels and would increase administrative complexity.⁵⁰

In a development model so prominently focused on profit and extraction, groups of people who are not conducive to profit generation due to their limited financial means will be displaced. It is widely understood that embracing a development-first approach has driven the direct displacement of many communities, showing the potential detrimental effects of "regeneration".⁵¹ Research has shown how projects like the

regeneration of the Heygate Estate in Elephant and Castle, London have resulted in the displacement of residents from pre-existing social housing.⁵² This outcome has been made possible by weak tenant protections and existing planning powers which allows private developers to renege on affordable housing commitments due to their claimed lack of financial viability.⁵³ For example, only 25% of the new housing built on the regenerated Heygate estate is affordable,⁵⁴ below the council threshold of 35%, and a significantly lower number than the original homes.⁵⁵ These processes are replicated throughout the country, with deprived communities often being subject to the most intense marginalisation.⁵⁶

3. WHAT SHOULD A BETTER DEVELOPMENT MODEL INCLUDE?

When seeking to re-shape the current system, it is essential that a market-led planning system is not presented as a replacement. Considering the failure of the private sector to deliver sufficient social and affordable housing and the value extraction and displacement inherent in the current model, handing more powers to the same developers will not resolve the crises we are facing. A genuine alternative will require a focus on mechanisms that capture land value, the capital gains from which can then be reinvested into public infrastructure, services and amenities for the local community. It also requires a redistributive taxation model, which accounts for regional differences, and transfers wealth from rent extraction to investment in social and affordable housing, new infrastructure and transport. Changes to planning and land-value capture will not be sufficient on their own and need to be accompanied with increases in upfront public investment in the construction of social housing, as well as additional levers allowing local authorities to repurchase homes for conversion to social housing.⁵⁷

Planning and housing departments at local authority level have been hollowed out since 2010. History shows that well-resourced and locally situated planning and housing departments are essential to creating well-designed places. For example, radical new designs spearheaded by London County Council were executed by their well-resourced Architects' Department, which oversaw a mass rebuilding campaign after the Second World War.⁵⁸ At its height in 1953, the department was the world's largest, with 1,577 staff and 350 professional architects and trainees, with support from industry experts.⁵⁹ Attempts to make genuine change requires all local authorities to be properly resourced – including increasing staff numbers – to give them the ability to action proposals for change. The funding for this could be raised through changes to property tax⁶⁰ ⁶¹ or land value capture.⁶²

An alternative development model would enable local and regional government to take a more active role in the purchase, planning and ownership of land in a way that facilitates good place design and recaptures a higher proportion of the value created for the public. Land readjustment powers have been used successfully in countries such as the Netherlands, Germany, South Korea and Japan to bring forward land in defined areas for development.⁶³ Though the details of each country's model can vary, there are several common features. A public sector body (whether central or local government) has the power to designate an area for development and purchase all the land within

that area. The public body can reallocate the boundaries of plots within this area and build the necessary infrastructure for subsequent housing construction, with the latter cost often being funded by a loan from a public bank. This readjustment stage can be used to set aside land for public benefit, including for parks and green space or transport infrastructure.⁶⁴ The land can then be sold back to its previous owners at a price sufficient to recover the cost of planning and servicing the area for redevelopment.

The success of land readjustment clearly relies on having sufficiently strong compulsory purchase powers, which can be used directly by the Government to purchase the land required for development or can provide an indirect incentive for landowners to cooperate with the planned development. The detail of these compulsory purchase powers is an important factor in allowing the public sector to secure land at its previous use value, so that the public captures the uplift accruing from the designation of that place for redevelopment. In countries such as Germany and South Korea, the public sector has powers to freeze land prices in the designated area for development at the level that prevailed before designation.^{65 66} It is estimated that in Germany, France and the Netherlands, 90% or more of the land value uplift from development is recaptured by the public sector.⁶⁷

