

Garden Villages



Empowering localism to solve
the housing crisis

Lord Matthew Taylor

Edited by Christopher Walker



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Published by

Policy Exchange, Clutha House, 10 Storey's Gate, London SW1P 3AY

www.policyexchange.org.uk

ISBN: 978-1-907689-91-8

Printed by Heron, Dawson and Sawyer

Designed by Soapbox, www.soapbox.co.uk

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Acknowledgements

We would like to thank the wide range of individuals who shared their ideas, perspectives and insights during the course of this work. Special thanks are owed to Kate Barker, Trudi Elliott, Peter Freeman, Kate Henderson, Robin Hoyles and Lee Shostak, for providing their expertise and ideas. Any errors and omissions remain, of course, my own.

Executive Summary

Over the next 20 years, to keep pace with increasing housing need we need around 240,000 new homes to be built in England each year, plus another 60,000 a year to address the existing backlog of housing need caused by past under-provision, yet we are delivering barely more than a third of this. Between 1997 and 2007, the boom years, we delivered on average just 148,000 new homes each year – in no year did it come close to 200,000 – and in the latest year we built just 112,000.¹ That means we need to deliver upwards of a million more homes over the next decade than recent delivery rates have achieved, in order to meet the needs of the next generation.

The current planning and development model – based on pressing sequential development into and up against existing communities – ramps up local opposition to new development and makes it ever more politically toxic for local authorities and politicians. The political incentive locally and nationally is to seek to release no more land for housing development than the planning authority can get away with. A 2014 poll commissioned to mark the centenary of the Royal Town Planning Institute reveals an overwhelming majority of the public (79%) want a bigger say over the development of their communities.² Neighbourhood Plans may help to enable this.

Sequential development of this sort around many market towns and larger villages has also largely exhausted the sustainability of this sort of growth. Too far from the town centre to be accessible on foot or bike, clogging up roads with traffic from housing estates bereft of community facilities or jobs, sited on what were the green lungs, great views and natural water management of the older community. Pressed close to the town in the name of ‘sustainability’, the truth is anything but.

Sequential development also makes it predictable which land will eventually be released for development, and the undersupply of development land ratchets up the value of this land exponentially. As the land around the community is acquired or optioned up for development, much of the value uplift of planning permission (around 50%) is captured by the landowner and land speculator, not captured by the community for its infrastructure. So whilst house prices escalate through scarcity the market signal does not result in increased land being made available but higher permitted land prices and enrichment of the landowners and speculators concerned.

In short, the result of the present system favouring sequential development has meant development gets ever less welcome, land is eked out at minimised levels, and the resulting lack of land supply generates ever higher land prices because demand (housing need) has become ever more out of kilter with the supply of plots to build on. This fundamental economic imbalance has driven poor new housing outcomes: high housing densities with developers having to

¹ DCLG live table 209 www.gov.uk/government/statistical-data-sets/live-tables-on-house-building

² www.rtpi.org.uk/briefing-room/news-releases/2014/november/centenary-poll-findings-infographics/

squeeze as much housing as possible on each site in order to cover the huge land cost.³ And so we end up with dense housing estates with rabbit-hutch homes and under-provision of new infrastructure and amenities, rather than mixed use communities with work spaces, services and good amenities. Not only are the homes smaller than almost anywhere else in Europe and half the size they were in the 1920s,⁴ but gardens are being diminished with fewer new homes built with them. Yet in polling for the Wolfson Economics Prize (2014), 78% of people thought that private gardens for new homes are important.⁵ This is a bad outcome for both the existing community lumbered with both an ugly housing estate on its doorstep and increased burdens on local roads and schools; bad for the new households coming in who have to live there; and bad for the housing supply at local and national level.

It perpetuates the downward spiral of increased local opposition to development (and increased NIMBYism), as local people end up getting precisely the very poor quality and badly designed housing that they feared, on the very areas of open space people are likely to value most – the green spaces on their doorstep.

In the post-war period similar concerns about the quality of development (most notably the acceleration of urban sprawl of the 1930s) led to both the New Towns Act (1946) and Town and Country Planning Act (1947). The former has fallen into disuse but was a key component of the post-war housing and planning policy, delivering 32 New Towns including garden cities (e.g. Milton Keynes) throughout the UK that today house around 2.8 million people.⁶ Despite the obvious success of the new towns in meeting our nation's housing need, no new towns have been created since 1970. This is because the New Towns Act is part of a centralised command and control legislative construct created in the immediate post-war era when the legitimacy of the role of government was never more accepted, where new towns were designated and imposed by the Secretary of State. Today there is little desire for a Secretary of State to impose a new town on a local community.

An integral part of the original new towns deal was an implicit contract between the “NIMBYs” and those needing homes, namely “Greenbelt protection in return for new towns”. Yet what we've ended up with today is an expanded greenbelt – which more than doubled in size between 1979 and 1997 (and from 0.6m to 1.6m hectares since its inception)⁷ with not a single new town in exchange. This is the forgotten deal, and the result has been a massive housing shortage.

The recreation of this contract is the foundation of this paper, which sets out proposals for a modernised and localised New Towns Act, where local authorities (not the Secretary of State) are empowered to create new villages and small towns – moving us away from the sequential development and its associated problems in order to better meet local housing need.

The proposed revision of the New Towns Act would give local authorities (not central government) the Act's powers to create a new community to meet local needs. This would enable them to capture the majority of land value uplift to put in place the necessary physical and social infrastructure, as well as ensure the homes are more affordable. By empowering local authorities to establish new communities to meet local housing need, it would allow unwelcome and inappropriate development around existing communities to be firmly ruled out by the local authority.

3 As well as meet the Planning Policy Statement 3 density requirements. These were abolished in 2010, www.planningportal.gov.uk/general/news/stories/2010/june2010/2010_06_week_2/100610_1

4 www.dailymail.co.uk/news/article-2398714/The-incredible-shrinking-houses-British-homes-built-just-HALF-size-1920s.html

5 Policy Exchange www.policyexchange.org.uk/media-centre/press-releases/category/item/widespread-support-for-garden-cities-as-best-way-to-tackle-housing-crisis

6 www.rtpi.org.uk/knowledge/networks/rtpi-cih-planning-for-housing-network/new-towns-come-of-age/the-5-factors

7 See www.parliament.uk/briefing-papers/sn00934.pdf For the most recent greenbelt statistics see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/364066/Green_Belt_Statistics_England_2013-14.pdf

Locally led delivery agencies – a lighter touch version of the old New Towns development corporations – would be established by the local authorities concerned. These would be charged with the masterplanning and setting the quality design standards. Plots would be specifically earmarked for small and medium builders,⁸ self-build and the not-for-profit sector to improve their access to land, as well as larger scale housebuilders. This would support a more market responsive housing supply to address housing need; enhancing supply and, through competition, quality, whilst prices would be kept more affordable through the lower cost of land. The figures towards the end of this report show how – through the fuller capture of land value uplift – the proposition could be financially viable.

This proposal is not focused on a few very large new communities and central imposition of the traditional garden city approach – in fact it is argued that many small new ‘garden communities’ are needed (as well as some larger ones) if we are to scratch the surface of the housing problem in a locally responsive way reflecting the principles of localism. It is a locally led vision of new garden villages to meet local needs, it is about multiple places and a range of different sizes of communities. Whilst the size of a new community is suggested at up to 5,000 (not unlike the size originally envisaged as ‘garden cities’ by Ebenezer Howard) this is better understood today as a large village community than a town, let alone a city. They may in time grow further, as historically successful communities have done, but they are scaled to meet local needs, without huge infrastructure requirements. None need to look the same, nor will a new village be delivered by a single developer to a uniform design.

This is not a top down prescription by national government, but empowering both local people and thence the market to generate fantastic new communities that respond to the market and what local people want. A single new garden village in each rural English local authority would create around a million extra homes – the homes we need, with the space and gardens, infrastructure, services and employment that people want, all without destroying the places we know and love.

⁸ The Lyons Review (2014) also stresses the importance of bringing back and supporting SME builders www.yourbritain.org.uk/uploads/editor/files/The_Lyons_Housing_Review_2.pdf

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The Problems We Need to Solve

The national housing shortage

We built just 112,000 new homes in England last year, close to the five-year average.⁹ Yet the most commonly accepted evidence for the number of homes we need to be building each year, in order to meet future housing need, is 240,000. According to analysis of the most recent census data by the Cambridge Centre for Housing and Planning Research, even if household formation rates remain held down by those young people unable to move out of Hotel Mum and Dad due to high house prices “there will still be almost a 20% increase in the number of households over the 20 year period to 2031”.¹⁰

The last time such a figure for new homes was achieved was in 1978–79. Between 1997 and 2007, the boom years, on average we delivered just 148,000 new homes each year.¹¹ This is nearly 100,000 a year less than the evidence the Barker Review detailed was required to meet demographic changes including the current baby boom, greatly increased longevity, and more single households.¹² Even at the height of the boom in 2007/08 we only managed 170,000 new homes. The problem we face is therefore structural, not as a result of the recession (i.e. cyclical) – although it is arguably exacerbated by (and exacerbates) cyclical impacts.

Even more homes are needed if we are to address the backlog of housing need caused by not building nearly enough homes for a generation. The existing 2 million home backlog of undersupply¹³ led the Royal Institute of British Architect’s Future Homes Commission to detail we need another 55,000 new homes a year – on top of the 240,000 – to address this backlog of undersupply. Consistent with this, Policy Exchange too have estimated that we need to build around 300,000 homes a year in order to meet both this future demand and reduce the unmet backlog.

