



House of Commons  
Housing, Communities and  
Local Government Committee

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**Land Value Capture**

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**Tenth Report of Session 2017–19**

*Report, together with formal minutes relating  
to the report*

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## Housing, Communities and Local Government Committee

The Housing, Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Ministry of Housing, Communities and Local Government.

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### Committee staff

The current staff of the Committee are Edward Beale (Clerk), Jenny Burch (Second Clerk), Tamsin Maddock (Senior Committee Specialist), Nick Taylor (Committee Specialist), Tony Catinella (Senior Committee Assistant), Eldon Gallagher (Committee Support Assistant), Gary Calder and Oliver Florence (Media Officers).

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## Summary

Land values increase for many reasons—not least from economic and demographic growth—but some of the most significant increases arise from public policy decisions, in particular the granting of planning permission and the provision of new infrastructure. While there is considerable variation in land value uplifts dependent upon location and previous land use, landowners currently retain a very large proportion of the increase in land value arising from the granting of planning permission.

History has shown that attempts to capture land value increases have had mixed success. Governments have struggled to strike the right balance between capturing fair values for the community, without undermining incentives for private sector participation in the market, and in a way that is politically acceptable to all major parties. There have also been tensions between central and local government as to how revenues are spent.

However, it is widely accepted that the first generations of New Towns had considerably more success. This was made possible by the ability of Development Corporations to acquire land at, or near to, existing use value. Uplifts in land value were then captured to fund the infrastructure needed for the new developments.

Political interest in land value capture has re-emerged in recent years. Our inquiry has sought to contribute to this renewed debate and consider how land value might be more fairly and efficiently captured in the future.

The key conclusions and recommendations from our report are as follows:

- There is scope for central and local government to claim a greater proportion of land value increases through reforms to existing taxes and charges, improvements to compulsory purchase powers, or through new mechanisms of land value capture.

Increases in the value of land arising from the granting of planning permission and the provision of new infrastructure are largely created by the state. It is fair, therefore, that a significant proportion of this uplift be available to national and local government to invest in new infrastructure and public services.

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- Compulsory Purchase Order (CPO) powers can be especially important in enabling the development and provision of necessary infrastructure on large sites particularly where ownership is fragmented. This could facilitate completely new developments, extensions to existing communities, or the build out of large schemes within urban areas.
  - The CPO process should be further simplified, to make it faster and less expensive for local authorities, whilst not losing safeguards for those affected.

The Government should build on its recent reforms to the CPO process. For example, we heard that the requirement for the Secretary of State to confirm CPO submissions causes unnecessary delays. Such decisions should be made locally.

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- There is an urgent need for local planning authorities to agree up-to-date local plans.

A well-defined local plan with clear objectives and requirements for which the developer must pay, would inherently be reflected in, and would create, lower market land values.

- *The Land Compensation Act 1961* requires reform so that local authorities have the power to compulsorily purchase land at a fairer price.

The present right of landowners to receive ‘hope value’—a value reflective of speculative future planning permissions—serves to distort land prices, encourage land speculation, and reduce revenues for affordable housing, infrastructure and local services. We do not believe that such an approach would be incompatible with human rights legislation, as there would be a clear public interest and proportionality case to do so.

- The compensation paid to landowners should reflect the costs of providing the affordable housing, infrastructure and services that would make a development viable, as well as capturing a proportion of the profit the landowner will have made.

Reform of the *Land Compensation Act 1961* will provide a powerful tool for local authorities to build a new generation of New Towns, as well as extensions to, or significant developments within, existing settlements.

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- Where public land is put forward for residential development, it is important to ensure that the maximum value is captured for new infrastructure and public services. This may not always equate to selling public land to the highest bidder.
  - The compulsory purchase reforms we have recommended, such as reform of the *Land Compensation Act 1961*, would give greater powers to local authorities to assemble land and, in so doing, achieve a higher level of control over developments in their areas.

The Government and local authorities own tens of thousands of acres of land across the UK and there is much that can be learned from Germany and the Netherlands with regard to capturing increases in value from publicly-owned land.

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- We believe that the Government has made several important changes through the revised National Planning Policy Framework (NPPF), in particularly around transparency in the viability process—something we have called for repeatedly in the past.

These changes, alongside recent court judgements, should give assurance to local authorities that developers cannot avoid their local plan obligations by claiming that the price they paid for the site means that this would not be viable. However, further reforms will be necessary if Section 106 is to provide the infrastructure and affordable housing that this country needs:

- The Government should work with the Local Government Association (LGA) to provide additional resources, training and advice to local planning authorities to ensure that they are able to negotiate robustly with developers and that local authorities are consistently able to contract for the appropriate level of planning obligations.
- Local authorities should consider using their existing CPO powers to enforce Local Plan policies, in particular in relation to affordable housing, where some developers seek to use viability assessments to avoid their obligations.

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- The Government should give further consideration to the future implementation of a Local Infrastructure Tariff.
  - If the Community Infrastructure Levy (CIL) is to become an effective mechanism for capturing development value for the provision of local infrastructure, it requires considerable reform.
  - The Government is right to explore how Strategic Infrastructure Tariffs can be extended across the country.

CIL is far too complex and the extensive range of exceptions need to be removed. Importantly, there has to be greater certainty that the infrastructure associated with development is actually delivered at the appropriate time, sometimes in advance of development commencing.

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- The Government should commission a cross-departmental project to consider how to capture land value increases on existing properties.

A truly efficient and equitable system of land value capture should not focus solely on new developments, but should also address how existing properties benefit from development and particularly from public investments in local infrastructure.

## Introduction

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1. Land value capture seeks to ensure the fair distribution of increases in the value of privately-owned land between landowners, the local community and national government. Land values increase for many reasons—not least from economic and demographic growth—but some of the most significant increases arise from specific public policy decisions, in particular the granting of planning permission and the provision of new infrastructure. There has been renewed discussion in recent years about how the state can efficiently and fairly redistribute increases in land value arising from such policy decisions, while ensuring that privately-owned land continues to come forward for the appropriate development. Our inquiry seeks to contribute to that debate.

2. The debate around land value capture is not new and the state has sought to capture uplifts in land values arising from public works for centuries. Indeed, in Britain, the first recorded ‘betterment’ levy was imposed by Henry VI in 1497, to capture increases in private land values arising from flood defence works.<sup>1</sup> Political calls for comprehensive systems of land value capture were evident at the start of the 20th Century. For example, in 1909, Winston Churchill spoke of the “unearned increment” accrued by landowners following public investment in infrastructure and called for the state to capture more of this uplift for the public benefit:

Roads are made, streets are made, railway services are improved, electric light turns night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains—and all while the landlord sits still. Every one of those improvements is effected by the labour and at the cost of other people. Many of the most important are effected at the cost of the municipality and of the ratepayers. To not one of those improvements does the land monopolist [ ... ] contribute, and yet by every one of them the value of his land is sensibly enhanced.<sup>2</sup>

3. Throughout the 20th Century, various systems of land value capture have been attempted in the UK. In 1903, Ebenezer Howard created the first Garden City at Letchworth, and in 1967, the Milton Keynes Development Corporation was founded, both of which captured land value increases arising from residential development to reinvest in local infrastructure through land ownership. Over the last 70 years, there have been several legislative attempts to introduce betterment levies, including the *Town and Country Planning Act 1947*, the *Land Commission Act 1967*, the *Community Land Act 1975* and the *Development Land Tax Act 1976*. In more recent years, Section 106 and the Community Infrastructure Levy (CIL) have been the primary mechanisms through which governments have sought to capture development value.

4. History has shown that attempts to capture land value increases have had mixed success. Governments have struggled to strike the right balance between capturing fair values for the community, without undermining incentives for private sector participation in the market, and in a way that is politically acceptable to all major parties. There have also been tensions between central and local government as to how revenues are spent.

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1 As highlighted by the Expert Committee on Compensation and Betterment, chaired by Mr Justice Uthwatt, in 1942. Expert Committee on Compensation and Betterment (Uthwatt Committee): Minutes and Papers, 1938–1946, The National Archives

2 Land and Income Taxes in the Budget, Liberalism and the Social Problem, Winston Churchill, 17 July 1909

As Councillor Tett from the Local Government Association (LGA) told us, “If it was easy, everyone would have done it years ago”.<sup>3</sup> Liz Peace, referring to her work as Chair of the CIL Review Group, explained that, “it is probably the most intellectually difficult thing I have ever grappled with in my career. There is no easy answer to this”.<sup>4</sup>

5. Political interest in land value capture has re-emerged in recent years. The 2017 Conservative and Unionist Party manifesto stated that:

[ ... ] we will work with private and public sector house builders to capture the increase in land value created when they build to reinvest in local infrastructure, essential services and further housing, making it both easier and more certain that public sector landowners, and communities themselves, benefit from the increase in land value from urban regeneration and development.<sup>5</sup>

The Minister of State for Housing, Kit Malthouse MP, told us that this commitment referred to changes to the existing system—such as changes to the viability assessment process and increasing the use of Strategic Infrastructure Tariffs—as opposed to a proposal for new mechanisms of land value capture.<sup>6</sup> Political interest also extends to issues closely related to land value capture. For example, in February 2018 the Labour Party announced its policy to amend the *Land Compensation Act 1961* to enable central government and local authorities to compulsorily purchase land at a price that excludes the potential for future planning consent.<sup>7</sup> Similar calls have been made by Conservative politicians, including Nick Boles MP and Ruth Davidson MSP.<sup>8</sup>

6. The revived debate around land value capture has particular relevance in the context of the present housing crisis. The Government’s target to build 300,000 homes a year by 2020/21 will, of course, require the provision of major infrastructure and additional public services.<sup>9</sup> Many argue that this should be paid for through new, more broadly-based systems of land value capture. Others argue for improvements to existing mechanisms. The National Infrastructure Commission’s 2017 report, ‘Partnering for Prosperity’, highlights this issue in the context of providing infrastructure across the Cambridge-Milton Keynes-Oxford arc:

[ ... ] if central and local government can balance the certainty and proportionality of mechanisms for land value capture, then there is a powerful case for using a greater share of land value uplifts to fund growth-enabling infrastructure at the local level. This case is strengthened by the

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3 Q109 (Councillor Tett, Local Government Association)

4 Q26 (Liz Peace)

5 Forward, Together: Our plan for a stronger Britain and a prosperous future, The Conservative and Unionist Party Manifesto 2017, page 71

6 Q255-Q258 (Kit Malthouse MP, Minister of State for Housing)

7 Labour plans to make landowners sell to state for fraction of value, The Guardian, 1 February 2018

8 Boles defends Labour’s ‘deeply sinister’ land value capture plans, Planning Resource, 5 February 2018, and Ruth Davidson lecture: Building a stronger future for Britain – Full text, Policy Scotland, 31 May 2018

9 New housing agency to boost housebuilding, Press Release, Ministry of Housing, Communities and Local Government, 11 January 2018; and New powers for councils to deliver homes for local families, Press Release, Ministry of Housing, Communities and Local Government, 4 June 2018

urgent need to expand the housing supply within the arc [ ... ] the need to support the development of well-connected new communities [and] the need to balance the interests of the taxpayer and land owners.<sup>10</sup>

## Our inquiry

7. Noting the re-emerging political interest in land value capture, we launched an inquiry to hear from academics, experts and industry groups regarding how central and local government could better capture increases in land values for the public benefit. This report is intended to be a record of the key areas of debate in this area, as well as an opportunity to express our views as to how land value might be more fairly and efficiently captured in the future.

8. In our call for written evidence, we sought information as to how well existing taxes and charges, such as Section 106 and CIL, captured increases in land values arising from the granting of planning permission, and how they might be improved to better serve this purpose. We asked whether there was any need for new methods of land value capture, and what the advantages and disadvantages were of the various models that have been proposed. We were particularly keen to hear examples of effective practice that already existed, including internationally. Finally, we asked for evidence on the main lessons that should be learned from past attempts to capture uplifts in land value.

9. Over the course of our inquiry, we held an informal roundtable with academics, before taking public evidence from a range of stakeholders, including experts, campaigning groups, local authorities, landowners, developers, practitioners, legal experts and the Government. In addition, we received formal written evidence from 92 individuals and organisations, as well as extensive correspondence. In September 2018, the Committee visited Amsterdam in the Netherlands and Freiburg in Germany, where we met with national and local policy experts, politicians and industry groups.

10. This report has four chapters. The first chapter outlines some of the basic principles of land value capture, including why land values increase and the reasons central and local government should seek to capture a proportion of those uplifts. We explore whether existing taxes and charges already capture a significant proportion of these increases and the extent to which there is scope to capture any additional land value. We also reflect on some of the main lessons that might be learned from past attempts to capture land value. The second chapter considers proposed reforms to existing charges, such as Section 106 and CIL, to make them better suited to capturing increases in land values arising from the granting of planning permission. The third chapter asks how the Government's plans for a new generation of new towns and garden communities might be achieved in practice, and recommends several improvements to the Compulsory Purchase Order (CPO) process and reforms to the *Land Compensation Act 1961*. The final chapter outlines some of the alternative approaches to land value capture that were highlighted in evidence to us, and briefly reflects on calls for new systems of property taxation, such as Land Value Taxation.

11. In our report, we have distinguished between the land value capture which relates to increases in land value that arise from specific development events—primarily the granting of planning permission by local authorities and the provision of significant new

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10 PARTNERING FOR PROSPERITY: A new deal for the Cambridge-Milton Keynes-Oxford Arc, National Infrastructure Commission, page 65

infrastructure—and Land Value Taxation, which concerns the taxation of all development, including existing properties, according to ongoing changes in land values. For clarity, our inquiry has focused on mechanisms for capturing value arising from new development events.

12. We wish to express our thanks to all of those who gave public evidence to the Committee and provided informal briefings, to those who made written submissions, and especially to our Specialist Advisers, Kelvin MacDonald and Christine Whitehead.

# 1 Principles of land value capture

13. Land Value Capture is not a well-defined concept and, as such, it is important to begin this report by outlining some basic principles and the scope of what we want to achieve. In this chapter, we explore why land values increase, the typical extent of this uplift, and justifications for capturing a proportion of land value growth through taxation. We consider the extent of existing property taxation and whether there is any realistic scope for capturing additional values without undermining development incentives. Finally, we reflect on some of the lessons that might be learned from attempts by governments to capture uplifts in land value over the last 70 years.

## What is Land Value Capture?

14. The debate around land value capture tends to focus on gains at the point of development, but, as highlighted by Liz Peace, “the issue of land value capture is... bigger than that”.<sup>11</sup> Indeed, Professors Crook, Henneberry and Whitehead noted three reasons why land values increase: infrastructure investment improving the attributes of locations; increased prosperity leading to additional spending on housing and other goods, resulting in higher land values; and planning consent making it possible to change use to carry out physical development. They explained that, in England, land values are explicitly captured only in the third of these cases. This involves capturing some part of the difference between the value of the land in its existing use and its market value in its proposed new use.<sup>12</sup>

15. Consequently, in this report, we refer to land value capture in the context of taxes and charges imposed by local or central government which seek to capture, for the public benefit, increases in land value that arise from public policy decisions or specific development events, primarily the granting of planning permission by local authorities or as a consequence of new, or improved, major infrastructure projects.