Given the strength of these powers, it would be important for their use in the UK context to be linked to robust democratic local decision-making to ensure they are applied in a way that has broad public support. Recent changes under the Levelling Up and Regeneration Act have in theory given local areas more powers to compulsorily purchase land at a lower price that excludes hope value. However, it remains unclear how widely these powers will be applied given the requirement for approval from the Secretary of State and the conditions attached to their use.^{68 69} In particular, it is unclear how large a share of social or affordable housing a given development will need to qualify for disapplying hope value from the land purchased. There is also a risk that if the required affordable housing, health or educational uses are not ultimately delivered on the land, the previous landowner may be able to pursue the new owner for part of the hope value not previously paid.⁷⁰

A better development model would also see a more active role for the public sector in buying and owning land over the long term, not just in the short periods when a place is designated for development. This can be a means of raising public revenue and of implementing policies on the land to maximise public benefit, such as the creation of low-cost housing. In South Korea, where the publicly-owned Korea Land and Housing Corporation plays an important role in social housing supply, the government collected annual revenues of approximately \$200m from ground rents on public land and a further

\$209m from the proceeds of public land banking between 2010 and 2019.⁷¹ In Helsinki, where two-thirds of land is publicly owned by the city government,⁷² the city administration has greater ability to maintain a mix of income levels in each neighbourhood, set the proportion of lower-cost housing in new developments on this land, and incentivise developers to build lower-cost tenures of housing by reducing the amount it charges for leasing the plot of land.⁷³ Significant public ownership of land would also allow the recapturing of the value that is collectively created in a place over time, via the revenues from leasing that land to businesses. There is still significant public ownership of property and land in some areas of the UK, partly due to the legacy of the new towns created in the mid-20th century under governments of both major parties. In Letchworth Garden City, a charitable foundation owns and manages an extensive range of commercial and industrial property on behalf of residents and generated a surplus of £7.5m per annum as of 2017.⁷⁴ The assets of the post-war new towns yield £1bn per annum to the Treasury, which took over ownership in the 1980s.⁷⁵

A reinvigorated model should empower local authorities to proactively shape places, rather than having to be reactive to the demands of developers. Long-term plans must be democratically developed from the outset, as opposed to proposing community consultation somewhere down the line. This requires genuine co-production of local plans, with community input into the designing of better places from the outset. Examples of this method of engagement exist in Europe, with residents in Freiburg, Germany closely involved in creating their local masterplan, before local government used land readjustment to fulfil it, resulting in an exemplar of compact, sustainable and car-lite living.⁷⁶ The city sold off land to co-operatives, individuals and small builders with restrictions on the size of plot and the number of plots one person could buy. In addition, 80% of the rental housing stock was affordable, in part owing to the large presence of co-operative building groups who offer the same quality housing for less cost than larger developers.⁷⁷

To enable such dynamic urban planning in Britain would require devolution powers to be legislated for. For example, granting local authorities renewed compulsory purchase powers would disincentivize land banking and speculative land purchasing by developers. These powers were widely used in the creation of new towns in the 1940s and 1950s to prioritise public interest over landowners' returns,⁷⁸ but were effectively revoked in the 1961 Land Compensation Act when the concept of hope value became the standard calculation in Britain's land market. Reforming this legal mechanism while removing the requirement of a hope value to be paid would enable local authorities to play an active role in local land markets.⁷⁹ Policy changes contained within the 2023

Levelling Up and Regeneration Bill may go some way to addressing this. Reforming compulsory purchase powers on land and property, as well as imposing holding costs, would incentivise the completion of building schemes.

An alternative development model should be responsive to the regional inequalities in investment and land values that characterise the English economy at present, using public policy to level the playing field between places and allowing them to develop high quality homes and places regardless of their starting point. The commitment of public funds for capital investment could level this out by financing the upfront expenditure needed in areas that have suffered from under-investment in recent decades, overcoming viability challenges in areas of lower land values. This would contribute to re-establishing the balance of power in the land market between developers and local authorities, as capital from uplifts could be re-routed back into the community, for example via new infrastructure.