The consequences of the low house-building numbers are profound, both socially and economically:

- An inexorable rise in house prices relative to wages, making homeownership ever more unaffordable for ordinary people and taking it out their reach. Homeownership has declined from its peak of 71% in 2003 to 65% today;¹⁴
- An increasing number of 20 to 34 year olds are living at home with mum and dad – around 3.3 million, up 700,000 since 1997 despite no increase in the population for that age group. There is no reason to think that more families want to be in this situation: two thirds of parents say their adult

9 DCLG live table 209 www.gov.uk/government/statistical-data-sets/live-tables-on-house-building

10 See www.tcpa.org.uk/resources.php?action=resource&id=1160

11 DCLG live table 209 <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

12 http://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/consultations_and_legislation/barker/consult_barker_index.cfm

13 www.architecture.com/Files/RIBATrust/FutureHomesCommissionLowRes.pdf

14 DCLG English Household Survey 2012/13 www.gov.uk/government/uploads/system/uploads/attachment_data/file/335751/EHS_Households_Report_2012-13.pdf

children are at home because house prices mean their children can't afford to move out;¹⁵ and

- 1.7m households on local authority waiting lists for social housing, up from 1m in 2000.¹⁶ We already see that demand for social housing far exceeds supply; housing benefit bills have mushroomed to £24bn a year¹⁷ and to the point the Government can't afford them, whilst more and more miss out on a home

And so it is that housing in one of the world's richest countries has become a crisis of under-delivery.

Box 1: Future housing pressures¹⁸

- The UK population was 63.2 million in 2011 and is expected to reach nearly 75 million by 2035.
- The population growth is driven largely by an increase in the elderly population. More than 10 million people are now aged over 65 in the UK, growing to an estimated 16 million over the next 20 years. The number of over 85's grew from 270,000 in 2001 to 1.4 million in 2011 and is expected to treble in three decades.¹⁹
- At the same time as people are living longer than ever, the birth rate appears to be rising and we are experiencing something of a mini-baby boom – in 2012 there were 730,000 births, the highest number since 1971 (783,000).^{20, 21}
- The projected “natural population increase”, which means there being more births than deaths, is 5.4m over the next 25 years (216,000 a year).
- Recent net immigration, notably from Eastern Europe, chiefly working age, is a part of the growing housing need. The official new long-term assumption for net migration to the UK is +165,000 each year. The government would however like to see this figure below 100,000 a year.
- More people are living singly, divorcing and sharing child care between separate homes, so more homes would be needed even were population not growing. In 1961 the average household size in the UK was 3.0 but by 2011 this had fallen to 2.4.²²
- Office for National Statistics (ONS) population projections show that by 2028 rural populations will increase by 16% compared to 9% in urban areas as a result of such migration, creating particular growth pressures on rural communities.

15 Office for National Statistics www.ons.gov.uk/ons/rel/family-demography/young-adults-living-with-parents/2013/sty-young-adults.html

16 DCLG live table 600 www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies

17 Department for Work and Pensions www.gov.uk/government/statistics/benefit-expenditure-and-caseload-tables-2014

18 See also www.rtpi.org.uk/media/1025151/rtpi_planning_horizons_2_future_proofing_society_june_2014.pdf

19 www.independent.co.uk/news/uk/home-news/number-of-people-aged-65-and-older-passes-10-million-for-first-time-with-over85s-the-fastest-growing-section-of-society-8422879.html

20 www.ons.gov.uk/ons/dcp171778_304116.pdf

21 www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-317529

22 Office for National Statistics www.ons.gov.uk/ons/dcp171778_304116.pdf

Why aren't we building enough homes?

It is this challenge that makes housing an economic and political challenge rather than architectural or design or location specific question: what is it that in an apparently free market economy – where a car or mobile phone can be ordered, built and delivered to your doorstep in a matter of days – has locked up housing supply such that millions cannot access a decent home in the sixth richest country in the world, and those new houses that are built are the third meanest sized in Europe and are as much associated with blight as beauty? Why are homes not being built to meet demand and quality and price improved through competition?

In an open market responsive to demand, the great majority of those in work in the UK, one of the world's wealthiest economies, could afford to buy a home, since the bricks and mortar of building does not cost all that much relative to average earnings. It takes around £125,000 in simple build costs to build the average home. So why don't average house prices more closely reflect this?

The answer is partly about the cost of the infrastructure and affordable homes requirements provided through the Community Infrastructure Levy and Section and section 106 contributions; and other taxes (including stamp duty) which increase the price of a home. But a more fundamental reason is we do not have a free market in land for housing. Land release is controlled by local authorities who are democratically accountable to local people, most of whom have a home already and see the loss of amenity through development more clearly

than they see the housing need. This is especially as current policy pushes new housing development to where it is most visible and least wanted – the green fields closest to them. The “market” has been distorted by the failures of the planning system and how the development market operates as a result.

The outcome is that housing land supply is highly constrained and prices of homes are pushed up far beyond the bricks and mortar cost by the high price of the land they are built on. It is in essence a text book example of unintended consequences.

There are a number of problems inherent in sequential development i.e. building around existing communities on the green spaces at the edge of town. They manifest themselves both qualitatively and quantitatively. Between 1999/00 and 2007/08, there was an explosion in house prices (173%) and mortgage credit (182%) – yet housing completions in the private sector increased by less than 17% (124,470 to 145,450).²³ Not only that, but the overall floor space in new build shrank to the third lowest in the 28 EU countries²⁴ – better only than Romania and Italy.²⁵

Opposition to new development from local people

The truth is that the current planning and development model, which meets housing needs – beyond those that can be accommodated by brownfield regeneration and urban infill – by pressing sequential development into and up against existing communities, drives high densities and low quality, and so ramps up local people's opposition to development. Such development, building on the next field, endlessly adding to existing communities, directs development to the very bits of environment most precious to people – at the end of their garden, the gateways to the town, the fields they most treasure precisely because they are on their doorstep.

It makes new housing development politically toxic for local politicians. As a consequence, limited land releases result in high density, poor quality estates, often without services or jobs, without so much as a café or shop. Each proposal is fought at the planning stage as if it were the last word (stop it and protect the town), yet in reality each is just a small step on a never ending conveyer belt – gradually encircling the community with ever more dormitory housing estates.

This is a guaranteed recipe for generating ever greater local opposition to new homes in future. In short, far too often people are getting exactly the thing they

“This is a guaranteed recipe for generating ever greater local opposition to new homes in future”

23 DCLG live table 209 www.gov.uk/government/statistical-data-sets/live-tables-on-house-building

24 Housing Statistics in the European Union (2010) www.bmwf.gv.at/Wirtschaftspolitik/Wohnungspolitik/Documents/housing_statistics_in_the_european_union_2010.pdf. See also www.architecture.com/files/riaholdings/policyandinternationalrelations/homewise/caseforspace.pdf

25 Although again this has been entwined with the former density requirements of Planning Policy Statement 3

fear. Inevitably development gets ever more unpopular and NIMBYism more pervasive. The result is that supporting development becomes politically ever more difficult. It is a self-reinforcing spiral of local opposition. Yet as we fall short of meeting housing needs, it is this very form of development that councils come under pressure to accept more of – and which inevitably is resisted.

Not only is sequential development failing to meet housing needs (quantitatively and qualitatively), it also gives people the impression huge amounts of development is taking place, as it is concentrated on the very places they see most often – the green spaces on the edge of town, usually on the ‘well connected’ primary routes. This feeds the belief that the countryside is being concreted over and that development is out of control. Unsurprisingly when asked people think a high proportion of the country is already developed. 9% of adults in England think that three-quarters or more of the country is built on and 63% think that more than a quarter is developed, much higher than the true proportion which is less than a tenth.^{26,27}

In reality even in the most heavily developed region, the South East, the Generalised Land Use Database shows that only 12.2% of the land (outside London) is in fact ‘developed’ – and that definition includes gardens and other urban green spaces.²⁸ So over 87% of the South East remains green fields. Nor would the new housing we need greatly eat into that: Kate Barker estimated that delivering all of her maligned 3 million homes in the South East (not, as she pointed out, a realistic scenario) would have amounted to just an additional 0.75% developed area, still leaving 86% unspoilt. In short, even were all the three million new homes she called for across England as a whole all built there, South-East England would still be a very green and pleasant land. Taking England as a whole the developed area is just 9%, of which around half is gardens and parks and other urban green spaces, and three million homes would occupy a tiny fraction of 1% more. To put it another way, there is twice as much land designated Green Belt in England than there is developed land, and in Surrey more land used for golf courses than for housing.²⁹

In short, high density, poor quality housing crammed onto the green fringes of traditional communities is not a necessity caused by a need to protect the countryside from massive urban sprawl. Rather, this kind of sequential development creates the very limited but highly unattractive urban sprawl that unnecessarily encircles so many historic communities – unnecessary because we act as if the countryside is in far shorter supply than is the reality.

Development land is scarce and value uplift is not fully captured for the community

Existing planning policy greatly distorts land values. Development land in scarce supply has enormous value – as soon as land is earmarked for development it acquires huge value. Moreover, sequential development makes it predictable which land will eventually be released for development. In anticipation, the land around the community is acquired/optioned for development by the major house-builders and land speculators, who offer to promote the land for development and in return to pay much of the resulting land value uplift to the landowner. And so, much of the precious value uplift – around a half – is captured by the landowner and not invested into the community for its infrastructure, making quality new communities there less viable.