## Extent of the uplift in land values

16. The extent to which land values increase following the granting of planning permission varies considerably and is largely dependent on location and previous land use. According to Government statistics published in February 2015, the average figure for England (excluding London) is that agricultural land, which is granted planning permission for residential use, would, on average, increase in value from £21,000 per hectare to £1.95 million per hectare.<sup>13</sup> The amounts involved with respect to brownfield sites vary considerably, although the same Government figures estimated the value of a typical industrial site to be £482,000 per hectare.<sup>14</sup> Commenting on the size of the average uplift in land values subsequent to the granting of planning permission, Councillor Tett from the Local Government Association said, “To find it is quite such a large uplift even surprised me, but that was a Government statistic, so it must be correct”.<sup>15</sup> However, while

11 Q2 (Liz Peace)

12 Professor Tony Crook CBE, Professor John Henneberry, & Professor Christine Whitehead OBE (LVC053)

13 Land value estimates for policy appraisal, Department for Communities and Local Government, February 2015, page 12

14 Land value estimates for policy appraisal, Department for Communities and Local Government, February 2015, page 13

15 Q88 (Councillor Tett, Local Government Association). See also supplementary written evidence from the Local Government Association (LVC093) and the Country Land and Business Association (LVC094)

estimates of average increases can be helpful as a guide, it is important to note that the range of value increases is extremely broad. Some sites will see only very limited increases in value, while other increases will be much more substantial, distorting the mean averages cited in Government figures.

17. Large uplifts in land values were estimated as a consequence of major infrastructure projects, although their benefits were far more diffuse. The Greater London Authority (GLA) and Transport for London (TfL) highlighted a study by real estate advisors, GVA, which found that development dependent on the new Elizabeth line would create a potential value uplift of £13 billion in residential values and £215 million in commercial values by 2026.<sup>16</sup> Julian Ware, from TfL, told us that methodology prepared by KPMG and Savills estimated that eight prospective transport projects in London, including Crossrail 2 and the Bakerloo line extension, could generate a land value uplift of £87 billion, although 65% of this would be realised in the existing residential market.<sup>17</sup>

### **Why capture land values?**

18. Given the extensive land value uplifts arising from such developments, witnesses outlined several reasons why they thought a comprehensive system of land value capture, raising higher revenues than at present, would be beneficial. Many of the reasons cited were not concerned with simply raising revenue, but the use to which those revenues would be put. For example, the most commonly cited reason was the need to fund the additional infrastructure and services to which the demand for development gives rise, something that Liz Peace described as “a no-brainer, that somebody who is doing a development must make a contribution to the infrastructure that is needed to make that development acceptable”.<sup>18</sup> Others, including Shelter, told us that a reformed approach to land value capture could boost the supply, and quality, of affordable housing.<sup>19</sup>

19. While some organisations, such as Deloitte, argued that any revenue raised should be “focused on objectives and outcomes rather than simply as a means to extract more monies from developers or landowners”, others said that land value capture would be a legitimate source of funding for any public service in the community affected by the development.<sup>20</sup> It was also suggested that a more comprehensive system of land value capture would reduce speculation in the land market, as there would be fewer incentives for landowners to hold out for values to rise, and market volatility would be reduced by decreasing the elasticity of the supply of land.<sup>21</sup>

20. Many also stressed the distributional argument for capturing land value: that it is not fair that such significant profits, arising in the main from public policy decisions, should accrue to a small minority of landowners and that those who are disadvantaged by development generally do not receive some element of compensation. The Town and Country Planning Association told us that, “this is principally an issue of equity”.<sup>22</sup> The Royal Town Planning Institute agreed, telling us they believed there should be a fairer

16 Greater London Authority & Transport for London (LVC 091)

17 Q55 (Julian Ware, Transport for London)

18 Q2 (Professor Henneberry) and Q5 (Liz Peace)

19 Shelter (LVC037), para 6.1

20 For example, Deloitte LLP (LVC089), para 47, and Campaign to Protect Rural England (LVC068), para 11

21 For example, Dr Nicholas Falk (LVC004) and Town and Country Planning Association (LVC073), para 2.8

22 Town and Country Planning Association (LVC073), para 2.8

way of sharing land value uplift between landowners and the community.<sup>23</sup> Similarly, the Centre for Progressive Capitalism asked us to consider whether it was fair for significant profits, arising from public policy decisions, to accrue to a minority of landowners, arguing that this was at odds with a fundamental principle of our economic system, which rewards productive economic activity:

The Committee in its deliberations around land value capture should seek to understand why it is that the current land market enables a handful of private individuals and investors to earn £9.3bn of monopoly profits each year due to the productive work of others and local authorities changing land use.<sup>24</sup>

21. Others, however, said that “you cannot talk about fairness” in this context.<sup>25</sup> Christopher Price, from the Country Land and Business Association (CLA), told us that market forces were key, and the focus should be on what would provide a competitive return for the landowner to want to bring land forward for development.<sup>26</sup> However, Hugh Ellis, from the Town and Country Planning Association, said that he disagreed that fairness was not an important consideration “in the strongest terms I can muster”.<sup>27</sup> He told us:

[ ... ] the development process is acutely and definingly about fairness: fairness in relation to individual outcomes for people and places, and fairness in a wider sense, spatially, across England, about whether or not you are seeing even patterns in development. Land value capture can play a role in that.<sup>28</sup>

**22. We acknowledge that land values increase for several reasons, but have focused our work on the significant increases that arise from the granting of planning permission by local planning authorities and from public investment in infrastructure. Such increases can be substantial and, given that these are significantly created by the powers of the state, it is fair that a significant proportion of this uplift be available to the state with the potential to invest in new infrastructure and public services.**

### *Scope for capturing additional land value*

23. Many advocates of new mechanisms for land value capture describe the current system as one in which almost all of the land value increase accrues to the landowner. For example, Shelter wrote, “Our current system, where all the uplift in land value flows to landowners in the form of windfall profits, simply cannot continue”.<sup>29</sup> London YIMBY and PricedOut told us that “current methods... only capture a tiny fraction” of the land value uplifts arising from planning permission or new infrastructure.<sup>30</sup>

24. However, others highlighted that significant proportions of development value are already captured through existing charges—including Section 106 planning obligations,

23 Royal Town Planning Institute (LVC055), para 3

24 Centre for Progressive Capitalism (LVC011)

25 Q138 (Christopher Price, Country Land and Business Association)

26 Q138 (Christopher Price, Country Land and Business Association)

27 Q188 (Hugh Ellis, Town and Country Planning Association)

28 Q188 (Hugh Ellis, Town and Country Planning Association)

29 Shelter (LVC037), para 8.2

30 London YIMBY and PricedOut (LVC017)

the Community Infrastructure Levy (CIL), Capital Gains Tax, Stamp Duty Land Tax, Business Rates, Corporation Tax and Council Tax—even if these mechanisms are not specifically designed to capture land value uplift.<sup>31</sup> They also note that the UK has the highest burden of land taxation within Organisation for Economic Co-operation and Development (OECD) member countries. Indeed, many witnesses highlighted government figures, which showed that Section 106 and CIL were estimated to have generated just over £6 billion in 2016–17.<sup>32</sup> However, Daniel Bentley, Editorial Director at Civitas, and Tom Aubrey, Adviser at the Centre for Progressive Policy, told us that these figures were inaccurate as they referred to sums agreed, but not actually collected—noting that one-third of planning permissions were not implemented—and that developer contributions had been falling relative to development values.<sup>33</sup> As will be outlined later in this report, we also heard that the Section 106 system is being circumvented by means of viability assessments, such that developers are able to game the system to avoid local authority policy requirements to deliver affordable homes.

**25. In our view, there are four distinct categories of property taxes and charges—only some of which are relevant in the context of the land value capture debate:**

- **First, there are charges that relate to raising revenues for essential infrastructure arising from new developments, primarily Section 106 agreements and the Community Infrastructure Levy (CIL).**
- **Second, there are taxes that are levied on assets and businesses, such as Corporation Tax, which do not capture land value increases.**
- **Third, there are mechanisms such as Capital Gains Tax, Business Rates and Stamp Duty Land Tax, which are not specifically designed to capture land value increases but will have this effect in practice.**
- **Finally, there are taxes and charges designed specifically to capture increases in land value arising from the granting of planning permission, of which there are currently none with this explicit purpose, although affordable housing requirements through Section 106 agreements do have the function of capturing land value for the public benefit.**

**The Government and other stakeholders should not confuse these different approaches when developing policy in this area. Land value capture mechanisms should create value for the public purse in addition to generating revenue for infrastructure made necessary by the granting of planning permission.**

26. Estimates of the proportion of the land value increase currently retained by the landowner once planning permission is granted vary considerably. There is no agreed methodology, particularly as pertains to what taxes and charges should be included, and there is a considerable difference in land value uplifts by location and previous land use.

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31 For example, Deloitte LLP (LVC089), para 47, and Professor Tony Crook CBE, Professor John Henneberry, & Professor Christine Whitehead OBE (LVC053)

32 Supporting housing delivery through developer contributions, Ministry of Housing, Communities and Local Government, 5 March 2018, page 9

33 Daniel Bentley (Editorial Director, Civitas) and Thomas Aubrey (Adviser, Centre for Progressive Policy) (LVC 096)

Christopher Price from the CLA told us that, due to the complications inherent in making such estimates, “You cannot really put any great weight on any figures that anyone comes up with in this space”.<sup>34</sup>

27. Nevertheless, it is helpful to have an approximation of the proportion of land value uplifts already captured by the state, at least insofar as to determine if there is any realistic scope to capture additional value. The Centre for Progressive Capitalism estimated that landowners currently retain an average of 75% of the uplift in land values arising from the granting of planning permission.<sup>35</sup>

28. However, analysis by Professors Crook, Henneberry and Whitehead found that, “the landowner is left with about a half of the market value of land”, although Professor Henneberry noted in oral evidence that this was “an average on a greenfield site on the edge of a growing town” and that for more complex circumstances—such as a brownfield inner-city site in the North of England—“the short answer is that I have not a clue”.<sup>36</sup> Similarly, Philip Barnes told us that, while he would caution against estimating a figure, “I do not think the landowner ever gets more than 50% of that from the Barratt perspective”.<sup>37</sup>

**29. Estimates of mean average increases in land value arising from the granting of planning permission are not particularly helpful, given the considerable variation in uplifts dependent upon location and previous land use. Approximations of the proportion of the land value increase retained by the landowner also vary widely, with no agreed methodology for this calculation.**

**30. Where estimates have been made, these suggest that landowners currently retain around 50% of the increase in land value arising from the granting of planning permission. Much of the captured value, however, is what is necessary to provide the infrastructure and services made necessary by development, with an additional amount to deliver affordable housing. Our view is that there is scope for central and local government to claim a greater proportion of land value increases through reforms to existing taxes and charges, improvements to compulsory purchase powers, or through new mechanisms of land value capture.**

## What can be learned from past attempts to capture uplifts in land value?

31. Past attempts at capturing land value uplifts can be considered from a number of perspectives—for example, national versus local mechanisms—but here, we have divided them into two broad approaches: the development of garden cities and new towns, with land acquired at levels close to existing use value, and attempts to capture increases in land values after development events.<sup>38</sup>

### *Garden cities and New towns*

32. Ebenezer Howard created First Garden City Ltd in 1903, founding the UK’s first Garden City at Letchworth in Hertfordshire. David Ames, Head of Strategic Planning and

34 Q134 (Christopher Price, Country Land and Business Association)

35 Centre for Progressive Capitalism (LVC011)

36 Professor Tony Crook CBE, Professor John Henneberry, & Professor Christine Whitehead OBE (LVC053)

37 Q135 (Philip Barnes, Barratt Developments)

38 As reflected in the written evidence provided by the Centre for Progressive Capitalism (LVC011)

Development at the Letchworth Garden City Heritage Foundation, explained that Garden Cities like Letchworth relied on “some form of intervention for land to be purchased at below market value, or a willing landowner to be involved”.<sup>39</sup> He told us that the ability to capture land values arising from development in Letchworth was ongoing, and that the city’s property portfolio continued to generate a surplus of £7.5 million a year, which continues to be reinvested in charitable services and local grants.

33. During the Second World War, the Government commissioned the Expert Committee on Compensation and Betterment, chaired by Mr Justice Uthwatt, to “make an objective analysis of the subject of the payment of compensation and recovery of betterment in respect of public control of the use of land”.<sup>40</sup> The findings of this report, published in 1942, ultimately contributed to the passing of the *Town and Country Planning Act 1947*, which introduced a requirement for planning permission to be granted for both the construction and the change of use of a building, imposing a 100% development charge on any uplift in land value arising from such a change. The 1947 Act enabled the State to acquire land at levels close to existing use value—until it was amended in the *Town and Country Planning Act 1959*, and with new compensation arrangements in the *Land Compensation Act 1961*—and, alongside powers provided within the *New Towns Act 1946*, enabled the establishment, through Development Corporations, of the post-war New Towns.<sup>41</sup>

34. Hugh Ellis, from the Town and Country Planning Association, highlighted that the New Towns programme ultimately led to the establishment of 32 communities for 2.8 million people, and successfully paid back its entire borrowing for the delivery of the towns in 1999.<sup>42</sup> He told us that, since then, the assets of the New Towns, which were transferred to the Treasury in the 1980s, have been yielding £1 billion a year for the Government.<sup>43</sup>

35. Although the Government has recently announced a new generation of local authority-led New Town Development Corporations, several organisations, such as Shelter, highlighted that these would not have the same powers as their predecessors to acquire land at near to existing use value, due to the requirement to compensate landowners for ‘hope value’—which would reflect the potential future value of the land acquired—within the *Land Compensation Act 1961*.<sup>44</sup> This issue will be discussed in more detail in Chapter Three.

### **Development charges and betterment levies**

36. There have been a number of attempts since 1945 to introduce some form of national development taxation.<sup>45</sup> Of those that are no longer in effect, or were never implemented in full, these included:

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39 Q53 (David Ames, Letchworth Garden City Heritage Foundation)  
 40 Expert Committee on Compensation and Betterment (Uthwatt Committee): Minutes and Papers, 1938–1946, The National Archives  
 41 Centre for Progressive Capitalism (LVC011)  
 42 Q187 (Hugh Ellis, Town and Country Planning Association)  
 43 Q187 (Hugh Ellis, Town and Country Planning Association)  
 44 Shelter (LVC037), para 7.4  
 45 Greater London Authority & Transport for London (LVC 091)

- The ‘Development Charge’, introduced by the *Town and Country Planning Act 1947*, which was effective from 1948 to 1951. It imposed a 100% tax on the difference between the value of a property with planning permission and the existing use value;
- The ‘Betterment Levy’, introduced by the *Land Commission Act 1967*, which was in force between 1968 and 1970. Payable on the sale or lease of the land, or following “material development”, the Betterment Levy was initially charged at 40%—due to rise to between 60% and 80% in subsequent years—of the development value when land was sold, leased or realised by development, although there were a significant number of exemptions and allowances.<sup>46</sup>
- The Development Gains Tax, introduced in 1973, and the subsequent ‘Development Land Tax’, introduced by the *Development Land Tax Act 1976*, which was in force between 1976 and 1985, and taxed the ‘realised development value’ land upon disposal. Local authorities were additionally given extensive powers of compulsory purchase through the *Community Land Act 1975*, with the compensation due to landowners being the market value less any Development Land Tax.<sup>47</sup>
- The Mandatory Tariff, which was proposed in 2001, but not implemented, and the Optional Planning Charge—a proposed flat fee as an optional alternative to a Section 106 agreement—which was only partially implemented in 2004.
- The Planning Gain Supplement (PGS), which followed a recommendation in Kate Barker’s 2004 *Review of Housing Supply* that infrastructure associated with new development be financed by capturing land value uplift at the point at which planning permission for a proposed development is granted.<sup>48</sup> The PGS was not implemented in part because of opposition from the industry and insufficient support from local authorities.