Without local authorities regaining control of the swathes of land sold off or given away in the wake of austerity, Britain's solution to the housing crisis will remain reliant on a deregulated private sector. On the other hand, if reforms to the land market were made, Britain could look to existing institutions to deliver accessible social housing. One such option would be to give extended powers to Homes England, which would shift from being an enabler of housebuilding to playing a more expansive role in securing and delivering master planning and house and infrastructure building, so that the value created on sites could be harnessed for the public good.⁸⁰ Another alternative would be to fully resource regional or local government bodies to undertake that proactive planning and place delivery role. However, these new, stronger powers over the development model must be applied in close conjunction with local communities, to ensure that great new places to live and work are developed, as opposed to delivering aggregate numbers of homes in isolation.

In the longer term, the local authority cap on borrowing to finance housebuilding must be loosened, with a view to eventually abolishing it, and returns after borrowing must be funnelled back into affordable housing development. Underspends on Homes England grant programmes should also be funnelled back into new social housing supply, which would require loosening the current restrictions on using Affordable Housing Programme grants for social housing.⁸¹ In addition, local authorities should be mandated to ringfence development levies and pool receipts (for example from right to buy sales and developer contributions) for social housing in line with local plans. This has been shown to be possible from within Britain, with London boroughs delivering more council homes than the rest of England put together, despite higher costs and land

pressures, due to the Mayor of London's application of the Affordable Housing Programme.⁸²

To prevent the loss over time of the social housing resulting from a better development model, changes must be made to the right to buy social housing. Without the removal of right to buy, the benefits of higher quality homes and places will be swiftly privatised through home purchases and lost to future council tenants.⁸³ The next steps in reforming right to buy should include giving local authorities the power to suspend it in their area and removing the right to buy from all new social homes. This should go alongside regulation to prevent homes bought via right to buy from being let out privately, and reducing the loss to the public sector from any remaining use of right to buy by adjusting the discount level and qualification period.⁸⁴

4. BEYOND LAND AND HOUSING

As discussed at the beginning of this paper, there are many elements other than land and housing that contribute to developing a great place to live and a strong and sustainable local economy. While other considerations such as local transport, the climate and nature impacts of our places, and non-residential spaces for community and commercial uses are not core parts of this paper, it is worth briefly unpacking some of the issues relevant to these elements. This will give a more complete picture of present shortcomings and what an alternative development model should offer. In the case of street design, active travel provision, nature-positive green infrastructure and affordable non-residential space, the policy levers outlined above for land readjustment, the capture of land value uplift and a more proactive neighbourhood planning role for local government could help to deliver these elements as well as supporting better and more affordable housing.

4.1 SUSTAINABLE TRANSPORT AND ACTIVE TRAVEL

The provision of sustainable transport to newly developed homes is inadequate and the places developed are usually car-centred.⁸⁵ While this partly reflects the trend of transport in the UK becoming increasingly car-dependent,⁸⁶ the design of the built environment, the location of new developments and the provision of sustainable travel services and infrastructure also constrain transport behaviour.⁸⁷ The shortcomings of local bus services in many areas of England - with fares rising faster than inflation and the provision of buses falling - tend to reduce the attractiveness of that mode of travel.⁸⁸ This is also the case for rail travel in the significant proportion of new developments that are not sited within easy walking distance of a train station.^{89, 90} On the other hand, new developments typically lock in higher car use by devoting large areas of land to parking, and central government policies limit the powers of local authorities to do otherwise.^{91, 92}