26 Ipsos MORI, 9 May 2012, www.ipsos-mori.com/researchpublications/researcharchive/2961/Public-overestimateextent-of-past-development-but-welcome-more.aspx

27 See also Barker Review of Land Use Planning (2006), p44

28 Ibid, p45

29 <http://cep.lse.ac.uk/pubs/download/cp421.pdf>

Because land supply is below demand and prices are bid up, there is less incentive to increase housing quality. Rather it is to pare back costs whilst maximising returns (more, smaller units). Moreover, sequential releases often result in land coming forward in smaller plots, none of which individually can fund the necessary social infrastructure – schools, shops and pubs etc. Developments are too often designed as dormitories of the existing community, not as communities in their own right.

Toxic politics of new development for local authorities

Even those Local Planning Authorities with a five year supply are only permitting land at the bare minimum of what the housing market is assessed as needed short term. And a five year supply, even where that exists, does not answer the needs of the next ten years or the longer term, but the emphasis on a five year supply encourages piecemeal development rather than longer term visionary community building.

The key problem for councillors is that yet more sequential development around existing settlements promotes furious local opposition. In addition, given the land value uplift is not properly captured for the community, councils are left worrying about how they can fund the necessary infrastructure – including social – to support the growing number of households. The estates built often have little in the way of place making – no shop, no café, no work spaces, no leisure or community facilities or sense of place. Just a housing estate (with literally nothing but houses).

So the result of the present system is that for very many local authorities a large increase in development is the last thing they want. Not only does political pressure militate against the local authority agreeing development, but more sequential estate by estate development leaves the local authority struggling to backfill the infrastructure and services needed – especially as much of that impact is on the existing older community, which cannot accommodate the increased traffic and does not have the school spaces.

In response to this, complex arrangements (the Community Infrastructure Levy, Section 106 obligations) are created to extract funding for these societal requirements. But given the site values and landowner financial demands created by scarcity of land supply, these levies and charges can impact on the viability of the development, so either reducing the likelihood it will take place or leaving inadequate funding for infrastructure. In any event the negative impacts of endless sequential development can be hard to avoid in practical terms – e.g. in relation to transport congestion.

In sum, the prospect of a huge increase in development on the sequential model is too politically toxic to achieve the homes we need. After decades of massive under provision of new homes, despite the best efforts of successive Governments, this should by now be clear. To achieve an increase in excess of 100,000 homes a year development needs to be de-toxed.

Smaller builders are squeezed out

By severely rationing land, the planning system makes it very difficult for smaller builders and developers to gain control of sites – this works in favour of larger builders and the landowners who can enter into option agreements and patiently wait for them to come good (the builders and landowners then share much of

the land value uplift). The limited land that is designated for development ends up being controlled by a few larger developers.

The inability of smaller builders to access land not only prevents them growing, it has contributed to the decline in their numbers and a consolidation of the sector – with market concentration in the hands of a relatively few larger players. This can undermine competition. The Office of Fair Trading report into the industry in 2008 stated “Increasingly it is land rather than finance that becomes the most significant barrier to further expansion. Many of the very largest firms have had to acquire land through purchasing other homebuilders and their land holdings”.³⁰

Build out is slow and unresponsive to demand

Builders themselves can be constrained from building out and selling more than one or two homes a week on large sites because effective demand is constrained (sometimes by mortgage lending practices). Developers acquiring developable land at very high cost can also be incentivised by the system to ration out and slow the development of larger sites, in order to maintain high prices to cover that cost.

And so a limited number of homes a year per site are built and build out is slow. Sequential development is more likely to have a disruptive impact on local housing markets and prices than development of new settlements. Ask the housebuilders if they would like to build and sell more homes and the answer would be yes, provided they could have more sites in places of high demand, though their appetite even then is limited by their financial model. Ask them if they would like to build and sell a lot more homes sufficient to meet local housing need and the answer would realistically be no, precisely because they are very aware that selling too many homes in one place undermines prices.³¹

And so everyone’s a loser. The old community has ugly development on its doorstep, on the green fields it once most valued, the council struggles to fund the social infrastructure because much the land value uplift has ended up in the hands of the landowners concerned (and it suffers the toxic politics of allocating development over and over again), and the new community has amongst the tiniest and ugliest homes in Europe built to the lowest possible costs. Moreover, fewer new homes are being built with gardens and yet in polling for the Wolfson Economics Prize (2014), 78% of people thought that private gardens for new homes are important.³² The housing we get is built in the places people see most, giving the impression that there is ‘lots’ of development and that development is concreting over the countryside.

And so every opportunity is subsequently taken to resist further such development restricting supply. Prices continue to rise inexorably and more and more people cannot afford a home of their own, whilst Government finds housing benefit expenditure spiralling out of control with the housing crisis further worsening.

Where did things go wrong?

It hasn’t always been this way. When the planning system first came into something like the form that we know it today, soon after the Second World War, the collective (popular) will was very different. There was evidently great housing need and the delivery of it was central to electoral competition between the parties. On the other hand, there was also a desire to ensure that development did not simply increase a

³⁰ Office of Fair Trading (2008) http://webarchive.nationalarchives.gov.uk/20140402142426/http://www.offt.gov.uk/shared_offt/reports/comp_policy/oft1020.pdf

³¹ In addition, the volatility of the UK housing market makes some firms reluctant to expand too quickly

³² Policy Exchange www.policyexchange.org.uk/media-centre/press-releases/category/item/widespread-support-for-garden-cities-as-best-way-to-tackle-housing-crisis

growing problem of urban sprawl, ribbon development, and a bungalow in every view. So planning was the means to both deliver vitally needed (and publically popular) decent homes, and the means to stop the worst excesses of sprawling development. The decade or so following the war was an era when the legitimacy of the role of government was never more accepted. Naturally the state chose where the development would – and would not – take place. Naturally it planned the numbers. Naturally it delivered itself the majority of the new homes built.

This was, in many ways, successful – if not always in terms of design and community building, certainly in terms of the numbers.³³ Green belt and other controls protected existing communities and the crucial green spaces on the doorsteps of the big conurbations from poor quality speculative development, but new homes were delivered on a huge scale. They were better quality at least in terms of space and gardens and community infrastructure than what

had gone before for the people who moved in. So successful was this implicit contract between state and people that by the 1980s the area of the country protected by greenbelt designation was twice the built area, but the new settlements and urban extensions that were on the other side of this deal had delivered the millions of extra homes needed.

As a result, by the early 1980s housing was broadly in balance with needs, and

communities facing low (by today's standards) development pressure were able to extend strong environmental designations around them. The need for new towns and communities largely having evaporated, this housing delivery part of the deal was all but forgotten, whilst EU-driven and locally popular environmental protections were stepped up with increased environmental and green belt designations.

As the 1980s progressed, more and more of the population were becoming home owners with a vested interest in the value of their homes. House prices tracked upwards as people's wage packets and declining interest rates made mortgages more affordable. As most people were now home owners, these rising prices were generally welcome – and increasingly the good rates of return (and the fact the homes could also be lived in) made housing an investment rather than a conventional purchase. With so many people invested in homes, when the economic cycle led to falling prices the political priority was to prop them up and restore price growth, not celebrate increased affordability and the correction of imbalances. Unlike any other consumable, house price inflation had become a 'good' and the so-called "insider-outsider" problem of housing haves/have-nots became entrenched.

As a consequence, when ageing, migration, immigration, divorce and a baby boom started to ratchet up housing need once more, especially in the South East and West, the plan making system failed to meet it because the incentives were now all against delivery:

- Green belt and other environmental designations had become a good to be defended in its own right, forgetting that the 'deal' was that new housing was delivered in new communities instead;

“With so many people invested in homes, when the economic cycle led to falling prices the political priority was to prop them up and restore price growth, not celebrate increased affordability and the correction of imbalances”

³³ Though, regrettably, much of the housing built by the public sector has since had to be demolished and areas regenerated

- Often the politics of anti-development feeling meant it was better locally for politicians to refuse an application and see it go through on appeal (blame the government) than accept an application or propose something better (catching the blame). Whereas post war electoral success was built on delivering more homes, now political reward came to those who minimised the numbers of new homes;
- Each application was fought as if it were somehow the last. “We can’t possibly be swamped by another 100 homes now” masked the reality that in five or 10 or 15 years a 1000, 2000, or 5000 would be needed; and
- Of course supply and demand meant that the places homes were in shortest supply against demand saw the largest house price increases, the greatest gentrification, in turn the largest and the most articulate opposition to development.

The National Planning Policy Framework (NPPF)

In important respects, the recent planning reform under the National Planning Policy Framework (NPPF)³⁴ was designed to address the chronic undersupply. The NPPF’s ‘localism’ offer to communities is to empower them as place shapers – but not rationers. At its heart is meeting local housing and economic needs – provision is required to be founded on evidenced housing need, evidenced land supply, evidenced delivery, with these things set out in the local authority’s local plan.

The National Planning Framework says: “Plans should take account of market signals, such as land prices and housing affordability, and set out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of the residential and business communities.”³⁵

In contrast, however, there is a view about amongst many MPs and councillors that localism means (or should mean) that councils are empowered where there is opposition to development, to minimise it all over again. To take the decision on how much housing is locally acceptable, rather than how to meet the housing need in the most locally acceptable way.