37. It is relevant to note that each of these attempts were not as successful as had been hoped. Dr Peter Bowman and Andrew Purves told us these strategies had:

[ ... ] failed due to the political nature of their implementation - by successive Labour governments - which meant that landowners did not put forward land for development, in the belief that a change of government would bring about a repeal, in which assumption they were correct.<sup>49</sup>

38. Deloitte told us that these betterment levies “stymied development, proven difficult to administer efficiently, and have been repealed within a short period of time”.<sup>50</sup> Barratt Developments said they had all struggled, to varying degrees, with the need to incentivise landowners to bring forward land for development, and were introduced with insufficient flexibility at the wrong stage of the economic cycle, causing disruption during the policy introduction and subsequent amendments.<sup>51</sup> The CLA expressed their view that:

46 Country Land and Business Association (LVC082)

47 Country Land and Business Association (LVC082)

48 Kate Barker, *Review of Housing Supply: Delivering Stability – Securing our Future Housing Needs, Final Report – Recommendations*, 2004, p. 87, recommendation 26

49 Dr Peter Bowman and Andrew Purves, on behalf of the School of Economic Science (LVC035)

50 Deloitte LLP (LVC089), para 11

51 Barratt Developments (LVC022), para 2.3

They were too complicated, discouraged development and encouraged hoarding. They did not incentivise landowners to carry out beneficial economic activity, rather they provoked inactivity. There was confusion over the use of the word land. As a result, they focussed on speculative profits made at the point of development or sale, not land values which are affected by a far wider range of factors.<sup>52</sup>

### **Lessons to be learned for future efforts to capture land value uplifts**

39. Given the failure of previous efforts to implement systems to capture uplifts in land value, it is important to learn the right lessons to ensure that future policies have far greater success and are not similarly repealed within a short period of time. As highlighted by the GLA and TFL, it is clear that, to be successful, future taxes or charges on uplifts in land value will need to have cross-party political support.<sup>53</sup> Single-party initiatives have historically been undone within a few years, with the ‘Development Charge’, the ‘Betterment Levy’ and the ‘Development Land Tax’ all introduced by Labour governments and immediately repealed by incoming Conservative governments.<sup>54</sup> The Campaign to Protect Rural England (CPRE) noted that past efforts to introduce levies had often resulted in landowners holding on to their land in the expectation that the policy would be temporary, whereas governments in the 1940s and 1950s employed a direct development approach, compulsorily purchasing land at, or near, existing use value to build social housing. They argued that:

Direct development models therefore seem to be more effective than development taxation at capturing the land value uplift created by new development. However, the politics of implementing such models can be challenging.<sup>55</sup>

40. As highlighted by the CLA, many of these previous attempts to capture land value were too complex, with various exceptions and viability processes.<sup>56</sup> The Royal Town Planning Institute told us that, “The greater the complexity of reforms, the greater opportunity for creative avoidance from landowners”.<sup>57</sup> The issue of complexity in the Community Infrastructure Levy (CIL) will be discussed in the next chapter.

41. The Town and Country Planning Association highlighted that, “it is clear that a future betterment tax would have to be set at a socially acceptable level”.<sup>58</sup> Hugh Ellis said that the ‘Development Charge’, introduced by the *Town and Country Planning Act 1947*, set at 100%, “was always bound to fail—if you set taxation rates at 100%, they tend to”, and that it had “effectively killed off the speculative market in land”.<sup>59</sup> The CLA argued that, where betterment taxes were set too high, “the rational course of action for most landowners was to do nothing and so avoid triggering an obligation to pay the levy”.<sup>60</sup>

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52 Country Land and Business Association (LVC082), paras 4.21–4.22

53 Greater London Authority & Transport for London (LVC 091)

54 Royal Town Planning Institute (LVC055), para 39

55 Campaign to Protect Rural England (LVC068), para 18

56 Country Land and Business Association (LVC082), paras 4.21–4.22

57 Royal Town Planning Institute (LVC055), para 39

58 Town and Country Planning Association (LVC073), para 2.13

59 Q190 (Hugh Ellis, Town and Country Planning Association) and Town and Country Planning Association (LVC073), para 2.13

60 Country Land and Business Association (LVC082), paras 4.15

42. While national betterment levies have proven problematic, current locally-based development charges have had the effect of being regressive in terms of spatial distribution—they raise very different amounts of money in different parts of the country—a problem highlighted in the Interim Report of the Raynsford Review of Planning in England:

Because both Section 106 agreements and CIL are based on recouping development values, they inevitably yield the highest returns in the highest-value areas. Since there is no mechanism for redistributing this revenue to lower demand areas, both CIL and Section 106 agreements have the unintended effect of reinforcing spatial inequality.<sup>61</sup>

One lesson from current mechanisms is that spatial inequality should be limited in any new system of land value capture. Hugh Ellis told us that a redistributive mechanism may be required, although he noted that communities would expect to see revenues spent in the local area in which development was taking place.<sup>62</sup> Dr James Richardson, from the National Infrastructure Commission, agreed that consideration should be given to whether revenues are collected locally or nationally and how they would be distributed: “how much money goes into the Exchequer and from where, and how much money goes out of the Exchequer and to where”.<sup>63</sup>

**43. For decades, governments have sought to capture increases in land value, but with limited success. When considering new mechanisms for land value capture, it is vital that we learn the right lessons from the past. It is clear that any new approach should have cross-party support, with the intention of being retained for the long-term and should be simple to administer, without complicated exceptions or viability processes. It will also need to allocate land value increases fairly between central government, local authorities and landowners, without undermining incentives to sell or risk holding up the development process. Consideration should also be given to a mechanism for the redistribution of revenues between high and low-value areas. Where new land value capture mechanisms reduce incentives for landowners to participate in the development process, local authorities will require effective CPO powers to ensure that communities continue to benefit from developments in their areas.**

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61 Planning 2020: Interim Report of the Raynsford Review of Planning in England, May 2018, page 24

62 Q190 (Hugh Ellis, Town and Country Planning Association)

63 Q190 (Dr James Richardson, National Infrastructure Commission)

## 2 Improving existing mechanisms

44. There are three broad approaches to improving how the state captures uplifts in land value: improving existing mechanisms of capturing development values, legislative reforms, and more fundamental measures. Over the next three chapters, we will consider each of these broad approaches in turn. This chapter focuses on how the existing mechanisms for capturing development values—primarily Section 106 and CIL—might be improved in order to better capture uplifts in land value and consistently raise higher revenues for infrastructure made necessary by new developments.

### Section 106 agreements

45. Section 106 agreements—often referred to as Planning Obligations—are legally enforceable obligations entered into under Section 106 of the *Town and Country Planning Act 1990*.<sup>64</sup> They are agreements made between a developer and the Local Planning Authority (LPA) designed to meet the concerns an LPA may have about meeting the cost of providing new infrastructure made necessary by the development. The obligations that form the agreement are discretionary while contributions are negotiable and can relate to a wide range of infrastructure including: highways, public transport, education, community and cultural facilities, green infrastructure, environmental mitigation, and affordable housing.<sup>65</sup> LPA's policies for planning obligations should be published and included in Local Plans. The National Planning Policy Framework (NPPF) requires that a planning obligation must only be sought where: it is necessary to make the development acceptable in planning terms; it is directly related to the development; and it is fairly and reasonably related in scale and kind to the development.<sup>66</sup>

46. Section 106 was not specifically designed to capture uplifts in land values.<sup>67</sup> Rather, it was seen as a tool to raise revenues for infrastructure and services that would make a development acceptable to a local community that would otherwise not be. Nevertheless, Section 106 inherently has the effect of capturing land value, with requirements for the provision of affordable housing having the effect of depressing the value of the site and, in so doing, sharing value with the community.

47. We heard that Section 106 had been far more effective in obtaining a share of development value arising from residential development than previous historical attempts.<sup>68</sup> Professor Crook (et al.) told us that this could be attributed to the way in which planning obligations are locally administered, that they enabled varying circumstances to be respected through the viability process, and that they have the character of a hypothecated tax to be spent locally.<sup>69</sup> For example, the GLA and TFL told us that Section 106 had made

64 Planning Obligations (Section 106 Agreements), House of Commons Library, Briefing Paper 7200, 24 May 2016

65 Ministry of Housing, Communities and Local Government (LVC084), para 5

66 National Planning Policy Framework (NPPF), Ministry of Housing, Communities and Local Government, July 2018

67 A point made by Daryl Phillips (District Councils Network) and Councillor Tett (Local Government Association) - Q79-Q81

68 Q9 (Professor Henneberry)

69 Professor Tony Crook CBE, Dr Gemma Burgess, Dr Richard Dunning, Dr Alex Lord, Professor Craig Watkins & Professor Christine Whitehead OBE (LVC046)

“a significant contribution to the delivery of affordable homes in the capital”, a point also highlighted by the Chartered Institute of Housing, while Hugh Ellis told us that Section 106 does “yield substantial results for communities”.<sup>70</sup>

48. There was a clear preference from many witnesses for Section 106 to be retained. Some, such as the Land Promoters and Developers Federation (LPDF), reported that Section 106 was working adequately enough and there was no need to introduce any alternative system of land value capture.<sup>71</sup> Others told us Section 106 should form part of a wider package of land value capture mechanisms. Steve Akehurst said that Shelter “would like to keep the Section 106 system because it could be made to work better and there is no reason it cannot be better”.<sup>72</sup> Similarly, the Royal Town Planning Institute told us they favoured retaining Section 106, “as it allows flexibility”, arguing that it would operate most effectively if solely aimed at mitigating the impact of particular developments, with additional measures in place to fund other services.<sup>73</sup>

### **Reforms to Section 106**

49. We nevertheless heard from many witnesses that Section 106 requires significant reform. The CLA told us there were “a number of flaws in the way in which the system operates”, while Shelter expressed their view that “Section 106 is almost not fit for purpose as a way of capturing land value”.<sup>74</sup> We heard several suggestions for how Section 106 might be improved to better capture uplifts in land value. We focus here on four of those suggestions: improvements to the viability process, enhancing the competence of local planning authorities, a greater use of Compulsory Purchase Order (CPO) powers, and a minimum accepted level of developer contributions.

### **Viability assessments**

50. A fundamental principle of Section 106 agreements is that they should not change the nature of the planning permission or be so onerous as to mean the development cannot go ahead. Especially since the financial crisis, when renegotiation became more commonplace, this second element has led to concerns about ‘gaming’ the system. The LGA highlighted that Councils were concerned that the planning system was being undermined by the use of viability arguments from some developers to avoid the need to meet local plan policy requirements.<sup>75</sup> Councillor Tett reported that, “Everybody says, ‘There is just not enough money left to fund all of the things you want’”.<sup>76</sup> Government statistics showed that planning obligations are indeed frequently renegotiated, with 65% of planning authorities renegotiating a planning agreement in 2016/17, most commonly to change the type or amount of affordable housing required.<sup>77</sup> Of course, the extent of this varies over time and by location and developer, with Barratt Developments telling us

70 Greater London Authority & Transport for London (LVC 091), Chartered Institute of Housing (LVC052) and Q176 (Hugh Ellis, Town and Country Planning Association)

71 Land Promoters and Developers Federation (LVC065), para 28

72 Q32 (Steve Akehurst, Shelter)

73 Royal Town Planning Institute (LVC055), para 15

74 Country Land and Business Association (LVC082), para 1.4, and Q9 (Steve Akehurst, Shelter)

75 Local Government Association (LVC059), para 2.4

76 Q81 (Councillor Tett, Local Government Association)

77 Supporting housing delivery through developer contributions, Ministry of Housing, Communities and Local Government, 5 March 2018, para 29

that fewer than 15% of their developments end up in a viability dispute of renegotiation.<sup>78</sup> Nevertheless, a study by the Bureau of Investigative Journalism undertaken in 2013 found that of 82 housing developments in ten cities, just 40% complied with local targets for affordable housing provision.<sup>79</sup> It is important to note, however, that this study was undertaken after the financial crisis when land values dropped considerably, but before local plans were amended to reflect this.

51. Shelter argued that the viability system was “weak due to its negotiable and flexible nature” and that this encouraged developers to overpay for land, overstating their expected contribution to affordable housing in the belief that this could be reduced in subsequent negotiations with the local planning authority.<sup>80</sup> This was also highlighted by the Minister of State for Housing, who told us that the viability process:

[ ... ] might, in the past, have created an incentive to overpay for land on the basis that you have a limit at the top, in terms of the market price for the house that you are producing. Therefore, all the other moving parts have to fit into that overall price. The moving part that is most negotiable, most complex and most likely to be squeezed, given the incentive for the local authority to produce housing, is necessarily the contribution.<sup>81</sup>

The LGA agreed, telling us there were “no disincentives on a developer overpaying for land, which can then impact on their approach to viability, design and quality, and build-out rate”.<sup>82</sup> Professor Henneberry highlighted that one of the key problems with developers building into their bid price an assumption that they will subsequently be able to lower their obligations was that, “the more it happens, the more comparable values, which are used to assess land values, reinforce and build in this assumption that you will deliver fewer affordable homes”.<sup>83</sup>

52. Another important tension in the Section 106 process concerned the transparency of viability assessments. Hugh Ellis told us that Section 106 was regarded with a great deal of suspicion by many communities, for whom it was not clear how money is collected, what it is for, or where it is spent.<sup>84</sup> This was acknowledged in a recent Government consultation into developer contributions, which said: “The proceeds of planning obligations are not clearly communicated to the public. There is also little transparency on how Section 106 planning obligations are negotiated, nor on how they have delivered the necessary infrastructure to support development”.<sup>85</sup>

53. In July 2018, the Government introduced several reforms to the Section 106 viability process through the revised National Planning Policy Framework (NPPF).<sup>86</sup> Much of our evidence was taken in the period between the consultation into the then-draft NPPF in March 2018 and the publication of the finalised NPPF in July, although many of the points we heard remain relevant. The new NPPF requires viability to be tested at the plan-

78 Barratt Developments (LVC022), para 3.10

79 As highlighted in Chartered Institute of Housing (LVC052)

80 Shelter (LVC037), para 3.5.7

81 Q259 (Kit Malthouse MP, Minister of State for Housing)

82 Local Government Association (LVC059), para 3.9

83 Q9 (Professor Henneberry)

84 Q180 (Hugh Ellis, Town and Country Planning Association)

85 Supporting housing delivery through developer contributions, Ministry of Housing, Communities and Local Government, 5 March 2018, para 34

86 National Planning Policy Framework (NPPF), Ministry of Housing, Communities and Local Government, July 2018

making stage, with developers told to set out the levels of affordable housing they intend to build at an early stage, reducing their ability to negotiate this down later in the process. The Minister of State for Housing told us that the assumption during viability negotiation processes should broadly be towards developers meeting their affordable housing and infrastructure obligations as set out in the local plan.<sup>87</sup> The Government also now requires that viability assessments be made public. These are changes that this Committee has repeatedly called for in the past, including in our 2014 report into the operation of the NPPF, in which we recommended:

[ ... ] that the Government issue guidance [which should] state that assessments should be transparent, that is ‘open-book’, so that the developers’ finances in relation to the specific site are open to scrutiny, and consider developers’ own projections for future viability. In addition, the Government should work with local authorities and the house building industry to agree the wording of new guidance setting out a standard approach to determining viability.<sup>88</sup>

54. It is clear that there has been much support for the changes made to the viability process in the revised NPPF. The LGA said it was “encouraging to see moves towards greater transparency in the planning system, and measures that try to resolve the challenges in negotiating the number of affordable homes through the viability process”.<sup>89</sup> Shelter praised the new NPPF as being “much better” than the previous version and “far more transparent”, although they said there was “much more to do”, especially around the definitions of ‘affordable housing’.<sup>90</sup> Shelter noted that the new Planning Practice Guidance now required that the price paid for land must account for the affordable housing policies of local authorities, with the following phrase being used repeatedly in the new guidance: “Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan”.<sup>91</sup> This was also a point emphasised by Simon Gallagher, Director of Planning at the Ministry of Housing, Communities and Local Government, who told us he was “particularly pleased” this sentence had been included and that it would “give the local authority more tools in these conversations”.<sup>92</sup>