An alternative development model should shape its street design and distribution of public space around the needs of all residents, to create places to spend time in and encourage socially and environmentally beneficial travel.⁹³ This can be facilitated by devoting more space to walking, wheeling and cycling paths and less to parking spaces and roadways. Designing in traffic calming, drawing on good practice as used widely in the Netherlands,⁹⁴ and reducing through traffic in residential areas as seen in the best elements of models applied in Barcelona (“superblocks”)⁹⁵ and the UK (low-traffic neighbourhoods)⁹⁶ would also help. At the same time, it is important to provide high-

quality public transport for the residents of new homes to allow them to reduce their car use without negative effects on their day-to-day travel. The planning system should support this approach by only granting permission for new developments where they can be serviced by sustainable transport modes,⁹⁷ and by restricting the provision of car parking in new developments.^{98 99 100} The approach of central and local government in regulating and operating local public transport can be used to guarantee this as a viable alternative to the car for everyday uses, as is currently the case with minimum bus standards for small towns in Germany and Switzerland, for example.¹⁰¹

4.2 ENERGY, CLIMATE AND NATURE IMPACTS OF PLACES

Alongside the uneven wealth extraction made possible by the existing developer-led model of planning and housing development, new developments are failing to meet the challenge of the climate and biodiversity crises facing the country. Although the average energy efficiency ratings of new housing are significantly higher than those of the pre-existing housing stock,¹⁰² opportunities for further emissions reductions have been squandered. Successive governments have repeatedly failed to regulate for better energy efficiency standards in new housing over the past decade.¹⁰³ The construction of homes to the existing low environmental standards¹⁰⁴ since 2015 has saved the construction sector an estimated £15bn,¹⁰⁵ but has left those living in those homes with higher energy bills.¹⁰⁶ The cost of retrofitting these homes with solar panels, batteries and heat pumps is nearly four times higher than the cost would have been if they had been built with these features as standard in the first place.¹⁰⁷ The Future Homes Standard, currently expected to be implemented from 2025, could go some way to addressing these issues,¹⁰⁸ but detailed proposals put forward by the government in early 2024 have drawn criticism for a lack of improvement over the status quo in the housebuilding sector.¹⁰⁹ The Climate Change Committee has also called on the Government to go further than the Future Homes Standard, by implementing green building passports and local area energy plans.¹¹⁰

While the construction of new housing, particularly for social rent, is an indispensable part of addressing the housing crisis, it must be done in a way that fits within planetary and environmental limits. The materials and land footprints of new housebuilding and place development under the current model make it more difficult to adequately respond to the climate and biodiversity crises and meet national targets. Policies requiring the measurement and reduction of embodied carbon in construction have been overlooked and the UK is falling behind other countries on this score.¹¹¹ It is

estimated that delivering 300,000 new homes a year in England, even alongside a highly ambitious retrofit programme for existing homes and with new homes being compatible with the Future Homes Standard, would exhaust 70% of the economy's whole carbon budget consistent with a maximum temperature increase of 1.5°C by 2050 and would conflict with national biodiversity targets.¹¹² This underlines the importance of making better use of the available housing stock as well as adding to it, to achieve better housing provision within planetary limits. Moreover, it emphasises how it is vital for our development model to prioritise the building of sustainable places, which protect biodiversity and encourage low-carbon transport and lifestyles.

Urbanisation is putting pressure on biodiversity in England, through the conversion of previously undeveloped land into built-on areas with lower biodiversity relative to natural or semi-natural areas.^{113 114} This is compounded by the roads and road transport that proliferate in car-dependent places, which harm biodiversity through the fragmentation of habitats and various forms of pollution.^{115 116 117} A policy requiring biodiversity net gain on new developments has just taken effect, but the results of trials in six local authorities show that it suffers from poor enforcement in a significant proportion of developments and that councils do not have the adequate resources to ensure biodiversity net gain at present.¹¹⁸

4.3 COMMUNITY AND COMMERCIAL SPACE AND LOCAL AMENITIES

An alternative development model should create places with the right mix of property uses that residents need. Going beyond housing, this will require community facilities, social infrastructure and key public services to be located locally and within easy reach, reflecting the increasingly prominent concept of the 15-minute city. Spaces for communities or local voluntary organisations to use at low or zero cost could be provided by various owners, such as the main social landlord locally (as is currently the case for some housing associations), the local council or community-led forms of ownership such as community land trusts (CLTs). Instead of the usual approach of letting properties to the tenant who is willing to pay the highest rent, it will be important to put in place a democratic mechanism for residents to have a say in what these properties are used for.