Local authorities who want to avoid development sufficient to address these needs argue that their areas are too popular, that if they built across the entire district it would still not bring prices down. They also argue the green belt will be put at risk by the new guidance and that while they should meet the needs of local people, they can’t possibly be expected to meet the needs of others in bordering local authorities that don’t have the land to meet their own local needs. Many simply fail to put in place a local plan at all. According to the CLG select committee report (Dec 14), 41% of local authorities do not have an adopted local plan.³⁶

The greatest local plans test of the NPPF is still around the corner: the toughest cases are likely to be those local plans that come late, because often they have had to be dragged every step of the way. Maybe it’s an unfair generality, but increasingly the reason that plans are not yet in place is more than likely that the local authority has been reluctant to face up to its responsibility to deliver the homes people actually need, and is still hoping that it will never really have to.

One thing is for sure – a lot of bets are being placed by local politicians that any Government after May 2015 will lose its nerve as the most controversial housing

34 DCLG (2012) www.gov.uk/government/publications/national-planning-policy-framework-2

35 Ibid

36 www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/news/report-national-planning-policy-framework/

needs become increasingly bloody battles of will between local communities resistant to development and national policymakers and planning inspectors charged with seeing through the NPPF requirement to deliver enough homes. But that simply points to a fundamental truth, the NPPF alone is not enough, political will is necessary too – locally and ultimately nationally. And history suggests that the politics of sequential development is toxic, that at best the planning process drives down the eventual permissions because that is the politically acceptable solution. Indeed, the under supply of housing proves the case.

New Garden Cities

We are building some 100,000–150,000 too few homes every year to meet the scale of need. To put it in context, that is a shortfall on a scale of ten large garden cities of 10,000 to 15,000 homes³⁷ every year. Of course the term ‘Garden Cities’ conveys an image of substantial scale. A new housing shortfall of 100,000 per annum or more suggests scale too. So it is not surprising that larger scale new towns of the sort exemplified by Milton Keynes, Peterborough, or larger, have been widely canvassed.

However much ‘a few large scale garden cities’ might seem a simple answer to the housing crisis that avoids urban blight and possibly creates inspiring, practical, desirable and beautiful places to live, they alone cannot do the job of meeting the nation’s housing needs. This is for a number of reasons:

- Housing delivery is slow in any single community – the reality is that even in Milton Keynes, the biggest of the new towns, only 2,500 to 3,500 homes were built a year on average. It is very hard to see how a modern equivalent could beat this. Realistically the effort to build a large new garden city could deliver no more than low thousands in a year at peak delivery, and the large scale social infrastructure required (e.g. large scale shopping, district heating etc) would be unviable for many years. So even two or three large new garden cities would not significantly impact the overall housing supply numbers, and will be very hard to viably deliver any time soon;³⁸
- We need to build an extra 100,000 new homes a year now – above what we are currently building – and that is a significant number of new settlements. Building large garden cities requires upfront cost to be incurred at considerable risk to the development finance that needs to be put in place. All new communities need upfront infrastructure – roads and other transport connections, shops and other facilities, utilities, before many, if any, homes are delivered. However, the scale of such requirements for a very large garden city is dramatically greater than for a new village or small market town. To put it bluntly, creating a garden village is hugely easier to make viable and popular early on and will deliver houses sooner; and
- Realistically, almost everywhere large garden cities would have to be a top down imposition by central government, such as through a central government designation under the powers contained in the current New Towns Act. A proposal for a new city of 80,000+ homes is unlikely to be an outcome of localism as communities on this scale go far beyond purely local needs. It’s not hard to grasp that in modern Britain such a decision would be immensely politically difficult. It would require Government to publicly

³⁷ Garden Cities were designed to have a population of around 30,000, Welwyn has a population of about 43,000 and Letchworth has a population of around 33,000

³⁸ The Lyons Review talks about repeating the scale of ambition of the post-war period

consider a range of possible locations, all of which would likely be met with furious hostility, before short-listing and final decision taking, all in the public spotlight. It would replicate the debates over a new London runway, HS2, and EcoTowns – all wildly difficult for any government to see through. Realistically, none would be likely to start building homes for a decade and possibly far longer, even were the decision made stuck to. The recent Ebbsfleet announcement is not an illustration of hope in this respect, given it involves an area with longstanding permissions dating back more than a decade and with local support making it all but unique, yet after a decade in planning still nothing has been built.

2

Solution and Policy Proposal

A new approach

The scale of the housing crisis is immense and lots of Local Planning Authorities need to find thousands more homes in their local plan – housing needs that will continue to grow as the population grows and ages. When people comprehend the scale of housing need over time, they will better understand that fighting over each planning application for another small housing estate won't end the pressure for homes in their back yard, and that planning needs to be a lot more imaginative than delivering a five year supply of housing estates only to be followed by another and another. That short-sightedness only delivers endless small mean estates without facilities, on the very green fields we most care about.

Channelling long term housing growth into new, broadly self-sustaining, communities is what allows places to be built with facilities and services, jobs, greenery, community and a sense of place. But it is the scale of need and distribution of the housing shortage we need to solve that materially determines the solution this paper proposes. This is a call not to rely on central Government to impose a small number of very large new 'Garden Cities', nor to imagine the problem can be solved by somehow increasing the rate of unpopular sequential development ringing every historic community. Instead, it is to create the circumstances where local communities choose to support and deliver many small scale new garden villages to meet local needs, across very many communities in many parts of the country.

That means unlocking such communities in the many different places that homes are in desperately short supply and prices ever more unaffordable, and on scales appropriate to those local needs. We need to make the visionary change to better enable a localist alternative – creating many smaller new places, on garden city principles, viable and popular across England. We need to find a solution that is sufficiently popular, with the viability so engineered in, the capacity so enabled, and the vision so compelling, that it unlocks an appetite for this solution, such that the delivery can be on the scale of homes (and economic development) that is needed in the very many places it is needed.

In unlocking the answer to the conundrum of low housing supply, this paper proposes some simple do-able policy initiatives that, in combination, create a holistic package to achieve just that.

Policy proposal

Every community in Britain started life as a small village or market centre. Some grew through popularity or need, others stayed small – trying to predict this by setting out to create large new cities from day one echoes the kind of 'state knows

best' approach of command economies and will simply drive the concept of new garden cities into a storm of opposition. Locally proposed and empowered garden villages could be popular precisely because they are the best response to local need, free of the political quagmire of central government imposition.

Local support needs the compelling offer. The NPPF was founded on the principle that local planning authorities can't be allowed to ignore their local housing needs, but should be able to decide how to meet them. However, current policy also assumes a predisposition to sequential development, which gifts land owners and land speculators a big chunk of land value uplift that results from allocation and permission for development. It fails to give any security to local communities that they can avoid development in the places they don't want it. In contrast, this paper sets out a proposal for giving local communities the power to use the New Towns Act to designate a new garden village to meet their local needs, and fully protect themselves against planning by appeal. It increases the choices they have and it empowers them. It does not impose a new city from on high and reduces the chance of an unwanted "bolt-on" housing estate by appeal.

“What would be a mistake however is to assume that when they reach their initially planned size they should simply stop evolving”

This paper therefore proposes to enable local authorities to use the New Towns Act powers to create financially viable new garden villages. The new settlements will need to function as identifiable communities that are to a greater or lesser degree self-sustaining. In that context it is useful to think about the kinds of communities envisaged:

- Around 1,500 homes allows a village built around a hub of primary school, sports hub, and local centre with household recycling facilities. It would hope to attract a café/small shops/a post office; with some live/work opportunities too, but it will clearly function in relation to nearby larger settlements for facilities like hospital healthcare, and main retail shopping.
- Around 5,000 homes allows a secondary school as well as two primary schools and a small but vibrant village centre (as above), but including an employment area, recreational space and landscaped areas. Whilst it probably won't attract a full range of national retailers, this would operate more as a self-sustaining community than its smaller counterpart.

Some examples of the type of garden village envisaged include Northstowe, Cambridgeshire, for which outline planning permission for the first phase of 1,500 homes was granted in April 2014, with a further 3,500 envisaged for the second phase.³⁹ Another example is Fort Halstead, Kent, for which plans have been submitted for a 450 home community.⁴⁰

These are all good starting points for master-planning, and are of a scale to have a significant impact on local housing needs, whilst small enough to be relatively quick to plan and deliver. What would be a mistake however is to assume that when they reach their initially planned size they should simply stop evolving. Some may flourish to the point they will one day grow much more than that – but seeking to plan that way is not the intention of this paper, precisely because this is not the best way to grow a community, nor to tackle the housing crisis,

39 <http://cfg.homesandcommunities.co.uk/news/plans-submitted-%E2%80%98heart%E2%80%99-northstowe-cambridgeshire>

40 www.kentonline.co.uk/sevenoaks/news/fort-halstead-masterplan-unveiled-24925/

nor to secure viability or popularity. That said, sufficient land may sensibly be acquired early on to allow for future growth as contingency. Such legacy has, for example, allowed Letchworth Garden City to grow and to fund the services it needs in doing so.