55. Lichfields, a planning and development consultancy, described the reforms to the viability assessment process as “ambitious”, arguing that the practical impacts of these reforms ought to be tested and monitored over a longer period of time to understand whether Government has struck the right balance.<sup>93</sup> The Minister of State for Housing told us that the Government would indeed continue to monitor the changes made to the viability process, telling us the Ministry was “constantly testing and monitoring all the changes that are going through.”<sup>94</sup>

56. In addition to these formal policy changes, we also heard that the recent judgement in *Parkhurst Road Ltd v Secretary of State for Communities And Local Government*

87 Q268 (Kit Malthouse MP, Minister of State for Housing)

88 Fourth Report - Operation of the National Planning Policy Framework, 2014–15, Communities and Local Government Committee, para 67

89 LGA responds to government announcement on changes to national planning policy framework, Local Government Association, 24 July 2018

90 We closed the viability loophole, Shelter, 25 July 2018

91 Viability, Guidance, Ministry of Housing, Communities and Local Government, 24 July 2018

92 Q268 (Simon Gallagher, Ministry of Housing, Communities and Local Government)

93 Revised NPPF: a new beginning at the end of a long and winding road?, Lichfields, Giorgio Wetzl, 25 July 2018

94 Q261 (Kit Malthouse MP, Minister of State for Housing)

clarified important powers for local authorities within the viability process. In 2013, Parkhurst Road Ltd bought a 0.58 hectare former-Territorial Army site in Islington and sought planning permission for a scheme of 112 homes, of which just 16 would have been affordable.<sup>95</sup> Islington Council refused permission for the scheme, arguing that the developer “failed to demonstrate that the proposed development will provide the maximum reasonable amount of affordable housing”. In April 2018, the High Court agreed with Islington Council, with Mr Justice Holgate ruling that:

I do not accept the appellant’s position that the level of affordable housing provision is not relevant to determining land value, as any notional willing land owner is required to have regard to the requirements of planning policy and obligations in their expectations of land value.<sup>96</sup>

57. Both Philip Barnes, Barratt Developments, and Paul Brocklehurst, (LPDF), highlighted the potential significance of the case in evidence to us.<sup>97</sup> Stephen Ashworth, a planning partner at Dentons, told us this was a “wonderful decision”, which sent a clear message to developers that they could not overpay for a site and expect to get a relief from local plan policies on that basis alone.<sup>98</sup>

### *Local planning authority competence*

58. In order to make use of their Section 106 powers, local planning authorities require the resources and competence to effectively negotiate with developers. However, as highlighted by Professor Henneberry, one of the main problems with the Section 106 process has been the variation in the success of obtaining a share of development value, as a result of local planning authority practice.<sup>99</sup> He noted that, while many authorities were very good at negotiating with developers, others were not. He told us:

There is quite a lot of potential, by simply improving practice across the board with local planning authorities, to get more of the land value capture in gross terms overall, rather than for specific sites, because the good authorities are getting a pretty good land value capture in that regard.<sup>100</sup>

59. This was supported by Councillor Tett from the LGA, who told us that there needed to be “a more level playing field between local authorities and developers”.<sup>101</sup> He said that, due to a lack of resources in local authorities, planning departments were “anaemic by comparison with the very well-staffed departments that developers can put forward”.<sup>102</sup> As well as resources, there is clearly also a need to raise the skills, knowledge and competence

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95 Council wins High Court battle over viability and amount of affordable housing, *Local Government Lawyer*, 30 April 2018

96 *Parkhurst Road Ltd v Secretary of State for Communities And Local Government & Anor* [2018] EWHC 991 (Admin) (27 April 2018), para 48

97 Q142 (Paul Brocklehurst, Land Promoters and Developers Federation) and Q162 (Philip Barnes, Barratt Developments)

98 Q209 (Stephen Ashworth, Dentons)

99 Q9 (Professor Henneberry)

100 Q9 (Professor Henneberry)

101 Q109 (Councillor Tett, Local Government Association)

102 Q109 (Councillor Tett, Local Government Association)

of those planners that are already in post. Developers and landowners were keen for local authorities to be provided with greater resources to negotiate, with Christopher Price from the CLA describing current local government practice as “a bit messy”.<sup>103</sup>

### *Compulsory Purchase Order powers*

60. We discussed whether CPO powers could be used as an effective mechanism to enforce local authority planning requirements, where developers sought to use viability assessments to avoid their obligations. It was proposed that, where developers refused to build the required number of affordable homes, local authorities could use their CPO powers to threaten to, or actually, take that land away from the developer and build the required homes itself.<sup>104</sup> Such powers could provide an additional tool to ensure that developers meet their local planning obligations and form part of wider reforms to the CPO process—proposals for which are addressed in more detail in the next chapter.

61. Paul Brocklehurst from the LPDF told us that he believed recent policy changes and court judgements were anyway moving towards an obligation for developers to meet local policy requirements.<sup>105</sup> He told us he could support greater use of CPO powers to ensure developers met their affordable housing obligations, although he highlighted that many larger sites delivered wider benefits—such as schools and road infrastructure—to offset affordable housing requirements. Similarly, Christopher Price, from the CLA, told us he would be comfortable with this approach, and emphasised the importance of local authorities having a “robust local plan”.

62. However, Barry Denyer-Green, a barrister from Falcon Chambers, argued that the use of CPO powers could be expensive and take up time, with uncertainty as to how the determination of the consideration might work out, and suggested that the use of CPO to enforce planning obligations “does not seem to be very sensible, frankly”.<sup>106</sup> However, Vicky Fowler, a partner at Gowling WLG and Chair of the Compulsory Purchase Association, told us that CPO powers could be used for this purpose, although it would be easier on larger settlements than smaller sites.<sup>107</sup> The Minister of State for Housing agreed that there may be some circumstances in which it would be appropriate for a local authority to compulsorily purchase land where a developer fails to meet its planning obligations, although he emphasised that taking away privately-owned land should always be a last resort:

In compelling cases, CPO may be appropriate. As a Conservative politician, I am naturally nervous about the spot nationalisation of land [ ... ] The ability of the Government to confiscate assets is a problem in a capitalist society, so we have to be careful about that, but I hear what you say. Certainly in my experience and in my area, there are sites where, frustratingly, you would like to see some kind of action, but we would like to see how the current changes to the CPO and to viability bed in before we look at anything more.<sup>108</sup>

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103 Q141 (Christopher Price, Country Land and Business Association)

104 For example, Mr Hollinrake’s question to Philip Barnes, Barratt Developments (Q162)

105 Q165 (Paul Brocklehurst, Land Promoters and Developers Federation)

106 Q234 (Barry Denyer-Green)

107 Q238 (Vicky Fowler)

108 Q266 (Kit Malthouse MP, Minister of State for Housing)

### *Non-negotiable developer contributions*

63. The Community Infrastructure Levy (CIL) review group was established by the Government in November 2015 and chaired by Liz Peace, a former Chief Executive of the British Property Federation. In its final report, published in February 2017, the Review Group made several recommendations for reforms to CIL—which will be referred to later in this chapter—but particularly relevant in this context was its recommendation for a low-level Local Infrastructure Tariff (LIT) which would apply to all developments without exception.<sup>109</sup> It would involve a standard methodology, but also rely on local data to ensure local economic conditions were recognised within the consistency of a national framework. Given ongoing concerns around viability assessments and developers negotiating down local plan requirements, a non-negotiable low-rate tariff—a minimum charge, but additional to revenues raised through Section 106 agreements—has clear attractions. In evidence to our inquiry, Liz Peace explained the rationale for this recommendation:

[ ... ] the principle that everybody should contribute to large pieces of infrastructure was a good one, and that it would be simple and acceptable to set this relatively low level that everybody paid, which the local authority would use for the broader package of big infrastructure measures, not site-specific ones. You would not let the big developments escape; let them negotiate their section 106, because they could do it exceedingly effectively. Out of that, you would get what that specific development needed. It would save a whole lot of time. It seemed you would get the best of both worlds.<sup>110</sup>

Liz Peace told us she was “disappointed” the review group’s recommendation was not accepted.<sup>111</sup> The Minister of State for Housing told us that he had not ruled out introducing LITs in future, but preferred more “incremental change, market assessment and monitoring”, and noted that the implementation of LITs would require primary legislation.<sup>112</sup>

**64. We agree with the witnesses who told us that Section 106 had been successful in generating significant revenue for infrastructure and affordable housing, that its contractual nature helped to ensure delivery, and that it should be retained as part of a wider package of land value capture mechanisms. We believe that the Government has made several important changes through the revised National Planning Policy Framework (NPPF), in particularly around transparency in the viability process—something we have called for repeatedly in the past. It will, however, be important to ensure these changes lead to real improvements and the Government should report to the Committee in 12 months’ time as to the effect of these reforms.**

**65. Further, the recent judgement in *Parkhurst Road Ltd v Secretary of State for Communities And Local Government* should give assurance to local authorities that developers cannot avoid their local plan obligations by claiming that the price they paid for the site means that this would not be viable.**

**66. It is clear that the most successful local planning authorities have well-defined local plans, which set out clear expectations of what is required of developers, and**

109 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 5.1

110 Q25 (Liz Peace)

111 Q26 (Liz Peace)

112 Q272 (Kit Malthouse MP, Minister of State for Housing)

the professionalism and resources to ensure that these obligations are met in practice, resorting to enforcement mechanisms where necessary. Local authorities that expect to raise higher revenues from Section 106 agreements should ensure that they too have agreed local plans that provide clarity and certainty to developers.

67. However, further reforms will be necessary if Section 106 is to provide the infrastructure and affordable housing that this country needs:

- There is clearly an issue around capability in local authority planning departments and it is in the public's interest that this improves. Many local authorities are no match for developers and their lawyers. *The Government should work with the Local Government Association to provide additional resources, training and advice to local planning authorities to ensure that they are able to negotiate robustly with developers and that local authorities are consistently able to contract for the appropriate level of planning obligations.*
- *Local authorities should consider using their existing CPO powers to enforce local plan policies, in particular in relation to affordable housing, where some developers seek to use viability assessments to avoid their obligations.*
- The CIL Review Group recommended that a Local Infrastructure Tariff should be introduced, with a minimum level of developer contributions that cannot be negotiated away through the viability process, while ensuring local market conditions are recognised. This could help to address ongoing concerns around viability assessments and developers negotiating down local plan requirements. *Notwithstanding the changes that have been made to the viability process within the Revised NPPF, the Government should give further consideration to the implementation of a Local Infrastructure Tariff in the future.*

## Community Infrastructure Levy (CIL)

68. The Community Infrastructure Levy (CIL) is a locally-determined, fixed-rate development charge designed to help finance the infrastructure needed to delivery infrastructure to support the development of the affected area.<sup>113</sup> The CIL was brought into force on 6 April 2010 by the *Community Infrastructure Levy Regulations 2010*, made under Section 206 of the *Planning Act 2008*. In contrast to Section 106, which raises revenue for infrastructure associated with specific development, CIL was intended to address the cumulative impact of development in an area. CIL is set in terms of '£ per square metre'—rather than based upon the increase in the value of land, as had been intended for the Planning Gain Supplement—and is not always seen as a land value capture mechanism, although it has the function of raising revenue arising from development gains.

69. Local authorities are able to determine their CIL charges according to local considerations, although these are subject to two rounds of statutory public consultation and review by an Independent Examiner. Variations in charging rates are permitted between areas within the planning authority, as well as by different intended types of

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113 Community Infrastructure Levy, House of Commons Library, Briefing Paper SN03890, February 2014, and Community Infrastructure Levy, Guidance, Ministry of Housing, Communities and Local Government, 12 June 2014

development, which must be set out in a published charging schedule. Local authorities are able to spend CIL revenues on a broad range of infrastructure—including roads, schools, flood defences and health facilities—but must have a published list of priorities for expenditure.

70. As a fixed development charge, CIL was intended to be a fairer, faster, more certain and transparent system of securing developer contributions for local infrastructure than was the case with Section 106 obligations.<sup>114</sup> As the Chair of the CIL Review Group, Liz Peace, told us:

The objectives of CIL were to be a levy, as the name implies—a community infrastructure levy—which would be set by local authorities. It would be very clear, straightforward and simple. Developers who were coming along to do a development would know exactly what they were up for; they could do a quick calculation, write the cheque, and off you go.

Unfortunately, CIL did not turn out to be like that.<sup>115</sup>

71. The CIL Review Group identified several flaws in the operation of the levy. They noted the inconsistent take-up of CIL across the country and that it had not become, as originally envisaged, a universal and ‘fair for all’ approach to developer contributions.<sup>116</sup> Government statistics showed that, as of March 2018, just two-thirds of local authorities were charging CIL or had taken steps towards doing so, predominantly in areas where land values were higher.<sup>117</sup> Liz Peace told us that a large number of local authorities, particularly in the North, had decided not to implement CIL “simply because, they said, it was unviable”, and the cost of collecting it would be more than they would acquire from CIL.<sup>118</sup> Consequently, in those areas that had not introduced the levy, smaller developments that could have afforded to make a contribution to local infrastructure were “getting away without making any contribution”.<sup>119</sup>

72. Further, the CIL Review Group found that CIL has “undoubtedly been undermined by the ongoing introduction of exemptions”.<sup>120</sup> Liz Peace told us that CIL had “become far too complex”, to the extent that the industry which had developed around it had become “a substantial waste of everybody’s time and effort”.<sup>121</sup> She explained that the number of exceptions and exemptions in the scheme had led to several early-adopting local authorities raising 50% less revenue than they had initially anticipated.<sup>122</sup> As highlighted by the GLA and TFL, CIL rates have to be set at a level that ensures the ‘strategic viability’ of development across an area as a whole, taking into account a range of development types, including those that are less viable, which leads to a bias towards setting lower rates.<sup>123</sup> Consequently, as noted by the LGA, “CIL simply does not yield enough money to fund

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114 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 2.2.3

115 Q9 (Liz Peace)

116 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 4.1.3

117 Supporting housing delivery through developer contributions, Ministry of Housing, Communities and Local Government, 5 March 2018, para 25

118 Q13 (Liz Peace)

119 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 4.1.3

120 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 4.1.4

121 Q9 and Q25 (Liz Peace)

122 Q9 (Liz Peace)

123 Greater London Authority & Transport for London (LVC091), para 2.8

vital infrastructure needs”.<sup>124</sup> The complexity was also a concern for developers, including Barratt Developments, who told us that CIL created “inconsistency and confusion”, and could be “quite off-putting to many players”.<sup>125</sup> Several witnesses, including Professors Crook, Whitehead and Henneberry told us that CIL could be made significantly more efficient if the exceptions and exemptions within the CIL system were removed.<sup>126</sup>

73. The Review Group also found that CIL “has not necessarily worked well for larger sites with complex site-specific mitigation requirements”.<sup>127</sup> Liz Peace explained that, while smaller sites were relatively simple to calculate, for “a very, very large development, it was almost impossible to apply the formulaic CIL approach”.<sup>128</sup> Where a new, large development required a new school, for example, developers “did not want to pay that into a pot and wait for the local authority to build you a school in however many years’ time it would be; you wanted the ability to do that on your site in kind”.<sup>129</sup>