Providing for sufficient local commercial space is also important to enable the development of a strong local economy where residents can fulfil a range of needs without having to travel long distances by car. The ownership of these properties and the rent policy applied should be determined to maximise local economic benefit and

resilience. Following the example of the new towns built in the 1940s and 1950s, the public ownership of commercial property within an area would allow rents to be maintained at affordable levels and surpluses to be reinvested in local facilities.¹¹⁹

Alternatively, commercial CLT structures may allow properties to be kept at sub-market rents over time to support the presence of local businesses that provide a high social value but do not have the financial means to pay market rents.

In the short term, or in places where there is already substantial private ownership of commercial property, there is potential to support the resilience of local businesses by reforming business rates. These would be replaced with dual-rate taxes on property and land, which would redistribute the tax burden towards the windfall gains accrued by landowners and away from the businesses renting their land. Power to set the rates of land and property tax could be devolved to local government, with redistribution of the land tax receipts between regions to help offset regional inequalities in revenue-raising capacity.¹²⁰

5. WHAT KIND OF PLACES COULD THIS CREATE?

Prioritising good design by creating places which are easy to manage and maintain is beneficial in both the short and long term.¹²¹ Creating well-designed places extends beyond the structural integrity of buildings; it pertains to social, environmental, economic, cultural and ecological well-being. Experiences of deprivation manifest in multiple aspects of everyday life in interlinking ways, creating trade-offs in which families are forced to choose between essentials such as the need to access transport to paid work instead of heating.¹²² Stable, low-cost and well-built homes in places that are designed for communities offer the opportunity to remove the need for this trade-off.

At the same time, the rewards for getting places right are substantial. What happens in the land and housing markets has significant implications for the wider economy. A better development model can deliver inclusive economic growth while having positive consequences that result from access to low-cost homes, such as improved wellbeing, better employment and education outcomes, and savings on housing-related social security payments.¹²³ Homes with improved energy efficiency would offer substantially lower emissions and energy bills relative to the least efficient existing housing stock.^{124 125} Developments that incorporate ample green space would support a response to the UK's biodiversity crisis,¹²⁶ help to add character to new places that residents value highly,¹²⁷ and improve health¹²⁸ and wellbeing.^{129 130} A more sustainable local transport system and better spatial planning would create reduced congestion and emissions, better air quality,¹³¹ fewer injuries and fatalities from collisions,¹³² improved inclusion for disabled people,¹³³ and a reduction in a key component of the cost of living.¹³⁴

Undertaking the above propositions would allow the housing and land markets to be fundamentally transformed, moving away from each being commodities bought and sold on the open market. The UK is an outlier in Europe in terms of its weak protection for the 4.6 million residents who rent from private landlords, and it is also an anomaly relative to similar European and global economies in terms of its approach to capturing land value in favour of private interests. But city, town and country planning are inherently public activities, and our development model must reflect this.

If the UK is to tackle its severe housing crisis over the coming years, there can be no room for simplistic approaches that treat the planning system as an obstacle to be removed and accelerate the delivery of greater volumes of the same unsuitable housing that the existing, broken model tends to provide. Instead, we can create a system built on equity that prioritises the lives of those in all communities. With local authorities that

are properly resourced and equipped with the necessary legal powers to take a proactive role in neighbourhoods planning and development, we can once again create places for people to live happy, stable and sustainable lives, where socially created value is recaptured and put to work for the common good.

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