Specifically this paper proposes:

1. **To empower local authorities to designate sites for new housing** through a new modernised New Towns Act. This would enable them to acquire land for housing at a small premium over existing use (typically low agricultural prices), instead of at the uplifted prices generated by expected planning gain, in order to create new attractive and well-resourced communities. These would typically be garden villages no more than around 1,500 to 5,000 homes. Sufficient to establish a secure, market responsive supply of homes to meet local needs, this would also explicitly empower local authorities to rule out unwanted sequential development around existing communities without fear of ‘planning by appeal’, whilst fully meeting their housing need. Moreover, unlike adding even more edge of town sequential development, new communities could be established where there are good transport links but relatively few existing homeowners impacted, allowing those homeowners to be affordably compensated and reducing massively the number negatively impacted by development.
2. **To allow local authorities to pay fair compensation to homeowners and landowners affected by designation** at a flat rate of 150% of market value at the existing use (e.g. agricultural), instead of just the market value prescribed under the present New Towns Act, or the massively uplifted land values associated with sequential development. Agricultural prices are typically 1/20th of residential land prices. The same 150% would be offered to householders in the area allocated for the new community. The 150% would be fair compensation for people having to move, enabling them to buy a significantly better home or farm elsewhere if they wished or significant cash in hand, and so reducing local opposition. It could also encourage large landowners (e.g. farmers) to come forward and promote their land to the local authority for a new community. It should reduce the likelihood of recourse to having to apply the compulsory purchase powers of the New Towns Act that can cause delay; and
3. **To ring-fence the subsequent land value uplift for the new community** (e.g. that usually captured through Community Infrastructure Levy and Section 106) to provide for its infrastructure – both that within the new community/settlement and the connecting infrastructure to existing national networks (e.g. roads, utilities etc) with the necessary upgrades, so not burdening the infrastructure of existing communities, whilst still keeping site costs sufficiently low that housing would be both relatively affordable and offer more space and quality than conventional development – a key attraction to people considering a home in the new community under development.

We can strike a better deal. It’s in the very roots of planning, its first principles, its very DNA. It’s by creating great places that don’t step on so many peoples’ toes so crushingly. Agreeing instead to create great new garden villages to deliver

much of the development we need, whilst protecting the great historic places that already exist and the green fields around them – not from all development but from encircling and diminishing them with the scale of housing we actually need.

Proposal 1

To empower local authorities to designate sites for new housing through a new modernised New Towns Act, and in doing so rule out unwanted sequential development around historic communities

This paper proposes that allowing local authorities to identify and trigger the creation of new communities through an updated local implementation of the New Towns Act should be matched in return by allowing communities certainty that they can rule out unwanted sequential development with a ‘rolling green belt’ (‘rolling’ because it is explicitly only there because sufficient long term supply is being provided for, and therefore only for so long as that is so).

It therefore proposes to return to the ‘green belt deal’ pioneered by planning in the first place. This was the deal offered by the garden city movement and more explicitly by the new towns: allow protection of green fields around traditional communities in return for agreeing the new communities, with those new communities benefiting from a really attractive community environment (great place making) through well selected locations and recycling the benefits of the land value uplift. This would work with, not against, the interests of existing householders, who may not own their view but have assuredly had to pay for it. It would however be a **‘rolling’ green belt** – available only so long as the local authority provided sufficient land through new garden communities to meet local housing needs.

In theory the existing local plan process is meant to cut this deal; identify sufficient sites for development, and you can protect yourself from other development you don’t want. But as local authorities can’t currently trigger new garden communities or suburbs in ways that unlock the land value and provide certainty of delivery, in practice the local plan system is usually about rolling forward sequential development (albeit at times at scale). So the valued green fields closest to people are those least protected, and failure to provide a reliable five year supply leaves many communities at risk from development by appeal. Even where a five year supply is in place, successful appeals can still occur. This paper proposes that designating new garden communities would explicitly eliminate the threat of ‘planning by appeal’ around existing communities – removing the right of appeal for development proposals not allocated in the local plan or locally supported.

Empowering local authorities to designate new garden villages through a modernised New Towns Act would, crucially, enable them to jump over the high cost optioned land and the powerful politics of the NIMBYs – politics that reflect the reality that the green fields closest to people are indeed very often those most important to protect from the point of view of the greatest number of people. These fields are also contributors to the air quality, flood alleviation, biodiversity and leisure of the existing community.

The revised, locally empowering New Towns Act would enable the capture of nearly all the land value uplift, instead of half of it being cornered by land owners and speculators. This would allow for good infrastructure and amenities, as well

as improve the design quality and size of the homes and gardens. If taken up, it would release the scale of land for homes needed in the multitude of places they are needed, and create a supply that could be responsive to demand and the aspirations of people for better homes and places.

Above all, the model is designed to be much more popular than existing practice, unlocking the political housing logjam: empower local communities to create attractive, well-planned and integrated new communities that deliver the housing and economic development they need in ways that are far more attractive and sustainable. This would command less opposition as fewer people are detrimentally impacted and far fewer sites need to be approved). It also empowers the community to put a stop to endlessly permitting new housing estates doughnutting every historic market town and village.

Further consideration may have to be given to the need for some process of oversight of local authorities exercising of their new power. This would ensure that the process is transparent and well conducted, and indeed avoid challenge of local authority designation through a Judicial Review of due process. Principally designations would be through the well structured local plan process, but designations might take place at other times. One possible way of mitigating this would be a light-touch national strategic agency to: (1) test the adequacy of the proposal(s) and how it accords to the NPPF; and (2) act as a national source of expertise and advice. The aim would be a neutral oversight body – not one that allocated sites but a modern day stripped down version of the Commission for New Towns. It would support local authority proposals and provide oversight of due process where a proposal is brought forward between local plan making.

Proposal 2

To make compensation provision to landowners sufficiently generous to reduce the need for compulsory purchase orders

Access to land is not just about the New Town Act powers and the appeal of the new 'Deal' proposed to local authorities. It will also be crucial to strike what is perceived as a fair deal for those impacted most – those who currently live in the area proposed for the new garden community. On the one hand this will be land that is not optioned nor subject to significant hope value. It therefore does not carry the huge costs associated with acquiring land for development around existing communities, either allocated for development through the current local plan process or predictably the 'next' land sequentially that will in time be allocated. On this basis, new towns have, therefore, been empowered by the New Towns Act to acquire land at existing use value – largely very low cost as agricultural values have applied. Agricultural prices are typically 1/20th of residential land prices, which indicates the scale of uplift which can be captured for the benefit of the new community for its infrastructure and place making.

However, forcing someone to sell their home or business, or land, sometimes in a family for generations, simply at current use value is unjust given these are people who would otherwise be happy to stay put. Moreover they have certainly paid for their view, even if they don't legally have the right to it. Whilst it is crucial that the proposed new garden community is able to access land at low value in order to be able to benefit from the land value uplift, there is still room for more generosity for existing owners adversely affected.

This paper therefore proposes:

- That the compensation arrangements under the New towns Act are amended to increase the amount payable, so that an existing owner gets sufficient compensation to be able to afford a significantly better farm, business or home elsewhere. In France development is often welcomed by owners affected precisely because they know they will be better off as a result. Further work is required to research the appropriate levels, but a flat and automatic uplift of, say, 50%, would provide a very real benefit, without significantly impacting the land value capture available for the new development;
- By the nature of areas suitable for these new communities, relatively few residents should be living there already. Many would wish to move away to stay in the countryside or avoid the development taking place around them, but some might wish to stay, in which case this paper also proposes they could stay put and remain entitled to receive the 50% uplift in cash (when the development process nears their property), provided the property is not itself required for the development.

What these proposals achieve

As a result of these proposals, sufficient land is made available to meet housing needs at the local level. Local opposition to new development (NIMBYsim) would be reduced by adversely impacting many fewer people and generously compensating those who are directly impacted, development capacity is increased through allowing smaller builders, new entrants, self-builders and not-for-profit sectors ready access to land at reasonable cost, and fuller land value capture increases funding for infrastructure, rather than this being siphoned off to land owners and land speculators. The new housing outcomes would be vastly improved.

Reduced opposition to new development from local people/electors

To make development popular we need to recognise the NIMBYs have a point about sequential development. We need to say so. And we need to do something about it. Not only can new garden villages provide higher quality and cheaper homes and services, but their local creation would genuinely allow councils to protect the land that people actually care most about – the fields on the edge of the existing community – their views, their open spaces, the places they walk their dogs, and pick blackberries.

As never before, the council can then guarantee existing communities that the green borders around them will be maintained and can be defended against speculative applications/appeals. By offering to protect communities from being ringed by yet more bland unattractive housing estates – by allowing these communities to say ‘enough is enough’ in return for electing to create new communities instead, we are increasing local choice. This is the original but now forgotten ‘green belt deal’: Green Belt created on the proposition of meeting needs by creating new communities (new towns) instead. The deal was not that green belt protection allowed the drawbridge to be pulled up against local development altogether, as it is widely and conveniently interpreted today.

Detoxed politics of new development for local authorities

Giving local authorities the power to use the New Towns Act to create new garden villages could be a far more compelling proposition for local authorities than the way they allocate currently. Potentially, the council only has to take one or two substantive development decisions for new communities to meet a decade or more of housing needs, rather than endless unpopular and frequent smaller development approvals around every community. And because the council can use the ring-fenced land value capture, it also answers how infrastructure can be funded – it means assurances can be given to local people that the burden of new development won't fall on existing infrastructure or taxpayers.