74. Liz Peace summarised the recommendations of the Review Group as follows: “if you look at it bluntly, we were recommending that you park CIL and do something different”.<sup>130</sup> The report recommended that the Government introduce a non-negotiable low-rate tariff to apply to all developments—a ‘Local Infrastructure Tariff’, referred to earlier in this chapter—alongside an additional ‘Strategic Infrastructure Tariff’ to fund specific, major infrastructure projects in Combined Authority areas:

We recommend that the Government should replace the Community Infrastructure Levy with a hybrid system of a broad and low level Local Infrastructure Tariff (LIT) and Section 106 for larger developments [ ... ] We recommend that Combined Authorities should be enabled to set up an additional Mayoral-type Strategic Infrastructure Tariff (SIT).<sup>131</sup>

The Review Group argued that this approach would raise more money for infrastructure in aggregate than the current CIL regime and enable the timely delivery of infrastructure for larger sites.<sup>132</sup> We heard much support for the Review Group’s recommendations in evidence, including from Barratt Developments, the British Property Federation, and the LGA.<sup>133</sup>

75. The equivalent of the Strategic Infrastructure Tariff introduced in London in April 2012 to raise funds for the Crossrail project—the Mayoral Community Infrastructure Levy—was highlighted by the CIL Review Group as “an interesting example of how a relatively low level and simple levy applied across a wider economic area has been able to provide a contribution towards the funding for one large identified piece of infrastructure”.<sup>134</sup> Julian Ware, from TFL, told us that the Mayoral CIL was initially targeted to raise £300 million over seven years, but had ultimately raised over £500 million.<sup>135</sup> He highlighted

124 Local Government Association (LVC059), para 3.2

125 Q124 (Philip Barnes, Barratt Developments)

126 Professor Tony Crook CBE, Professor John Henneberry, & Professor Christine Whitehead OBE (LVC053)

127 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 4.1.5

128 Q9 (Liz Peace)

129 Q25 (Liz Peace)

130 Q25 (Liz Peace)

131 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 4.3.6–7

132 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 4.3.8

133 Barratt Developments (LVC022), para 1.1, British Property Federation (LVC044), and Local Government Association (LVC059), para 3.3

134 A new approach to developer contributions: A report by the CIL Review Team, October 2016, para 3.4.7

135 Q56 (Julian Ware, Transport for London)

that a new Mayoral CIL was being prepared to fund between 15% and 20% of the costs of the proposed Crossrail 2 project.<sup>136</sup> John Wachter explained that the GLA had found there were several benefits to identifying single large items of infrastructure that are highly visible, where it is clear to those paying the charge what their money is being spent on.<sup>137</sup> Ian Fletcher, from the British Property Federation, told us that he saw Strategic Infrastructure Tariffs as one of two key new mechanisms for capturing uplifts in land value, and saw no reason why it should not be applicable to other parts of the UK.<sup>138</sup>

76. The 2017 Autumn Budget statement committed the Government to consult further on developer contributions, including CIL—which it subsequently did in March 2018—but made clear they were not inclined to accept the CIL Review Group’s key recommendation for a Local Infrastructure Tariff.<sup>139</sup> Instead, the Government proposed simply to introduce a Strategic Infrastructure Tariff for Combined Authorities and joint committees, where they have strategic planning powers. The LGA told us that the Government had “missed an opportunity” to make CIL a more effective tool for raising funds for infrastructure, while Ian Fletcher told us he was “disappointed” that the Government did not grasp the opportunity to take onboard the recommendations of the Review Group.<sup>140</sup>

**77. If the Community Infrastructure Levy (CIL) is to become an effective mechanism for capturing development value for the provision of local infrastructure, it requires considerable reform, as highlighted by the CIL Review Group. CIL is far too complex and the extensive range of exceptions need to be removed. Importantly, there has to be greater certainty that the infrastructure associated with development is actually delivered at the appropriate time, sometimes in advance of development commencing. It is regrettable that the Government has decided not to implement a Local Infrastructure Tariff, as recommended by the Review Group, which would address some of these concerns. We call on the Government to reconsider its rejection of this proposal.**

78. The Mayoral CIL in London indicates that Strategic Infrastructure Tariffs that are simple, generally accepted and universally-applied could be effective mechanisms for capturing value to fund specific large infrastructure projects. The Government is right to explore how Strategic Infrastructure Tariffs can be extended across the country, and in particular to combined authorities, who may wish to seek advice from the Greater London Authority as to how such schemes can be successfully implemented. *However, the Government should show greater urgency in this respect, given the CIL Review Group made its recommendations nearly two years ago. Care must be taken, however, to ensure that Strategic Infrastructure Tariffs create an additional source of revenue and do not undermine Section 106 receipts. Once a number of Strategic Infrastructure Tariffs are in place, the Government should undertake an assessment to ensure that they have indeed raised additional revenue and not simply diverted money from one pot to another.*

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136 Q59 (Julian Ware, Transport for London)

137 Q92 (John Wachter, Greater London Authority)

138 Q187 (Ian Fletcher, British Property Federation)

139 Autumn Budget 2017: documents, HM Treasury, 22 November 2017, and Supporting housing delivery through developer contributions, Ministry of Housing, Communities and Local Government, 5 March 2018

140 Local Government Association (LVC059), para 3.3, and Q176 (Ian Fletcher, British Property Federation)

## Tax Increment Financing

79. Tax Increment Financing (TIF) permits local authorities to borrow money for infrastructure projects against the anticipated increase in tax receipts resulting from the infrastructure.<sup>141</sup> In the UK, TIFs take the form of increasing the proportion of business rates that are retained by local authorities, which in turn expands the authorities' borrowing capacity. TIFs are not a legal structure in their own right, but are created by altering the destination of business rates revenue in the localities in question. There are two models of TIF in England, summarised by the Government as:

An open structure that lets councils invest and take on the risks alone or one with stronger Government controls that guarantees revenue and disregards the levy or reset processes.<sup>142</sup>

Both options were based upon borrowing against business rates income, and were linked to the Business Rates Retention Scheme, through which half of business rate income is retained by local government collectively and redistributed to local authorities on the basis of a formula decided by central government, allowing local authorities to retain half of the growth in business rates revenue above their baseline funding level. Under the first TIF option, local authorities borrow against their income within the Business Rate Retention Scheme. Under the second option, local authorities borrow against the business rates revenue in specific geographical areas (such as Enterprise Zones) in which they retain 100% of the growth in revenue. These areas are not subject to the levy or reset for a defined period of time. The two options involve borrowing against different elements of retained business rate revenue.

80. TIFs have been widely used in the United States, with Illinois alone having over 900 TIF schemes.<sup>143</sup> It is important to note, however, that the United States has a very different system of property taxation, with these collected locally and retained fully at the State level, making the designation of TIF districts far simpler than is the case in the UK.<sup>144</sup> Consequently, very few TIF schemes have been introduced in England since they were first permitted in 2013: “no more than a handful”, according to the British Property Federation.<sup>145</sup> Three of the City Deals agreed in 2012—Newcastle, Nottingham and Sheffield—included agreement on specified localities in those council areas where business rates would be fully retained locally. A further four projects in Scotland are being managed by the Scottish Government. The most high-profile TIF scheme has been implemented in Battersea, and was described to us by Julian Ware from TFL:

Over a 25 to 30-year period, the new businesses at Battersea will pay additional business rates over and above what the land was worth before. With Government's agreement, that will be captured, paid to the GLA and we will use it to pay down the debt from the project.<sup>146</sup>

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141 Local Government in England: Capital Finance, House of Commons Library, Briefing Paper Number 05797, 27 June 2016, Section 2.1

142 Councils freed from begging bowl put on path to growth, News story, Department of Communities and Local Government, 18 July 2011

143 Q191 (Ian Fletcher, British Property Federation)

144 Joint Planning Law Conference 2010

145 Q195 (Ian Fletcher, British Property Federation)

146 Q57 (Julian Ware, Transport for London)

81. The Royal Town Planning Institute said that, while TIFs have some issues, the possibility should continue to be made available to local authorities as an option for capturing land values.<sup>147</sup> Hugh Ellis, from the Town and Country Planning Association, told us there could be greater potential to use TIFs in high-value areas, such as London or across the Oxford-Milton Keynes-Cambridge corridor, although he expressed his view that it was “definitely a second-order instrument”, and was concerned as to how it would fit into a wider regime of land value capture.<sup>148</sup> Similarly, the Chartered Institute of Housing said that, while TIFs may operate effectively in city regions and may be useful for Combined Authorities, they were likely to be far less useful for smaller authorities.<sup>149</sup>

**82. Tax Increment Financing (TIF) has been used to some effect in Battersea and local authorities should consider how it could be used more extensively to fund infrastructure in enterprise zones. However, if TIFs are to be more widely adopted, the Treasury-approval process will need to be far less complex, while there urgently needs to be greater certainty around the Government’s plans for business rates retention—something this Committee has repeatedly called for.**

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147 Royal Town Planning Institute (LVC055), para 18

148 Q192 (Hugh Ellis, Town and Country Planning Association)

149 Chartered Institute of Housing (LVC052)

### 3 Legislative reforms

83. As outlined in the previous chapter, we have heard significant evidence for how existing taxes and charges could be reformed better to capture uplifts in land value. However, as noted by several witnesses, it is clear that these mechanisms are insufficient on their own to deliver the affordable housing and infrastructure that is needed.<sup>150</sup> In this chapter, we consider changes to existing legislation that could make a significant difference to the ability of local and central government to capture large uplifts in land value.

#### Compulsory Purchase Orders

84. Compulsory purchase is not in itself a form of land value capture, but it is an important tool for local authorities to assemble land to deliver development, regeneration and infrastructure projects in the public interest.<sup>151</sup> Indeed, the Royal Town Planning Institute told us that CPO powers were “crucial to the development of New Towns”.<sup>152</sup>

85. Several changes were made to the CPO regime through the *Housing and Planning Act 2016* and the *Neighbourhood Planning Act 2017*, which the Government anticipated would make “the compulsory purchase process clearer, fairer and faster for all”.<sup>153</sup> Changes included the confirmation timetable for CPOs, the right to request an advance payment of CPO compensation, and clarification of the ‘no-scheme principle’.<sup>154</sup> John Wachter told us that the GLA were supportive of some of the changes made to the CPO process, in particular those relating to the ‘no-scheme’ principle, which could give greater scope to local authorities to capture more of the uplift in land value associated with public sector intervention.<sup>155</sup> However, the LGA called for further reform, and made several recommendations in their written evidence to this inquiry.<sup>156</sup>

86. Councillor Tett told us that many Councils were wary of CPO processes, as they were seen as being “costly, time-consuming and nearly always controversial”.<sup>157</sup> Daryl Phillips, representing the District Councils Network, agreed, telling us that compulsory purchase was “a powerful tool”, but the process was “an administrative nightmare ... and the risk with it is substantial”.<sup>158</sup> He particularly noted the challenge arising from the requirement for CPO submissions to be confirmed by the Secretary of State, and highlighted an example from Hart District Council, which had been waiting four years for the Secretary of State’s permission to issue a CPO on a derelict public house. The LGA recommended that all such decisions should be delegated to the acquiring authority, with the Secretary of State simply retaining the ability to use their recovery powers in exceptional circumstances.<sup>159</sup>

87. Other witnesses, however, expressed their view that CPO processes should be complex. Christopher Price, from the CLA, told us they were “quite rightly, expensive and time consuming”:

150 Greater London Authority & Transport for London (LVC091), para 1.11

151 Ministry of Housing, Communities and Local Government (LVC084), para 19

152 Royal Town Planning Institute (LVC055), para 10

153 Ministry of Housing, Communities and Local Government (LVC084), para 19

154 CPO and compensation: key changes, Public Law Today, 20 April 2018

155 Q106 (John Wachter, Greater London Authority)

156 Local Government Association (LVC059), para 3.4

157 Q97 (Councillor Tett, Local Government Association)

158 Q96 (Daryl Phillips, District Councils Network)

159 Local Government Association (LVC059), para 3.5

Making a compulsory purchase order is a very drastic step to take. It is effectively the state saying that it knows better what to do with your land than you do. I am sure you will have had constituents who from time to time have come to you saying, “My land is being compulsorily purchased,” [ ... ] They will have been traumatised by it. [ ... ] It is not a great thing to do [ ... ] It should not be that easy to go and take people’s land off them.<sup>160</sup>

**88. CPO powers can be important in enabling the development and provision of necessary infrastructure on large sites, particularly where ownership is fragmented. This could facilitate completely new developments, extensions to existing communities, or the build out of large schemes within urban areas. The Government should build on its reforms to the CPO process and consider ways in which the process can be further simplified, to make it faster and less expensive for local authorities, whilst not losing safeguards for those affected. We heard that the requirement for the Secretary of State to confirm CPO submissions causes unnecessary delays. Such decisions should be made locally, including by local authority-led New Town Development Corporations.**

89. Compensation arising from compulsory purchase is currently offered on the basis of financial equivalency for what has been lost. Barry Denyer-Green, a barrister from Falcon Chambers, highlighted the inherent unfairness in this system in circumstances where the financial compensation offered is insufficient to purchase an equivalent property elsewhere.<sup>161</sup> Mr Denyer-Green highlighted the example of a derelict former-mining village near Newcastle, where houses were compulsorily purchased by the local authority at such a low value that it was not possible to find a new home to replace that which had been lost.<sup>162</sup> The National Farmers Union highlighted a similar concern, arguing that a farmer may have land compulsorily purchased which then renders the farming business unviable because of decreased land area size.<sup>163</sup> Mr Denyer-Green called for a new arrangement—as operated in some other countries—in which compensation levels are determined by how much it would cost to relocate an affected person to an equivalent property, not the value of the land acquired.<sup>164</sup>

**90. It is concerning that, in many low-value areas, the financial compensation offered by local authorities or central government for property is not sufficient to purchase an equivalent replacement elsewhere. The Government needs to assess how best to address this inherent unfairness in the CPO system and explore whether, in some circumstances, it may be more appropriate to provide an equivalent replacement for what has been acquired.**

## Hope Value and the Land Compensation Act 1961

91. In June 2018, the Government announced that local authorities would be able to seek the Government’s approval to launch New Town Development Corporations, which will be responsible for delivering the next generation of New Towns and Garden Cities.<sup>165</sup> However, it was highlighted by several witnesses that, despite talk of a new generation

160 Q142 (Christopher Price, Country Land and Business Association)

161 Q248 (Barry Denyer-Green)

162 Q249 (Barry Denyer-Green)

163 National Farmers Union (LVC047), para 3.2.4

164 Q249 (Barry Denyer-Green)

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of New Towns and Garden Cities, these modern Development Corporations would not have the same powers as their predecessors.<sup>166</sup> The first generations of New Towns owed their success to the ability of Development Corporations to acquire land in places where there was little or no expected alternative use, so the prices offered were often equivalent to market value as well as being at, or near to, existing use value. Uplifts in land value were then captured to fund the infrastructure needed for the new developments. This was enabled through the *Town and Country Planning Act 1947*, which nationalised development value. Development Corporations were able to acquire land in this way until the passage of the *Town and Country Planning Act 1959* and the *Land Compensation Act 1961*, which introduced new compensation arrangements for landowners.<sup>167</sup> These arrangements entitled landowners to build the prospect that planning permission may be granted on the land in the future into their valuation. This legislative change therefore required local authorities and Development Corporations to pay more to acquire land for development. A very significant part of the evidence we received focused on calls for reform of the *Land Compensation Act 1961* to remove the right of landowners to this ‘hope value’.

### What is ‘hope value’?

92. The *Land Compensation Act 1961* requires the payment of compensation to landowners taken to be the amount which the land, if sold in the open market by a willing seller, might be expected to realise with this amount to include any justifiable prospect of planning permission being granted on or after date of acquisition for development on the relevant site or on other land. It is this building in of the prospect of some future planning permission that is sometimes referred to as ‘hope value’. Hope value is not restricted to a single planning permission, and the calculation is determined on what can be justified on a case-by-case basis, based on evidence presented by landowners and developers. The calculation of hope value is not a straightforward process, as highlighted by Paul Brocklehurst of the Land Promoters and Developers Federation:

I suspect there are many factors, including timing. At what point do you determine the level of hope value? Is it the hope value before any mention of the land coming forward in a planning process or is it at the point just before adoption of a local plan or at the point of an adoption? The hope value changes during that cycle, but I suspect there are plenty of people who have come up with a formula for trying to calculate it.<sup>168</sup>

93. Hugh Ellis told us that ‘hope value’ was “a fairly extraordinary concept ... a process of being in a fantasy land”, and changes made through the Act were “a brake on the effectiveness of the New Towns”.<sup>169</sup> Others, however, argued that hope value was a perfectly well-established concept, with Christopher Price, from the CLA, expressing the view that, “Hope value is part of the value of any asset”.<sup>170</sup>

166 For example, Shelter (LVC037), para 7.4

167 Centre for Progressive Capitalism (LVC011)

168 Q161 (Paul Brocklehurst, Land Promoters and Developers Federation)

169 Q197 (Hugh Ellis, Town and Country Planning Association)

170 Q142 (Christopher Price, CLA)

### Proposals for reform

94. Given that we did not make specific reference to reform of the *Land Compensation Act 1961* in our call for written evidence for this inquiry, we were struck by the number of submissions that highlighted this issue as being central to any new regime of land value capture. The Chartered Institute of Housing told us that, for New Towns to be successful, local authorities needed the power to acquire land at closer to existing use value, rather than anticipated value from future development.<sup>171</sup> The Royal Town Planning Institute similarly called for changes to the *Land Compensation Act 1961*, to allow local authorities to assemble sites more easily and capture uplifts in land value for the public.<sup>172</sup> We also heard support for reform from local authorities themselves, with the LGA calling for reform of the Act to give:

[ ... ] Councils the ability to acquire land for garden cities, towns and new villages and other large-scale land assembly at closer to existing use value to capture more uplift in land value for infrastructure and community benefits.<sup>173</sup>

95. Shelter told us that the *Land Compensation Act 1961* was “fundamentally an outdated piece of legislation” which had the effect of “distorting land prices [and] ensured that development simply cannot meet communities’ needs in most circumstances”.<sup>174</sup> The Centre for Progressive Capitalism—which said the Act was “the reason for our dysfunctional land market”—called for two specific amendments:

[ ... ] to amend section 14 of the 1961 Act so that: No account is taken of any prospective planning permission in land designated by local authorities or city regions for infrastructure including housing. In addition, the Centre proposes to amend section 17 of the Act so that: Certificates of appropriate alternative development would cease to apply in those areas designated by local authorities or city regions for development.<sup>175</sup>

96. There have been growing calls for reform beyond our inquiry. We note the open letter signed by 16 organisations—including Shelter, Civitas, the National Landlords Association and the National Housing Federation—and published in August 2018, which called for the greater sharing of land value with communities, arguing:

Most importantly, they should reform the 1961 Land Compensation Act to clarify that local authorities should be able to compulsorily purchase land at fair market value that does not include prospective planning permission, rather than speculative “hope” value.<sup>176</sup>

The IPPR also called for reform of the *Land Compensation Act 1961*, arguing in a report published in August 2018, that the Government should reform compulsory purchase laws to allow local authorities to acquire land “at a fair value”:

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171 Chartered Institute of Housing (LVC052)

172 Royal Town Planning Institute (LVC055), para 20

173 Local Government Association (LVC059), para 3.5, and Q98 (Councillor Tett, LGA)

174 Shelter (LVC092)

175 Centre for Progressive Capitalism (LVC011)

176 Sharing land value with communities: An open letter, Onward, 20 August 2018

To achieve this the 1961 Land Compensation Act should be amended to remove speculative ‘hope’ value based on prospective future planning permissions. The landowner could still expect to receive a return on their investment, which provides them with an incentive to bring forward their land.<sup>177</sup>

97. Shelter argued that re-establishing the right of the State to purchase land compulsorily without an element of hope value did not necessarily mean that this power should be used routinely. Instead it should serve as “a credible threat ... as a last resort, as a backstop” so that landowners are incentivised to sell their land at a fairer value, as opposed to “holding out for the wildest possible value based on the wildest possible calculation of what they could possibly get in future”.<sup>178</sup> Similarly, the Chartered Institute of Housing expressed their view that these powers would “incentivise landowners to release land for development in advance of any application of the compulsory purchase”.<sup>179</sup> This was supported by Daniel Bentley and Tom Aubrey, who told us they envisaged a system in which a fair market value would continue to be paid by the State, but one which took into consideration local policy constraints, such as for infrastructure and affordable housing. This proposal is similar to the model that the Committee heard about during its visit to Germany and the Netherlands, where land can be acquired by local municipalities at a market value that offsets the cost of providing the infrastructure and services associated with making a development viable, as determined by an independent expert panel.<sup>180</sup>

98. Others, such as the Town and Country Planning Association, told us that a new system of land value capture should be based around:

The greater use of development corporations to deliver large sites based on their ability to buy or compulsory purchase (CP) land without the application of speculative hope values. Instead landowner should be paid a flat rate of compensation based on current use values (CUV) plus a percentage of consented use value.<sup>181</sup>

### **Opposition to reform**

99. We also heard significant opposition to reform of the *Land Compensation Act 1961*, particularly from landowners and developers. The CLA told us that any reform that would remove the right to the hope value of land would be “unfair” on the owners of the land:

It is being suggested that the Act be amended to remove the entitlement to hope value in the event of a compulsory acquisition. This is iniquitous. The effect would be to deprive the seller of an element of value that he would expect to receive if the sale was through the open market purely because the sale is compulsory. There is no justification for such as distinction.<sup>182</sup>

177 The invisible land: The hidden force driving the UK’s unequal economy and broken housing market, IPPR, 28 August 2018, page 7

178 Q32 and Q36 (Steve Akehurst, Shelter) and Shelter (LVC092)

179 Chartered Institute of Housing (LVC052)

180 Daniel Bentley and Thomas Aubrey (LVC096)

181 Town and Country Planning Association (LVC073), para 2.11

182 Country Land and Business Association (LVC082), para 1.19, and Q148 (Christopher Price, CLA)

This was supported by Ian Fletcher, representing the British Property Federation, who said, “You cannot really argue that taking all the hope value is proportional”, and opposed reform of the *Land Compensation Act 1961*, arguing that it was contrary to “a British sense of fair play in terms of ensuring that landholders are properly compensated for their land”.<sup>183</sup> The Minister of State for Housing told us there was “a different political environment” today, which made the land acquisition models of earlier generations of New Towns less acceptable in the modern context.<sup>184</sup> He told us that, instead, the public sector should be required to pay landowners whatever might be achieved on the open market for their land:

All of this debate hinges on what market value means and, if an individual is selling land voluntarily and the market perceives that there is future benefit likely to accrue to that land, it will pay more than the current use cost. That seems to me a good basis on which to start a valuation. If you have a willing buyer and a willing seller, what price will they realistically settle on as it stands? For the Government to seek to take that land at a discount to that situation might create difficulties.<sup>185</sup>

### Human Rights

100. Several opponents of reform argued that removing the right of landowners to hope value would be contrary to the European Convention on Human Rights and therefore require changes to the *Human Rights Act 1998*. For example, Barratt Developments expressed their view that, “Many commentators simply ignore both the Human Rights Act and the role of the plan led system when putting forward ideas on land value capture”.<sup>186</sup> They quoted a Government factsheet on Compulsory Purchase, which said: “Compensating owners at less than market value is inherently unfair and is unlikely to be compatible with the European Convention on Human Rights”.<sup>187</sup> The Minister of State for Housing also highlighted human rights concerns, telling us that, when many of the New Towns were built, “We were certainly in a different legal environment in terms of the human rights aspects of whether the Government can just steam in and say, “I am taking your land”.<sup>188</sup> However, we note that the European Convention on Human Rights was adopted in 1950 and entered into force in 1953, which clearly covered the period in which land was acquired for the construction of the New Towns.

101. Further Government guidance, published in February 2018, also requires local authorities to ensure they followed international human rights law when making compulsorily purchasing land:

An acquiring authority should be sure that the purposes for which the compulsory purchase order is made justify interfering with the human rights of those with an interest in the land affected. Particular consideration

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183 Q196, Q200 and Q205 (Ian Fletcher, British Property Federation)

184 Q291 (Kit Malthouse MP, Minister of State for Housing)

185 Q282 (Kit Malthouse MP, Minister of State for Housing)

186 Barratt Developments (LVC022), para 3.7

187 Factsheet: Compulsory Purchase (clauses 14–36), Department for Communities and Local Government, January 2017

188 Q291 (Kit Malthouse MP, Minister of State for Housing)

should be given to the provisions of Article 1 of the First Protocol to the European Convention on Human Rights and, in the case of a dwelling, Article 8 of the Convention.<sup>189</sup>

Article 8 of the European Convention on Human Rights (ECHR) requires respect for private and family life, and that there be “no interference by public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of [ ... ] or the economic well-being of the country [ ... ]”.<sup>190</sup> Article 1 of the First Protocol of the ECHR concerns the protection of property, but is caveated by saying this “shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions.”<sup>191</sup>

102. Barry Denyer-Green, a barrister from Falcon Chambers, told us that if the State wished to acquire land excluding hope value, it needed to satisfy two tests to comply with the ECHR: a public interest test and a proportionality test.<sup>192</sup> He explained that the public interest test could be served by paying less than financial equivalency, noting two examples where Parliament had enacted legislation in the past: the *Leasehold Reform Act 1967*, under which tenants of long-lease houses are able to expropriate the freehold without paying market value; and the *Planning (Listed Buildings and Conservation Areas) Act 1990*, which allows the Secretary of State to purchase a listed building compulsorily without regard to hope value, where the owner has allowed it to deteriorate.<sup>193</sup> Mr Denyer-Green told us that, the greater the discrepancy between the full market value (including hope value) and the price the State is willing to pay, “the more you have to justify a good public interest reason why you are not paying financial equivalency”.<sup>194</sup>

103. Several proponents of reform to the *Land Compensation Act 1961* expressed their view that the removal of hope value would not contravene the ECHR. The Town and Country Planning Association told us that, “As a matter of basic reasonableness it would seem hard for landowners to bring a successful Human Rights Act challenge to justify hope value if that value was not, and had never been, in possession of the landowner”.<sup>195</sup> Daniel Bentley and Thomas Aubrey explained that their proposal was “not for the state to buy land at *less than market value* at all”, but to remove consideration of prospective planning permission from compensation payments, the effect being to reduce the market value of land, not pay less than the market value.<sup>196</sup>

104. Many witnesses pointed to the experience in Germany and the Netherlands to argue that other signatories to the ECHR were able to purchase land without attributing hope value. For example, Steve Akehurst from Shelter told us, “Demonstrably, other countries do this, and they are signatories to the same human rights law”, arguing that concerns around human rights were “a bit of a red herring, in our view”.<sup>197</sup> Similarly, the Royal

189 Guidance on Compulsory purchase process and The Criche Down Rules, Ministry of Housing, Communities and Local Government, February 2018

190 European Convention on Human Rights

191 Protocol No. 1 to the Convention, European Convention on Human Rights

192 Q225 (Barry Denyer-Green)

193 Q225 (Barry Denyer-Green)

194 Q225 (Barry Denyer-Green)

195 Town and Country Planning Association (LVC073), para 2.12

196 Daniel Bentley and Thomas Aubrey (LVC096)

197 Q43-Q45 (Steve Akehurst, Shelter)

Town Planning Institute expressed their view that, “since CPO at close to existing use value is standard practice in several European countries, it is likely this objection is not insurmountable.”<sup>198</sup>

105. However, during the Committee’s visit to Freiburg, Germany, and Amsterdam, the Netherlands, we heard that local municipalities did not acquire land at existing use value or at full market value, but instead had the power to acquire land at a value that offset the cost of providing the infrastructure and services associated with making a development viable. The value paid to landowners was determined by an independent expert panel and became legally binding on both parties. This allowed the local municipalities to capture part of the increase in value of the land to provide the infrastructure and services required for the development. Dutch and German officials told us that these powers had been tested in their courts and were not deemed to violate the European Convention on Human Rights.

106. However, others argued that the law in Germany and the Netherlands did not exclude hope value, with Barry Denyer-Green telling us that, “This is not my understanding of the legislation, or rather the application of their legislation” and that, in practice, these countries purchased land “before value is attributed to hope”.<sup>199</sup> Others cautioned against making international comparisons, generally. Liz Peace told us she would “always add a caution when doing international comparisons about taking any single tax or quasi-tax in isolation. You have to really look at its position in the whole taxation plan for that country”. Similarly, Paul Broklehurst of the LPDF argued that other European countries did not have the same cultural barriers associated with CPOs and hope value as in the UK:

[ ... ] one comment I would make is that the Netherlands and Germany have a lesser cultural affiliation with the principle of private property ownership. A lot of residential properties are rented [ ... ] Some of the reason why we might have our CPO laws is driven by our cultural affiliation with the right to private property ownership and to get adequately compensated if somebody is trying to take that off you.<sup>200</sup>

### *Alternative approaches to reducing compensation*

107. We also heard arguments that reform of the *Land Compensation Act 1961* was unnecessary, that local authorities already had sufficient powers to significantly reduce hope value. For example, Stephen Ashworth, a planning partner at Dentons, told us that an effective use of existing planning policies—a well-defined local plan with clear objectives and requirements, and a more strategic use of the CIL—could be an equally effective way to “drive down land value to such an extent that there is previous little hope value left”:

There should be a far more inventive use of CIL for those purposes. Look at what Wokingham has done, for example, in its urban extensions and new settlements. It has a CIL rate of £350 per square metre for properties, and that works; it drives down land prices [ ... ] Impose a CIL around that area of new town, do it at £500 a square foot and you know what? The land value is going to be down pretty close to agricultural values. You have

198 Royal Town Planning Institute (LV055), para 38

199 Q226 (Barry Denyer-Green)

200 Q152-Q153 (Paul Brocklehurst, Land Promoters and Developers Federation)

the capacity, as planning authority and charging authority, to change the market value, so why not do it locally instead of waiting for Parliament to change the compensation grid?<sup>201</sup>

108. Further, several witnesses argued that changes brought forward through the *Neighbourhood Planning Act 2017* gave greater scope for local authorities to capture more of the uplift in land value through the ‘no scheme’ principle, which based compensation on the open market value of land acquired, in the absence of the scheme underlying the CPO.<sup>202</sup> The *Neighbourhood Planning Act 2017* says:

The no-scheme principle is the principle that—any increase in the value of land caused by the scheme for which the authority acquires the land, or by the prospect of that scheme, is to be disregarded [ ... ]<sup>203</sup>

Indeed, the Minister of State for Housing told us that he did not think it would be necessary to reform the *Land Compensation Act 1961* due to the ‘no-scheme’ principles within the *Neighbourhood Planning Act 2017*:

We have moved now to a situation where compensation is based on a pre-scheme. We are essentially trying to maintain a situation where you are compensated for your land on the same basis as if you have sold it voluntarily, but not necessarily with the benefit of the scheme that the local authority is sponsoring and putting in. That seems to me to be a sensible balance, so we will see where we get to on that [ ... ]

Having the no-scheme rules come in gets us to that position. If the plan is to compulsorily acquire some land because the local authority is or the Government are putting in a junction on the motorway that makes it viable, it is acquired at a price that is pre that junction, so as if the junction did not exist. Those are the changes that went through at the end of last year.<sup>204</sup>

109. However, others argued that the ‘no-scheme’ principle did not reduce land values sufficiently. Shelter told us that this approach was “unlikely to dramatically impact land values or on the amount of value captured for betterment”, arguing that “market distortions inherent in the legal framework will continue to obscure the true market value of sites”.<sup>205</sup> Professor Henneberry explained that the extent to which the ‘no-scheme’ principle would reduce value “very much depends on the circumstances”.<sup>206</sup> For land in the middle of the countryside, which would not otherwise receive planning permission for housing, the entire development value could be attributed to the scheme. However, he highlighted that most work was undertaken within constrained urban areas—such as town extensions and redevelopments—where the hope value was much higher.