No adverse impact of new housing on local housing markets

Switching to new communities to generate the extra housing helps militate against the fear of any sharp price shock on existing housing markets as a result of increased supply. Imagine a popular market town: if a lot of housing, sufficient to mop up actual and suppressed demand, was built in and around that town, it could put substantial downward pressure on house prices there. Increasing

supply through a new garden community on the other hand is less likely to be disruptive. However well designed, it is unlikely that the new community will – except hopefully in the longer term as its qualities are proven and mature – compete head-on with the older popular market town. Prices in the new community will be low, with a well-supplied housing market, but with development there

still in progress surrounding well liked historic communities would for many years as be likely to command a price premium. In the long run all house prices will be mitigated as the new community becomes successful and supply meets demand across the region, but this proposal is different from flooding and despoiling existing communities with cheaper homes.

“In the long run all house prices will be mitigated as the new community becomes successful and supply meets demand across the region”

Delivery through the NPPF and localism, not imposition by Whitehall

This is a model that is built on localism and the NPPF, delivering the housing required, in the places that it's actually needed, at the rates it's needed (determined by market demand), and which can command local political support. Altering the New Towns Act to allow Local Planning Authorities to exercise it to meet local needs will increase housing delivery and quality and do it quickly. This local approach is empowered by national legislation is not nationally prescriptive regarding location and scale. It is a local solution, not requiring national government to impose – getting involved in choosing sites for major new communities – so avoiding the risks of repeating the delays and controversies of the EcoTowns programme, HS2 and the search for a new London runway.

A more responsive market to local demand

Land supply is not the only break on increasing housing supply – so too is the potential for the current house-builder model to increase delivery. Their growth is constrained by their financial model. It is vital, if we are to quickly grow housing

delivery, to bring and grow new players into housing delivery. The proposals in this paper don't just unlock land supply – they are designed to also unlock the capacity of smaller builders, housing associations, overseas house builders and others to enter the market or grow within it, and individuals to easily commission their own homes: in both the US and continental Europe a far higher proportion of new build – around 50% – is privately commissioned,⁴¹ in part because there is a ready access to good quality serviced land. In contrast, at present the system of sequential development effectively locks out smaller local builders, housing associations and new entrants from access to the developable land needed to grow, and those wanting to commission their own design and build find it extremely difficult to find a serviced plot at all, let alone at an affordable price.

So the model proposed here directly addresses the issue of house building capacity, as well as land supply. The delivery agent (a light touch local development corporation) is established to master-plan and develop a design code, and put in place the necessary infrastructure, but crucially is tasked to promote the development of the community by making parcels of land available to allow a market response delivery of homes. That means that those currently finding it hard to access land for development can do so – self-builders, smaller builders wishing to grow, not-for-profit housing associations, investors in the private rented sector, and large overseas development companies.

New housing outcomes are improved

New communities would be well planned and provided for in terms of infrastructure, making them much more attractive and better places to live for the new inhabitants. Rather than squeezing people into ever smaller homes and apartments and leaving many deprived of the space and garden they say they want, and bereft of the community infrastructure they need, we deliver the quality homes and places people say they want. By putting together the value unlocked by thousands of new homes, and planning the development as a garden village with a sense of place and all the necessary facilities, we create the holistic benefits of historic communities. It is more possible to deliver the infrastructure, the shops, the pubs, cafes, schools, health centres, leisure facilities, green spaces, business premises, workspaces and mixed housing, that makes a community thrive. Cheaper land also makes it possible to build homes and gardens⁴² that are not only more affordable, but better designed and more spacious – qualities that are squeezed out when land is expensive.

This is in contrast to the endless dense housing estates which are the usual outcome of sequential development, in which piecemeal developments of at most a few hundred houses at a time leave local authorities trying to piece together the bare minimum of infrastructure without the funds or land to do it well, relegating great place making to being the exception, not the rule.

Legislative changes required

While the principles of the New Towns legislation remain on the statute book, it does not reflect 21st Century ideas of localism, and it fails to give proper compensation to landowners reflecting the imposition of their land being compulsorily acquired, or their country home surrounded by development. These themes will need legislative attention. However, the benefit of the New Towns Act

41 www.policyexchange.org.uk/publications/category/item/a-right-to-build-local-homes-for-local-people

42 Garden space is often squeezed to the minimum in new developments. 79% of the 6,000 people polled for the Wolfson Economics Prize identified a private garden as a fundamental lifestyle aspiration. The earlier CABE survey of What Home-buyers want? found that 75% of people wanted private outdoor amenity space and that small garden sizes were a frequent reason for moving home

still being in statute is that it can be quickly amended – in the first year of the next government – rather than needing entirely new legislation.

Power of designation

The current New Towns legislation is in keeping with the centralist approach of the post-war planning system, which puts the decision about where a New Town should be built in the hands of the Secretary of State. There is now little or no political appetite for central government to impose a New Town on an area – indeed, any suggestion that it is a central government ‘imposition’ is likely to be counterproductive (as was seen with the Eco-Town process which started nominally as a local proposal but was decided nationally in a competition process that made them a national political issue).

The key requirement, therefore, is how the New Towns Act⁴³ power of designation of a New Town by the SoS, can be squared with today’s concern with localism and public consent. The answer is to localise the New Town powers by giving them to local authorities to exercise. Of course, Local Planning Authorities do already allocate land for development, but a designation/allocation creates huge land value uplift which is not all captured for investment in the new community – half of it is captured by the landowner. The New Towns Act, in contrast, specifically allows land to be designated and then acquired by a modern day equivalent of the old Development Corporation at present use (e.g. agricultural) values – unlocking any uplift for recycling into the place making and infrastructure and allowing homes to be sold at much lower cost and workspaces let at attractive rates to build local employment. It is this that would make the power to designate under the New Towns Act especially attractive to local authorities: the ability to acquire land much more cheaply at existing use (typically agricultural) value in order to create attractive, affordable and vibrant communities.

Power to appoint a Development Corporation (or a more modern equivalent)

The success of the New Towns legislation was founded on a simple but powerful combination of site designation followed by the establishment of a New Town Development Corporation to do all that was necessary to bring the town into being, such as master planning. The composition of this delivery body includes a lead master-planner, development partner(s), affordable housing partner(s), as well as emerging community and business representatives. The Local Enterprise Partnerships model may provide elements of a prototype.

The current law gives the SoS control over the appointment of the whole Board of a Development Corporation. In line with ‘localising’ the powers, the Act⁴⁴ should therefore be modified to allow a delivery body to be established and appointed by the relevant local authority(s). Once localised this way, the planning powers of this delivery body, under the Act⁴⁵ as now written, remain broadly effective.

Land-purchase flexibilities

The New Towns Act powers of purchase sets the value of the designated land at existing (typically agricultural) use. So even if we wanted to give an existing homeowners or landowners/farmers a more generous offer (i.e. more than 100% of the market value), this would not be possible under the current legislation. This paper argues that the forced sale at existing value is penal, as

43 Section 1, New Towns Act (1981)

44 Schedule 3, New Towns Act (1981)

45 Section 7, New Towns Act (1981)

there is a real ‘value/cost’ issue for people forced to move which is currently unrecognised by the existing New towns Act. This current failure of the Act to recognise the full emotional and practical cost on existing landowners and householders of their compulsory acquisition would act to ramp up local opposition to the new development that existing homes and farms are being demolished to make way for.

A guaranteed 50% uplift on the current use market value would not be unaffordable – it would leave a great deal of value capture to invest in building the community. This compensation should therefore be automatically offered where designation is made through the New Towns Act powers. It would mean that homeowners or landowners and farmers affected by the designation would be able to buy a bigger or better home or farm elsewhere (or in the case of homeowners whose home could be incorporated in the development, they could stay put if they choose and receive the 50% uplift in the form of straight cash payment compensating them for the impact of the development).

It might also lead people to promote their land as suitable for such a new community (e.g. large landowners) – which may be a valuable part of the process of the Local Planning Authority deciding where to locate a new community. If there are several suitable locations a willing landowner who has already carried out some appraisals of viability, masterplanning etc this could be a useful material consideration in determining the location of a new community, and might even lead to competitive offers to recycle some of the 50% uplift into the community. Regardless, we should expect the Local Planning Authority to select the best sites on a multitude of criteria such as: well connected; few people impacted; low visual impact; and a great environment achievable for the community itself.

How a new garden village or small town would be created

Opting for a new settlement

Imagine the local authority (or two or three, potentially, if they are small and share a housing market area) is putting together its local plan or updating it under the NPPF. Having identified the evidenced housing need, including any needs that cannot be met by adjacent local authorities unable to meet proven local needs due to environmental designations or constrained boundaries,⁴⁶ the local authority faces a choice: it can either agree new sequential housing development around lots of existing settlements as before, impacting many people and with no means to compensate them or capture much of the land value uplift to invest in services and quality; or it can use its new New Towns Act power to designate a site(s) for a new community and thus acquire the land at low, typically agricultural, cost with a flat-rate 50% uplift to provide fair compensation to the much smaller number of affected farmers, home and land owners, and gaining the value uplift to invest in quality and services and to keep house prices affordable.

The local authority also knows that if it opts to use its new power, it can guarantee against development on appeal around existing communities as it will cater for housing need through the new settlement. That is not to say that it will rule out some natural growth in and around existing communities – but it will be in control and able to respond with certainty to ‘NIMBY’ concerns. The amount of land needed to deliver the housing is not greatly different – but the different

46 Where these constraints and needs have been established through the local plan process

location, the impact on existing communities, and the ability to deliver to market needs and enhance quality and services is transformed.

The local authority would need to determine how many homes it will provide for (based on evidenced need, as already required by the NPPF, over the local plan period) and how it will disperse that provision – perhaps through one, two, or three larger or smaller new communities over time, as well as any development of existing communities for which there is support.