**110. A well-defined local plan with clear objectives and requirements for which the developer must pay, would inherently be reflected in, and could create, lower market**

201 Q228 (Stephen Ashworth, Dentons)

202 Ministry of Housing, Communities and Local Government (LVC084), para 21

203 Neighbourhood Planning Act 2017, Section 32

204 Q280 and Q285 (Kit Malthouse MP, Minister of State for Housing)

205 Shelter (LVC092)

206 Q41-Q42 (Professor Henneberry)

land values. There is already much that can be done to capture land value increases arising from planned development and infrastructure provision. This reinforces the urgent need for local planning authorities to agree up-to-date local plans.

111. In addition, we believe that the Land Compensation Act 1961 requires reform so that local authorities have the power to compulsorily purchase land at a fairer price. The present right of landowners to receive ‘hope value’—a value reflective of speculative future planning permissions—serves to distort land prices, encourage land speculation, and reduce revenues for affordable housing, infrastructure and local services. We do not believe that such an approach would be incompatible with human rights legislation, as there would be a clear public interest and proportionality case to make this change.

112. We believe that increases in the value of privately-owned land arising from public policy decisions should be shared with the local community. The compensation paid to landowners should, therefore, reflect the costs of providing the affordable housing, infrastructure and services that would make a development viable, as well as capturing a proportion of the profit the landowner will have made. The value paid to landowners should be determined by an independent expert panel and be binding on all parties. On land acquired by the public sector, this would allow local authorities to capture the remaining value to provide the infrastructure and services made necessary by development, as well as additional revenue for other local priorities. It would also serve to lower land prices traded within the private sector, ensuring that developers are able to meet their local plan obligations in full.

113. The first generation of New Towns owed much of their success to the ability of Development Corporations to acquire land at, or near to, existing use value and capture uplifts in land value from the infrastructure they developed and subsequent economic activity to reinvest in the local community. Reform of the Land Compensation Act 1961, alongside the enhanced CPO and land assembly powers that we recommend, will provide a powerful tool for local authorities to build a new generation of New Towns, as well as extensions to, or significant developments within, existing settlements. This is a model that has worked well in the past and would lead to a significant, and much-needed, catalyst for housebuilding.

## 4 Alternative approaches to land value capture

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114. As reflected in the structure of this report, the vast majority of the evidence we received during this inquiry focused on changes to existing approaches to land value capture and reforms to existing legislation. However, we did hear some suggestions for more innovative approaches to capturing uplifts in land value, which may be appropriate for central government and local authorities to consider in further detail. This chapter, therefore, briefly highlights some of these approaches and recommends that councils be given greater flexibility to trial these and others, as they consider appropriate, to fund infrastructure and affordable housing in their communities.

### Development Rights Auction Model

115. TFL and the GLA told us they had considered the introduction of a Development Rights Auction Model for zones with high development potential, explaining the principle of such a scheme:

The model requires the preparation of an integrated zonal development plan for zones of influence around new station locations on a new rail project. The auctioning authority, which would have powers to assemble land and grant planning permissions, would coordinate land pooling and auctioning of developable plots. It is expected that as a result of new transport investment and coordinated master-planning, the value of the pooled land would be higher than the value of individual land holdings before assembly. The auction proceeds, above a set reserve price, would then be shared between the landowners and the auctioning authority, which would use its share to fund transport investment.<sup>207</sup>

Julian Ware explained that, while this approach had attracted some initial interest from the Government and the Mayor, further work by the GLA and TFL found that this model was unlikely to work in London or be an effective way to pay for transport projects there.<sup>208</sup> However, there may be some scope for this model to be applied in other regions.

### Publicly-owned land

116. As we learned during our visit to Germany and the Netherlands in September, much of the success of the high-profile developments in Freiburg and Amsterdam rested on the fact that a substantial proportion of the land was already owned by the public sector. The local municipalities were able to capture increases in the value of the land by selling, or leasing, sites to developers, and using the profits to reinvest in the infrastructure and public services made necessary by the planned developments. In the Vauban district of Freiburg, for example, we heard that the land value that was captured by the local municipality covered almost the entire €95 million cost of providing infrastructure (including a school, streets and public transit) to the 34-hectare site. Ownership of the

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207 Greater London Authority & Transport for London (LVC091), para 3.11

208 Q67 (Julian Ware, Transport for London)

land also gave Freiburg and Amsterdam significant control over the types of housing to be constructed by developers, allowing them to require a certain proportion of affordable or social housing.

117. Of particular interest, we heard that the City of Amsterdam had recently introduced incentives to require developers to build sites within an agreed timeframe. Developers were required to pay for an option to develop on publicly-owned land, but if they failed to do so within an agreed time, they would lose forfeit both their fee and their right to develop the land. The Minister of State for Housing told us that he expected that similar agreements were already used for publicly-owned land in the UK:

Certainly when you look at sites that involve Homes England, it will be doing exactly that. There will be a performance basis on that. There is a model emerging now, certainly in large-scale residential development—I have one in my constituency—of the notion of a master developer, which is effectively appointed by the local authority on a local site. They have sub-developers that are given portions of the large site to develop and they are given more dependent on performance. For the one in my constituency, there is probably 10 years of work there. The idea is that you have 10 years of work as long as you perform on each site that you are given. If you do not, they will find somebody else.<sup>209</sup>

**118. The Government owns tens of thousands of acres of land across the UK and so there is much that can be learned from Germany and the Netherlands with regard to capturing increases in value from publicly-owned land. *The Government should reflect on the experience of Freiburg and Amsterdam to ensure that, where public land is put forward for residential development, the maximum value is captured for new infrastructure and public services. This may not always equate to selling public land to the highest bidder, but instead on the basis of the proposed levels of affordable housing or commitment to providing the necessary infrastructure.***

**119. The compulsory purchase reforms we have recommended in this report would give greater powers to local authorities to assemble land and, in so doing, achieve a higher level of control over developments in their areas. As we saw in the Netherlands, on publicly-owned land local authorities would have greater power to introduce incentives to require developers to build sites within an agreed timeframe, through the use of options to develop and forfeitable fees. Public ownership of land for residential development would likely lead to greater developer cooperation, higher levels of affordable housing and faster build-out rates than it is currently possible to achieve through the existing planning system.**

## Taxation on landowners

120. The Royal Town Planning Institute argued that a key problem with the current system of contributions is that they are paid for by developers rather than landowners, who are the primary beneficiaries of land value uplifts. They called for a new system of development taxation to be levied on landowners.

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209 Q289 (Kit Malthouse MP, Minister of State for Housing)

Taxing landowners directly would have the added benefit of avoiding viability negotiations around planning obligations, since uplift would be captured at the point of sale to the developer [ ... ] The taxable amount would be everything above the existing use sales price as determined by a transparent existing land use evaluation.

They suggested that the tax level could be based on what was needed to encourage release of land and argued that this would vary depending on the land use, with residential use taxed at a higher rate than industrial use.<sup>210</sup>

121. Taxation of landowners at the point of development is, however, complicated by the operation of the land options market. A land option is a contractual agreement between a developer and a landowner, which gives the developer the exclusive right to purchase the land at some point in the future. Typically, under option agreements, landowners agree to sell to a particular developer at a discount, typically around 80% or 85% of market value. The discount reflects the fact that the developer can incur substantial costs in obtaining planning permission. But this also distorts the true value of the land, a point made by Daryl Philips of the District Councils' Network.<sup>211</sup> In the context of looking at new forms of taxation on landowners, it would be important to carefully consider the point at which this should be imposed and that it takes into account the full value of the land.

### Taxation of existing developments

122. This inquiry has focused on mechanisms for capturing the increases in land value on new developments that arise from the granting of planning permission. However, it was noted by several witnesses that some of the most significant increases in land value are to be found within existing developments. For example, Professors Crook, Henneberry and Whitehead told us that, "Perhaps the most important point to be made here is that restricting land value capture to new development is a major limitation which affects economic efficiency and equity as well as revenue raising capacity".<sup>212</sup>

123. Julian Ware highlighted that, in London, it was estimated that, of the anticipated £87 billion uplift in land values arising from eight prospective transport infrastructure projects—including Crossrail 2—approximately 65% was likely to go to the existing residential market.<sup>213</sup> While there were mechanisms to capture some of this additional value on existing commercial properties, including through business rates, there are no land value capture mechanisms for existing residential properties.<sup>214</sup> The GLA and TFL therefore proposed two mechanisms to achieve this: the zonal assignment of Stamp Duty Land Tax, with a framework for calculating and assigning transport-specific uplift; and a Transport Premium Charge, where a proportion of the land value increase associated with a transport infrastructure scheme is paid at the point of sale of a property.<sup>215</sup> However, the

210 Royal Town Planning Institute (LVC055), para 24

211 Q90 (Daryl Philips, District Councils Network)

212 Professor Tony Crook, Professor John Henneberry, & Professor Christine Whitehead (LVC053)

213 Q55 (Julian Ware, Transport for London)

214 Greater London Authority & Transport for London (LVC091), para 2.20

215 Greater London Authority & Transport for London (LVC091), para 3.6–3.9

GLA and TFL acknowledged that such mechanisms would be “extraordinarily difficult” and their design would need to be “seen as fair and proportionate to the value uplift enjoyed by the land and property owners”.<sup>216</sup>

124. Others, including the Royal Town Planning Institute, noted that primary residences are currently wholly exempt from Capital Gains Tax despite significant increases in house values in recent decades, and that reform of this tax could lead to a significant increase in revenue.<sup>217</sup> Similarly, the Town and Country Planning Association called for, “The restoration of a modest element of betterment taxation as part of capital gains tax which should be directed towards regeneration in low demand areas.”<sup>218</sup>

### **Land Value Taxation**

125. An annual tax on land values—updated regularly to include price increases associated with infrastructure and development—was highlighted in several written submissions as one potential mechanism to comprehensively capture uplifts in land values on existing properties.<sup>219</sup> There is a very substantial body of evidence for and against the introduction of a Land Value Tax, although we felt that this issue was outside the scope of our inquiry. However, we note that Taxpayers Against Poverty told us that a Land Value Tax could be a “secure, progressive source of revenue”, which could “gradually replace inefficient and regressive taxes like council tax, business rates and stamp duty”, while the Royal Town Planning Institute expressed their view that it could counteract speculation, promote development and reduce land prices.<sup>220</sup>

126. Others, however, told us that a Land Value Tax would be “completely impractical”, with Barratt Developments highlighting that significant resources would be required to maintain an up-to-date value for every plot of land, that the current planning system inhibits the ability of landowners to make more productive use of their land, and that it was unlikely to raise significantly higher revenues without large tax increases for some landowners, “especially homeowners in the South with gardens”.<sup>221</sup>

***127. Given cross-party support for new approaches to land value capture, the Government should be flexible and support individual local authorities in piloting some of the more innovative approaches to land value capture that have been suggested during our inquiry and elsewhere. A programme of innovative pilots would allow local authorities to tailor approaches to their local circumstances and provide useful evidence as to which methods of land value capture are most effective.***

**128. A truly efficient and equitable system of land value capture should not focus solely on new developments, but should also address how existing properties benefit from development and particularly from public investments in local infrastructure. The Government should commission a cross-departmental project to consider how this wider goal might be achieved and report back to this Committee within 12 months.**

216 Q60-Q62 (Julian Ware, Transport for London) and Greater London Authority & Transport for London (LVC091), para 3.9

217 Royal Town Planning Institute (LVC055), para 30

218 Town and Country Planning Association (LVC073), para 2.11

219 For example, Professor Tony Crook, Professor John Henneberry, & Professor Christine Whitehead (LVC053)

220 Taxpayers Against Poverty (LVC015), para 6, and Royal Town Planning Institute (LVC055), para 26

221 Barratt Developments (LVC022), para 3.24

# Conclusions and recommendations

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## Principles of land value capture

1. We acknowledge that land values increase for several reasons, but have focused our work on the significant increases that arise from the granting of planning permission by local planning authorities and from public investment in infrastructure. Such increases can be substantial and, given that these are significantly created by the powers of the state, it is fair that a significant proportion of this uplift be available to the state with the potential to invest in new infrastructure and public services. (Paragraph 22)
2. In our view, there are four distinct categories of property taxes and charges—only some of which are relevant in the context of the land value capture debate:
  - First, there are charges that relate to raising revenues for essential infrastructure arising from new developments, primarily Section 106 agreements and the Community Infrastructure Levy (CIL).
  - Second, there are taxes that are levied on assets and businesses, such as Corporation Tax, which do not capture land value increases.
  - Third, there are mechanisms such as Capital Gains Tax, Business Rates and Stamp Duty Land Tax, which are not specifically designed to capture land value increases but will have this effect in practice.
  - Finally, there are taxes and charges designed specifically to capture increases in land value arising from the granting of planning permission, of which there are currently none with this explicit purpose, although affordable housing requirements through Section 106 agreements do have the function of capturing land value for the public benefit.

The Government and other stakeholders should not confuse these different approaches when developing policy in this area. Land value capture mechanisms should create value for the public purse in addition to generating revenue for infrastructure made necessary by the granting of planning permission. (Paragraph 25)

3. Estimates of mean average increases in land value arising from the granting of planning permission are not particularly helpful, given the considerable variation in uplifts dependent upon location and previous land use. Approximations of the proportion of the land value increase retained by the landowner also vary widely, with no agreed methodology for this calculation. (Paragraph 29)
4. Where estimates have been made, these suggest that landowners currently retain around 50% of the increase in land value arising from the granting of planning permission. Much of the captured value, however, is what is necessary to provide the infrastructure and services made necessary by development, with additional value to deliver affordable houses. Our view is that there is scope for central and local

government to claim a greater proportion of land value increases through reforms to existing taxes and charges, improvements to compulsory purchase powers, or through new mechanisms of land value capture. (Paragraph 30)

5. For decades, governments have sought to capture increases in land value, but with limited success. When considering new mechanisms for land value capture, it is vital that we learn the right lessons from the past. It is clear that any new approach should have cross-party support, with the intention of being retained for the long-term and should be simple to administer, without complicated exceptions or viability processes. It will also need to allocate land value increases fairly between central government, local authorities and landowners, without undermining incentives to sell or risk holding up the development process. Consideration should also be given to a mechanism for the redistribution of revenues between high and low-value areas. Where new land value capture mechanisms reduce incentives for landowners to participate in the development process, local authorities will require effective CPO powers to ensure that communities continue to benefit from developments in their areas. (Paragraph 43)

### Improving existing mechanisms

6. We agree with the witnesses who told us that Section 106 had been successful in generating significant revenue for infrastructure and affordable housing, that its contractual nature helped to ensure delivery, and that it should be retained as part of a wider package of land value capture mechanisms. We believe that the Government has made several important changes through the revised National Planning Policy Framework (NPPF), in particularly around transparency in the viability process—something we have called for repeatedly in the past. It will, however, be important to ensure these changes lead to real improvements and the Government should report to the Committee in 12 months' time as to the effect of these reforms. (Paragraph 64)
7. Further, the recent judgement in *Parkhurst Road Ltd v Secretary of State for Communities And Local Government* should give assurance to local authorities that developers cannot avoid their local plan obligations by claiming that the price they paid for the site means that this would not be viable. (Paragraph 65)
8. It is clear that the most successful local planning authorities have well-defined local plans, which set out clear expectations of what is required of developers, and the professionalism and resources to ensure that these obligations are met in practice, resorting to enforcement mechanisms where necessary. Local authorities that expect to raise higher revenues from Section 106 agreements should ensure that they too have agreed local plans that provide clarity and certainty to developers. (Paragraph 66)
9. However, further reforms will be necessary if Section 106 is to provide the infrastructure and affordable housing that this country needs: (Paragraph 67)
  - There is clearly an issue around capability in local authority planning departments and it is in the public's interest that this improves. Many local authorities are no match for developers and their lawyers. *The Government should work with the Local Government Association to provide additional resources, training and*

*advice to local planning authorities to ensure that they are able to negotiate robustly with developers and that local authorities are consistently able to contract for the appropriate level of planning obligations.*

- *Local authorities should consider using their existing CPO powers to enforce local plan policies, in particular in relation to affordable housing, where some developers seek to use viability assessments to avoid their obligations.*
  - *The CIL Review Group recommended that a Local Infrastructure Tariff should be introduced, with a minimum level of developer contributions that cannot be negotiated away through the viability process, while ensuring local market conditions are recognised. This could help to address ongoing concerns around viability assessments and developers negotiating down local plan requirements. Notwithstanding the changes that have been made to the viability process within the Revised NPPF, the Government should give further consideration to the implementation of a Local Infrastructure Tariff in the future. (Paragraph 67)*
10. If the Community Infrastructure Levy (CIL) is to become an effective mechanism for capturing development value for the provision of local infrastructure, it requires considerable reform, as highlighted by the CIL Review Group. CIL is far too complex and the extensive range of exceptions need to be removed. Importantly, there has to be greater certainty that the infrastructure associated with development is actually delivered at the appropriate time, sometimes in advance of development commencing. It is regrettable that the Government has decided not to implement a Local Infrastructure Tariff, as recommended by the Review Group, which would address some of these concerns. We call on the Government to reconsider its rejection of this proposal. (Paragraph 77)
  11. The Mayoral CIL in London indicates that Strategic Infrastructure Tariffs that are simple, generally accepted and universally-applied could be effective mechanisms for capturing value to fund specific large infrastructure projects. The Government is right to explore how Strategic Infrastructure Tariffs can be extended across the country, and in particular to combined authorities, who may wish to seek advice from the Greater London Authority as to how such schemes can be successfully implemented. *However, the Government should show greater urgency in this respect, given the CIL Review Group made its recommendations nearly two years ago. Care must be taken, however, to ensure that Strategic Infrastructure Tariffs create an additional source of revenue and do not undermine Section 106 receipts. Once a number of Strategic Infrastructure Tariffs are in place, the Government should undertake an assessment to ensure that they have indeed raised additional revenue and not simply diverted money from one pot to another. (Paragraph 78)*
  12. Tax Increment Financing (TIF) has been used to some effect in Battersea and local authorities should consider how it could be used more extensively to fund infrastructure in enterprise zones. However, if TIFs are to be more widely adopted, the Treasury-approval process will need to be far less complex, while there urgently needs to be greater certainty around the Government's plans for business rates retention—something this Committee has repeatedly called for. (Paragraph 82)

### Legislative reforms

13. CPO powers can be important in enabling the development and provision of necessary infrastructure on large sites, particularly where ownership is fragmented. This could facilitate completely new developments, extensions to existing communities, or the build out of large schemes within urban areas. The Government should build on its reforms to the CPO process and consider ways in which the process can be further simplified, to make it faster and less expensive for local authorities, whilst not losing safeguards for those affected. *We heard that the requirement for the Secretary of State to confirm CPO submissions causes unnecessary delays. Such decisions should be made locally, including by local authority-led New Town Development Corporations.* (Paragraph 88)
14. It is concerning that, in many low-value areas, the financial compensation offered by local authorities or central government for property is not sufficient to purchase an equivalent replacement elsewhere. *The Government needs to assess how best to address this inherent unfairness in the CPO system and explore whether, in some circumstances, it may be more appropriate to provide an equivalent replacement for what has been acquired.* (Paragraph 90)
15. A well-defined local plan with clear objectives and requirements for which the developer must pay, would inherently be reflected in, and could create, lower market land values. There is already much that can be done to capture land value increases arising from planned development and infrastructure provision. This reinforces the urgent need for local planning authorities to agree up-to-date local plans. (Paragraph 110)
16. In addition, we believe that the Land Compensation Act 1961 requires reform so that local authorities have the power to compulsorily purchase land at a fairer price. The present right of landowners to receive ‘hope value’—a value reflective of speculative future planning permissions—serves to distort land prices, encourage land speculation, and reduce revenues for affordable housing, infrastructure and local services. We do not believe that such an approach would be incompatible with human rights legislation, as there would be a clear public interest and proportionality case to make this change. (Paragraph 111)
17. We believe that increases in the value of privately-owned land arising from public policy decisions should be shared with the local community. The compensation paid to landowners should, therefore, reflect the costs of providing the affordable housing, infrastructure and services that would make a development viable, as well as capturing a proportion of the profit the landowner will have made. The value paid to landowners should be determined by an independent expert panel and be binding on all parties. On land acquired by the public sector, this would allow local authorities to capture the remaining value to provide the infrastructure and services made necessary by development, as well as additional revenue for other local priorities. It would also serve to lower land prices traded within the private sector, ensuring that developers are able to meet their local plan obligations in full. (Paragraph 112)

18. The first generation of New Towns owed much of their success to the ability of Development Corporations to acquire land at, or near to, existing use value and capture uplifts in land value from the infrastructure they developed and subsequent economic activity to reinvest in the local community. Reform of the Land Compensation Act 1961, alongside the enhanced CPO and land assembly powers that we recommend, will provide a powerful tool for local authorities to build a new generation of New Towns, as well as extensions to, or significant developments within, existing settlements. This is a model that has worked well in the past and would lead to a significant, and much-needed, catalyst for housebuilding. (Paragraph 113)

### Alternative approaches to land value capture

19. The Government owns tens of thousands of acres of land across the UK and so there is much that can be learned from Germany and the Netherlands with regard to capturing increases in value from publicly-owned land. *The Government should reflect on the experience of Freiburg and Amsterdam to ensure that, where public land is put forward for residential development, the maximum value is captured for new infrastructure and public services. This may not always equate to selling public land to the highest bidder, but instead on the basis of the proposed levels of affordable housing or commitment to providing the necessary infrastructure.* (Paragraph 118)
20. The compulsory purchase reforms we have recommended in this report would give greater powers to local authorities to assemble land and, in so doing, achieve a higher level of control over developments in their areas. As we saw in the Netherlands, on publicly-owned land local authorities would have greater power to introduce incentives to require developers to build sites within an agreed timeframe, through the use of options to develop and forfeitable fees. Public ownership of land for residential development would likely lead to greater developer cooperation, higher levels of affordable housing and faster build-out rates than it is currently possible to achieve through the existing planning system. (Paragraph 119)
21. *Given cross-party support for new approaches to land value capture, the Government should be flexible and support individual local authorities in piloting some of the more innovative approaches to land value capture that have been suggested during our inquiry and elsewhere. A programme of innovative pilots would allow local authorities to tailor approaches to their local circumstances and provide useful evidence as to which methods of land value capture are most effective.* (Paragraph 127)
22. A truly efficient and equitable system of land value capture should not focus solely on new developments, but should also address how existing properties benefit from development and particularly from public investments in local infrastructure. *The Government should commission a cross-departmental project to consider how this wider goal might be achieved and report back to this Committee within 12 months.* (Paragraph 128)

# Formal minutes

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**Monday 10 September 2018**

Members present:

Mr Clive Betts, in the Chair

Mr Tanmanjeet Singh Dhesi	Teresa Pearce
Helen Hayes	Mr Mark Prisk
Kevin Hollinrake	Mary Robinson
Andrew Lewer	Liz Twist

Draft Report (*Land Value Capture*) proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 128 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Tenth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Tuesday 9 October at 3.30 p.m.]

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

### Tuesday 8 May 2018

**Steve Akehurst**, Head of Public Affairs, Shelter, **Professor John Henneberry**, Professor of Property Development Studies, University of Sheffield, **Liz Peace CBE**, Adviser on Property, Politics and the Built Environment Q1–51

**David Ames**, Head of Strategic Planning and Development, Letchworth Garden City Heritage Foundation, **Tom Chance**, Head of Grants and Development, National CLT Network, **Julian Ware**, Head of Major Project Funding, Transport for London Q52–77

### Monday 4 June 2018

**Daryl Phillips**, Chief Executive Planning Lead, District Councils' Network, Joint Chief Executive, Hart District Council, **John Wachter**, Strategic Planning Manager Viability, Greater London Authority, **Councillor Martin Tett**, Leader, Buckinghamshire County Council Q78–122

**Christopher Price**, Director of Policy and Advice, Country Land and Business Association, **Philip Barnes**, Group Land Director, Barratt Developments, **Paul Brocklehurst**, Chair, Land Promoters and Developers Federation Q123–174

### Monday 11 June 2018

**Hugh Ellis**, Head of Policy, Town and Country Planning Association, **Ian Fletcher**, Director of Policy, British Property Federation, **Dr James Richardson**, Chief Economist, National Infrastructure Commission Q175–205

**Barry Denyer-Green**, Falcon Chambers, **Stephen Ashworth**, Dentons, **Vicky Fowler**, Gowling WLG Q206–252

### Wednesday 5 September 2018

**Kit Malthouse MP**, Minister of State for Housing, Ministry of Housing, Communities and Local Government, **Simon Gallagher**, Director of Planning, Ministry of Housing, Communities and Local Government Q253–303

## Published written evidence

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The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

LVC numbers are generated by the evidence processing system and so may not be complete.

- 1 Action for Land Taxation & Economic Reform (LVC0038)
- 2 AspinallVerdi - Property Regeneration Consultants (LVC0036)
- 3 Association of Consultant Architects (LVC0010)
- 4 Assura PLC (LVC0018)
- 5 Aylesbury Vale District Council (LVC0050)
- 6 Banks Group (LVC0054)
- 7 Barratt Developments PLC (LVC0022)
- 8 Barton Willmore LLP (LVC0078)
- 9 Berkeley Group (LVC0033)
- 10 Bob Barnes (LVC0009)
- 11 British Property Federation (LVC0044)
- 12 Cambridgeshire and Peterborough Combined Authority (LVC0085)
- 13 Campaign to Protect Rural England (LVC0068)
- 14 CAUSE (LVC0069)
- 15 Central Association of Agricultural Valuers (LVC0080)
- 16 Centre for Progressive Capitalism (LVC0011)
- 17 Chartered Institute of Housing (LVC0052)
- 18 CLA (LVC0094)
- 19 CLA (Country Land & Business Association) (LVC0082)
- 20 Community Voice on Planning (LVC0008)
- 21 Compulsory Purchase Association (LVC0034)
- 22 County Councils Network (LVC0088)
- 23 Cumbria County Council & Carlisle City Council (LVC0072)
- 24 Daniel Bentley and Tom Aubrey (LVC0096)
- 25 Deloitte LLP (LVC0089)
- 26 Dentons UKME LLP (LVC0077)
- 27 District Councils' Network (LVC0049)
- 28 Dr John McCone (LVC0001)
- 29 Dr Nicholas Falk (LVC0004)
- 30 Dr Tom Archer and Professor Ian Cole (LVC0090)
- 31 Earthsharing Devon (LVC0074)
- 32 East Riding of Yorkshire Council (LVC0071)
- 33 Edward Gunnery (LVC0097)

- 34 Figura Planning Ltd (LVC0081)
- 35 Future Cities Catapult (LVC0058)
- 36 Gladman Developments Ltd (LVC0021)
- 37 Greater London Authority and Transport for London (LVC0091)
- 38 Hastoe Housing Association (LVC0042)
- 39 HDH Planning and Development Ltd (LVC0016)
- 40 Henry George Society of Devon (LVC0075)
- 41 Highbury Group on Housing Deiovery (LVC0013)
- 42 Jonathan Flowith (LVC0076)
- 43 Land Promoters and Developers Federation (LPDF) (LVC0065)
- 44 Land Value Taxation Campaign (LVC0040)
- 45 Leeds City Council (LVC0086)
- 46 Local Government Association (LVC0059)
- 47 Local Government Association (LVC0093)
- 48 Locality (LVC0063)
- 49 London Authorities Viability Group (LVC0025)
- 50 London Borough of Tower Hamlets (LVC0024)
- 51 London YIMBY and PricedOut (LVC0017)
- 52 McCarthy and Stone Retirement Lifestyles Ltd. (LVC0028)
- 53 MHCLG (LVC0084)
- 54 Michael Beaman (LVC0020)
- 55 Mr Christopher Jessel (LVC0012)
- 56 Mr Daniel Scharf (LVC0005)
- 57 Mr Ed Randall (LVC0060)
- 58 Mr Freddy Fashridjal (LVC0079)
- 59 Mr Ian Hopton (LVC0014)
- 60 Mr Robin Smale (LVC0057)
- 61 Mr Stephen Ashworth (LVC0039)
- 62 Mr Terrence Clay (LVC0007)
- 63 National Farmers' Union (LVC0047)
- 64 Network Rail (LVC0087)
- 65 New Garden City Alliance (LVC0031)
- 66 North Kesteven District Council (LVC0048)
- 67 Northern Housing Consortium (LVC0051)
- 68 Peabody (LVC0043)
- 69 Places for People (LVC0030)
- 70 Planning Officer Society (LVC0064)
- 71 Professor Tony Crook (LVC0046)

- 72 Professor Tony Crook (LVC0053)
- 73 Royal Town Planning Institute (LVC0055)
- 74 School of Economic Science (LVC0035)
- 75 Setplan Town and Environmental Planners (LVC0003)
- 76 Shelter (LVC0037)
- 77 Shelter (LVC0092)
- 78 Staffordshire County Council (LVC0027)
- 79 Stephen Hill (LVC0067)
- 80 Taxpayers Against Poverty (LVC0015)
- 81 The Home Builders Federation (LVC0066)
- 82 The Land Trust (LVC0045)
- 83 The Peel Group (LVC0095)
- 84 Town & Country Planning Association (LVC0073)
- 85 Transport for London (LVC0099)
- 86 Turley on behalf of IM Land (LVC0029)
- 87 Urban Growth Company (LVC0019)
- 88 Wates Developments (LVC0062)
- 89 William Best (LVC0006)

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2017–19

First Report	Effectiveness of local authority overview and scrutiny committees	HC 369 (Cm 9569)
Second Report	Housing for older people	HC 370
Third Report	Pre-legislative scrutiny of the draft Tenant Fees Bill version	HC 583 (Cm 9610)
Fourth Report	Private rented sector	HC 440 (Cm 9639)
Fifth Report	Business rates retention	HC 552 (Cm 9686)
Sixth Report	Pre-legislative scrutiny of the draft Non-Domestic Rating (Property in Common Occupation) Bill	HC 583 (Cm 9633)
Seventh Report	Long-term funding of adult social care: First Joint Report of the Hleath and Social Care and Housing, Communities and Local Government Committees	HC 768
Eighth Report	Planning guidance on fracking	HC 767
Ninth Report	Independent review of building regulations and fire safety: next steps	HC 555