Establishing the delivery body partnership

A separate process would then begin for the assembly of the delivery body partnership, comprising a Governance Board and Joint-Venture Delivery Vehicle. The Governance Board would be appointed, but now selected by the local authority and not the secretary of state. The Governance Board would be a modernised but lighter touch version of the conventional Development Corporation, with the same powers the Development Corporations had during the post war period.

The obligation however would be to balance community accountability with delivery skills. The Governance Board would likely comprise a Local Planning Authority representative and local community representatives (the latter initially, perhaps, from those committing to live in the new settlement e.g. purchasing off-plan and longer run from a residents body), but also business members, and housing and planning experts from industry and academia.

Site identification and selection

One of the first tasks of the newly-established Governance Board would be to commission a scoping study to explore the various different possible sites. It could also, at that stage and in parallel, invite landowners or strategic land promoters come forward – volunteers would potentially shorten the land acquisition process. The scoping study will (whilst valuing volunteers as a short cut) also look to identify ideal sites that minimise impacts on residents, have minimal constraints and costs, and maximise connectivity and other benefits (creating a clear set of site selection criteria).

The designation and delivery process would then be broadly as set out the Wei Yang and Partners and Peter Freeman submission for the Wolfson Economics Prize:⁴⁷

“Following Local Authority and Government approval of the scoping study, the [Governance Board] would acquire the land, through the use of Compulsory Purchase Orders if necessary, and grant planning consents.”

Designation would also be made through the formal planning process, in which people have a civil right to engagement. Indeed, their participation is likely to lead to better planning outcomes.

“The [Governance Board] would select a Master Developer [through competitive tender] funded by pension funds and/or other institutional investors; this would provide the finance for land acquisition, social and physical infrastructure, and development expertise. Together, the [Governance Board] and the Master Developer would establish a Joint Venture Delivery Vehicle to ensure that local interests and investor interests are combined.”

⁴⁷ www.policyexchange.org.uk/images/WolfsonPrize2014/20140827%20wei%20yang%20and%20peter%20freeman%20stage%202.pdf

“The [Governance Board] could acquire land ... at existing use value but our financial appraisals make provision for acquiring land at a substantially higher price, equivalent to prices now being paid for land with limited prospects for development within the next 5–10 years.”

We also propose that existing land owners and owner occupiers would be entitled to a flat 50% uplift on the current use value of their property to compensation for loss of amenity. Critically the New Towns Act powers mitigate the need to pay the far higher values created through the process of local authority designation of the site for the new community.

Building the new garden village

Certainly a lead organisation will be needed for masterplanning and infrastructure delivery, selected by the Governance Board on the basis of competitive masterplan bids.

The masterplan itself would include the standard considerations such as the layout of the new settlement, design codes and style guides, self build plots, affordable housing provision, the amenities including social infrastructure, hard infrastructure requirements and all the estimated costs of construction.

The ultimate authority as master-planner, infrastructure deliverer, market maker, place maker, community builder, rest with the delivery body partnership: the Governance Board and Joint Venture Delivery Vehicle. However their remit would also be about enabling multiple deliverers – new entrants, smaller builders, self build participation, and not-for-profit.

“The Joint Venture Delivery Vehicle is essentially a land and community developer. Housing will be developed by private developers, housing associations, custom builders, self-builders and institutions building for private rent.”⁴⁸

The objective will be building to the market. So whilst the local authority may have planned to meet needs over say 15 years, if demand outstrips this and the build is completed and sold in 12 years, the Local Planning Authority would need to be thinking as that demand emerged about growing the community further, or establishing a new one, subject to the fundamental environmental and other sustainability constraints rooted in the NPPF.

Crucially, all the housing would be delivered competitively and be market responsive, with off plan purchases – possibly offered at a discount – and self-build playing a major part. Thus the rationed, under-supply model created by sequential development which means house-builders regulate build numbers to sustain high house prices (which is calculated into the excessive land values paid) is turned on its head, and instead replicates the more competitive markets seen in the US and Europe, which deliver much better quality, choice at lower prices, and quicker build out rates. It will allow an organic response to market demand and tastes – which is why Georgian, Victorian and Edwardian suburbs are so well liked – but it will be the very opposite of urban sprawl, as it will be in carefully chosen, well defined sites developed to a clear master plan and quality. In other words, replicating precisely the objectives of the original garden city movement and the New Towns Act, at a local scale and determined by the local community.

“Crucially, all the housing would be delivered competitively and be market responsive, with off plan purchases – possibly offered at a discount – and self-build playing a major part”

48 Ibid

The economics of building a new settlement and financial viability

It is all very well to describe how to create new communities that are attractive and vibrant, economically, socially and environmentally far more sustainable than sequential estates. These have been well described and there are as many different design approaches as there are advocates. This paper is deliberately not prescriptive – a competitive market in housing allows the best approaches to rise to success. It is, however, critical to ensure that delivering these high quality new communities is viable under this model, whatever the particular design aesthetic may be.

Creating great homes with more space and better design, alongside new infrastructure, thriving town centres, community services from schools to GP surgeries, parks and allotments, transport facilities and successful employment spaces all come at a cost that those building a housing estate do not face. In assessing viability, we need ensure that the now fully captured land value uplift that results from changing land from agricultural use to land permitted for housing can adequately cover the cost of these provisions. Moreover, putting in place all the essential infrastructure needs to be done from the start of creating a new community. You can't build a successful community starting with the housing and bolting on the rest at the end, and so many of the biggest costs are upfront.

The key financial advantage, on the cost side, of designation through the New Towns Act to create a new garden village or small town, is that land in areas of high housing demand can be acquired cheaply – typically at agricultural prices (though not exclusively) of around £5,100 to £8,500 per acre according to Valuation Office Agency data from 2010 (latest).⁴⁹ Many of the Wolfson Economics Prize entries made assumptions that some homes would need to be purchased in the assembly of the land for a new settlement. These Wolfson entries typically saw the likely existing mix of agricultural land, homes and businesses pushing the average cost of un-serviced land for new communities up to around £40,000 per acre – fully serviced land would be closer to £500,000 per acre, almost regardless of location where there is no “hope” (i.e. speculative) value. This compares favourably to the cost of fully serviced permitted land in areas of unmet housing demand of anything from £500,000 per acre in a low housing demand area to over £2m per acre in high housing demand one.⁵⁰ In areas of very high uplift, where not all is needed for infrastructure, funding for affordable housing might be increased. This would pretty directly reflect housing need (as these will be the least affordable areas).

This paper proposes that the land value uplift should be entirely ring-fenced, in one way or another, to provide for the new community's internal infrastructure, as well as the necessary external (off site) infrastructure upgrades necessary to support the new settlement such as sewage works upgrades and road junction improvements.

The flip side, however, is that a new settlement can have added infrastructure costs compared with sequential development, not just because of the desire to provide better and more infrastructure as well as amenities, but also because of the extra requirements around the connectivity to existing national networks (roads & utilities) and upgrades. The site selection process should aim to minimise these. The delivery body's winning masterplan would set out the social and civil

⁴⁹ Valuation Office Agency www.gov.uk/government/uploads/system/uploads/attachment_data/file/371470/pmr_2011.pdf

⁵⁰ Figures are England, excluding London

infrastructure and the costs, some of which would have to be provided upfront before a single house was sold. It would offer to market a range of plots available to developers including custom builders, from raw land plots (i.e. unserviced), to plots for which it (or a partner) had provided roads, sewers etc and all the basic utility connections (i.e. serviced). So there would be an overarching cost per plot for the masterplan i.e. a fixed cost of the basic land at £40,000 per acre (including the 50% uplift) plus a share of costs of the community infrastructure (which might also include, for example, a road that connects the new village to the national road network), and a variable element depending on the amount of infrastructure attached to a specific plot.

Alongside capturing a much larger gain from land value uplift through New Towns Act designation, the certainty of permission for long term development makes it more possible to attract institutional and other longer term funding. Strategic development (seeking permission on unallocated land) is changed from a speculative investment demanding high returns against the high risk of failure, into a relatively lower risk development process that acquires certainty of permission and captures long term value uplift to make the development viable. Because the settlement is largely self-contained, revenue streams from plot charges (including the Community Infrastructure Levy, if charged) and the New Homes Bonus could be properly earmarked not to the local authority as a whole but to the new community – i.e. earmarking long term revenues to fund upfront development costs.

Government (local or national) also has a key role in enabling the early investment in infrastructure, but this need not be at taxpayer expense as it can be tied to the value uplift captured for the community. Whilst these new garden communities will have a strong appeal to institutional investors due to their capacity for long term returns and their planning certainty, they are likely to need early investment in key infrastructure delivery, before any homes are sold. This is not just about utilities and roads, but also the elements that make a new community an attractive and sustainable option and the homes being built marketable – early delivery of schools, employment space, and retail are crucial to this, but may well have to be underpinned for some time by upfront investment (as has been shown in places as diverse as Poundbury and Cranbrook).

This is not a call for public subsidy. Capturing land values should make all this fundable in the long run, but Government can help unlock it in the short run – whether through guarantees and loans of the sort the Government is already offering developers (e.g. the Build to Rent scheme, affordable housing and private rented sector debt guarantees),⁵¹ or working with local authorities to support ring-fencing funds like the Community Infrastructure Levy and New Homes bonus for the new community itself, on the logical grounds that it is designed as a self-sustaining and self-funding community. Nor need it rely on national Government – local authorities have the capacity through the Public Works Loans Board to invest in infrastructure and (if they wish) housing delivery, repayable through the long term returns captured by the New Towns Act.

⁵¹ See The Housing Finance Corporation Limited webpage on this www.thfcorp.com/ahf.htm

Viability illustration 1: New garden village settlement of 1,500 homes

A community of 1,500 homes would typically be a village built around a hub of primary school, sports hub, and local centre with household recycling facilities. It would hope to attract a café/small shops/a post office; with some live/work opportunities too, but it will clearly function in relation to nearby larger settlements for facilities like hospital healthcare, main retail shopping, etc.

Expenditure and costs	
Construction cost 1,000 market homes at £125,000 per home	-£125m
Construction cost 500 affordable homes at £100,000 per home	-£50m
Affordable housing contribution (developers) at 15,000 per market home	-£15m
External infrastructure 1,500 homes (connecting roads, utilities) at £30,000 per home	-£45m
Community infrastructure 1,500 homes at £10,000 per home (1 primary school £7.5m, village hall £1m, sports facility £1.5m, parks & paths £5m)	-£15m
Land cost of 1,500 market homes/100 acres at £40,000 per acre	-£4m
Interest costs 1,500 homes (land and construction) at £5,000 per home	-£7m
Marketing and legal costs 1,500 homes at £5,000 per home	-£7m
Subtotal (A)	-£268m
Revenues and income	
Sale proceeds of 1,000 market homes at £225,000*	+£225m
Discounted affordable rent revenues 500 affordable homes at £120,000 (i.e. borrowing against affordable rent income)	+£60m
Affordable housing subsidy (housing associations) at £30,000 per affordable home	+£15m
Subtotal (B)	+£300m
Viability Margin (C) = (B) – (A) = Developer profits** (positive = viable)	+£32m (12%)
*Includes a 10% discount on the price of homes in existing communities – “more affordable”	
**After the affordable housing contribution for 500 affordable homes, £15m, is transferred from developers to housing associations. The housing association profit (surplus) is assumed as zero.	

Viability illustration 2: New garden village settlement of 5,000 homes

A community of 5,000 homes would typically be a small town built around a hub of a secondary school as well as two primary schools and a small but vibrant village centre (as above), but including an employment area, recreational space and landscaped areas. Whilst it probably won't attract a full range of national retailers, this would operate more as a self-sustaining community than its smaller counterpart.

Expenditure and costs	
Construction cost 3,350 market homes at £125,000 per home	-£419m
Construction cost 1,650 affordable homes at £100,000 per home	-£165m
Affordable housing contribution (developers) at £15,000 per market home	-£50m
External infrastructure 5,000 homes (connecting roads, utilities) at £30,000 per home	-£150m
Community infrastructure 5,000 homes at £12,000 per home (secondary school £20m, 2 primary school £15m, townhall £2.5m, sports facility £2.5m, parks and paths £15m)	-£55m
Land cost of 5,000 market homes/333 acres at £40,000 per acre	-£13m
Interest costs 5,000 homes (land & construction) at £5,000 per home	-£25m
Marketing and legal costs 5,000 homes at £5,000 per home	-£25m
Subtotal (A)	-£902m
Revenues and income	
Sale proceeds of 3,350 market homes at £225,000*	+£754m
Discounted affordable rent revenues 1,650 affordable homes at £120,000 (i.e. borrowing against affordable rent income)	+£198m
Affordable housing subsidy (housing associations) at £30,000 per affordable home	+£50m
Subtotal (B)	+£1,002m
Viability Margin (C) = (B) – (A) = Developer profits** (positive = viable)	+£100m (11%)
<small>*Includes a 10% discount on the price of homes in existing communities – “more affordable” **After the affordable housing contribution for 1,650 affordable homes, £50m, is transferred from developers to housing associations. The housing association profit (surplus) is assumed as zero</small>	

Conclusion

During the post war era we created both the Green Belt to prevent urban sprawl, and we built 32 new towns throughout the UK that are today home to around 2.8 million people. Today the time has come for us to think how this two pronged 'deal' can be applied once more. Can we find a new deal to both solve the housing crisis and address mounting concern that we are imposing poor quality housing estates on historic communities without the consent of local people?

After the war, we faced a national housing crisis. The new towns delivered through the New Towns Act of 1946 were a critical way of meeting housing need. Implicit in this was a deal between existing homes owners and those needing to be housed: "Greenbelt protection for the green fields around existing communities in return for new towns". Yet today this deal has slowly (and conveniently) been forgotten. Not a single new town has been built since 1970, yet the greenbelt has most than doubled in size and millions cannot now afford a home.

Nearly all new housing built today is through sequential development – i.e. building around existing communities. But adding endlessly to existing towns and villages and building on nearby fields directs development to the very bits of the environment the people treasure the most. It makes new housing development unpopular with local people and politically toxic for local politicians. Such furious local opposition means that a large increase in development is the last thing local authorities want. The upshot is that land for new housing is rationed and land prices rocket.

It is actually worse than this, because new housing development is set up to fail. When a local authority allocates land for housing development, that land jumps in value – "land value uplift". So an acre of farmland that might be worth £8,000 could be worth around £400,000 or more once it has planning permission, even before any infrastructure is put in place. Unfortunately, in the current planning system, much of the £392,000 value uplift is captured by the landowner when they sell the land to the developer. The local authority and national government struggle to pay for infrastructure and facilities for the new homes subsequently built there. Local councils are left holding the can. The adverse consequences of this are plain for everyone to see: dense housing estates with rabbit-hutch homes and under-provision of new infrastructure, with quality design and place-making all squeezed out because the price paid for the land makes financing quality and services 'unviable'.

In short, the NIMBYs far too often get exactly the thing they fear: an ugly dense housing estate on their doorstep with added traffic and congestion on local roads, and council tax payers financing inadequate services. To make development more popular we need to recognise the NIMBYs have a point. We need to say so. And we need to do something about it.

The New Towns Act which went hand in hand with the establishment of the Green Belt allows land to be purchased for a new community in places where

the detrimental impact on existing communities is less, at current use value – i.e. the £8,000 cited above. That solved how to fund homes, infrastructure, services and great place making, whilst also preventing urban sprawl. However, the Act was part of a centralised “command and control” legislative construct created in an era when the legitimacy of the state was never more accepted. In short, these powers are vested in the Secretary of State, who can designate and impose new towns on local communities top down from Whitehall. Today there is little desire for a Secretary of State to do so.

It is not hard to grasp that in modern Britain such a decision of allocating a new town top-town would be immensely politically difficult. It would require the government to consider a huge range of possible locations, all of which would like be met with furious hostility, before short-listing and final decision taking all in the public spotlight. It would replicate the sorts of debates over a new London runway and HS2 – wildly difficult for any government to see through.

This paper sets out a proposal for giving local authorities the New Towns Act powers instead, to create new garden villages – and capture the land value uplift to pay for it in a way they cannot currently – to meet their local housing needs. This would enable them to jump over the powerful politics of the NIMBYs.

Such powers would increase the choice local authorities have about where new housing is built. It would empower them and work with the grain of localism. Remember the National Planning Policy Framework was founded on the proposition that Local Planning Authorities cannot be allowed to ignore their local housing needs, but should be able to decide how to meet them. Local support needs a compelling offer: build a new garden village to meet local housing need and you can rule out sequential development elsewhere, including on appeal.

Although many like to pretend otherwise, we face a housing crisis today just as we did after the second world war. If we are to accept the premise of localism, we need to equip local authorities with the right tools. We need to build 240,000 homes a year just to stand still. We are currently building less than half that. As a result house prices rise inexorably, such that homeownership has fallen from 71% in 2003 to 65% today, social housing waiting lists are 1.7m households long, and 0.7m more 20–34 year olds are living at home with mum and dad than in 1997, despite no increase in the population of that age group.

So imagine if England’s 353 local authorities⁵² each built just one new garden village of just 3,000 homes during the next decade (or more realistically, the 211 most rural local authorities building a garden village of 5,000 homes). That’s a million desperately needed new homes or 100,000+ extra homes built a year – the number we need. Of course urban regeneration and brownfield sites will continue to be the urban priority, and many communities will have growth they want to support – urban extensions will have a continuing place, especially when designed on garden city principles. But in many places we can strike a better deal. It’s a return to the very roots of planning, its first principles, its very DNA – and it would deliver the homes we need – without doughnutting historic towns and villages with vastly more unwanted poor quality estates.

In short, the proposals outlined:

- Make development more acceptable by compensating those directly impacted;
- Make a compelling offer to local authorities to step up delivery;

- Make housebuilding more competitive in terms of supply and quality;
- Address capacity issues by enabling a ready supply of land to SME builders, self-build, housing associations, overseas housebuilders, institutional investors (for the private rented sector) as well as the existing large housebuilders;
- Capture land value uplift to pay for excellent place making, services, infrastructure – and allow better quality homes at lower cost;
- Create communities at a small scale but in sufficient numbers that allows a rapid increase in housing delivery without the huge upfront infrastructure and delivery issues of very large new communities;
- Protect historic towns and villages from being ringed by endless poor quality and unpopular housing estates; and
- Do all this through localism, rather than requiring top down imposition by central government (other than maintaining the existing NPPF requirement on local authorities to evidence and provide for meeting local housing need). This avoids site identification being bogged down in HS2/EcoTown or London Airport type national wrangling – and delivering the homes where people want them.



£10.00

ISBN: 978-1-907689-91-8

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