

Levelling Up and Regeneration Bill: Second Reading

The introduction of the Levelling Up and Regeneration Bill represents an opportunity to change the rules around land and planning to ensure that the needs of communities are truly met by new development – including ensuring the delivery of much needed social housing. The current system of development results in the needs of communities often being forgotten or ignored when they should be front and centre of any plan to level up the country. We need a planning system and a land market that has delivering the social homes and infrastructure that communities need at its heart.

To do this, **the Levelling Up Bill must ensure that the proposed Infrastructure Levy delivers more social housing than the current Section 106 system**, which currently fails to hold developers to their obligations.

The Bill must also make the price of land realistic, if the Infrastructure Levy and Affordable Homes Programme are to achieve their stated ambitions. The astronomical cost of land that landowners can currently demand often makes social housebuilding and providing infrastructure unviable for councils and developers alike. **By reforming the 1961 Land Compensation Act to remove 'hope value', the Levelling Up Bill can make the price of land more realistic so we can build the social homes, facilities, and infrastructure that communities are in desperate need of.**

Social Housing and Levelling Up

We cannot level up the country without building much more social housing – the only tenure that remains affordable over time because it is linked to local incomes.

Secure and genuinely affordable housing underpins people's health and wellbeing, social care and educational attainment. And yet, **since 1991, there has been an annual average net loss of 24,000 social homes.**¹ If we are to level up the country and restore a sense of local pride and belonging to every neighbourhood, delivering social housing alongside infrastructure is vital.

Last year, only 8% of the homes delivered through the Affordable Homes Programme were genuinely affordable social homes.² So, as we continue to make the case for more investment in social housing, it is crucial that the Levelling Up Bill is geared towards delivering more social homes to address **the country's council housing waiting list of over 1 million households.**

¹ The net loss of social homes is calculated by comparing the number of social rent homes completed with the number of social homes lost through sales and demolitions. It is assumed that social housing sales and demolitions were previously let at social rent. DLUHC, [Live tables on affordable housing supply](#), Table 1006C and DLUHC, [Live tables on social housing sales](#), Table 678 and 684

² DLUHC, [Live tables on affordable housing supply](#), Live Table 1011C

Planning Reforms and the Infrastructure Levy

The current planning system is not delivering the genuinely affordable social homes and accompanying infrastructure that communities across England are in desperate need of.

In the current system, Section 106 (s106) of the Town and Country Planning Act sets the process for planning obligations between developers and local authorities.

Through these obligations, s106 attempts to ensure that new developments don't just work for developer's profit margins, but also for communities by providing genuinely affordable homes, schools, GP surgeries, etc.

But all too often, we see developers underdeliver on obligations because the planning system is not tough enough to allow local authorities to hold developers to account. Moreover, s106 doesn't truly incentivise the delivery of genuinely affordable homes and the right infrastructure for local people. The result is that delivering on community needs isn't taken seriously by developers, when it should be the first priority of any new development. **Last year, s106 only delivered 2,829 social rent homes, when the current council housing waiting list sits at 1.2 million households.**³

The Levelling Up Bill has committed to improving the planning system by replacing s106 with the 'Infrastructure Levy', which would set a flat tax on any new development.

While a flat tax would ensure that developers will pay their fair share financially to local authorities, the Levy still does not guarantee that the needs of communities will be met onsite on new developments. We will still risk running into the same problem of delivering the wrong type of housing (unaffordable to local people) without the sufficient infrastructure.

The 'Infrastructure Levy' needs to focus on ensuring the delivery of social housing, alongside the infrastructure needed, if it is to truly deliver for communities. The Levy must aim to deliver more social housing than the current system and this can be done by making social housing delivery an onsite requirement of any new development.

Land Reform and 'Hope Value'

Equally, the astronomical cost of land that landowners can currently demand often makes social housebuilding and providing infrastructure unviable for councils and developers alike. If we are to get serious about delivering for communities, we have to address the land problem.

Without land reform, there is a real risk that developer contributions secured through Infrastructure Levy will be lost in a land market that is inflated by something called 'hope value'.

³ DLUHC, [Live tables on affordable housing supply](#), Live Table 1011C



Land is the single biggest cost in building homes. It makes up to 70% of the cost of a new private home and was responsible for 74% of the increase in UK house prices between 1950 and 2012.⁴ **If you can address the cost of land, you can make development cheaper and build many more, better quality social homes, along with the facilities that communities need.**

In a policy paper that accompanied the Levelling Up Bill⁵, the government announced that it intends to "...introduce a measure that reforms land compensation by ensuring that fair compensation is paid..." This is welcome, but it is not stated when these new reforming clauses will be brought forward.

Reform of the 1961 Land Compensation Act has the potential to increase the number and quality of social homes built in England and is also needed for the Infrastructure Levy to work. The Act currently forces councils to pay a massive 'hope value' premium when making compulsory purchases. This hope value is the **potential** value of the land if used for building a luxury development, rather than a **fair price** for its actual intended use – for example, building genuinely affordable social homes that local people desperately need.

Hope value increases the cost of land and puts pressure on development budgets. Since the 1960s, as land prices spiralled upwards, the only route to getting social homes built was to compromise – on design, on quality, quantity and in some cases – **even safety.**

Work by Civitas has estimated reforming the Land Compensation Act could slash 38% off the total development costs of a new scaled up programme of social housebuilding across England.⁶ **This could reduce the total cost of a building a new social rent home by up to £136,000⁷.**

By reforming hope value, landowners will still be able to make a healthy profit. But they won't take the lion's share of a development value for doing nothing. And **councils can finally pay a fair price for land and get many more social homes built.**

Contact

If you have any questions or would like any further information on this briefing, please contact public_affairs@shelter.org.uk

⁴ K. Knoll, M. Schularick, T. Steger, "No price like home: global house prices, 1870–2012", The American Economic Review, 107.2, 2017, pp. 331– 353.

⁵ [gov.uk/government/publications/levelling-up-and-regeneration-further-information/levelling-up-and-regeneration-further-information#regeneration](https://www.gov.uk/government/publications/levelling-up-and-regeneration-further-information/levelling-up-and-regeneration-further-information#regeneration)

⁶ D. Bentley, "Reform of the land compensation rules: How much could it save on the cost of a public-sector housebuilding programme?", Civitas, 2018. [civitas.org.uk/content/files/reformofthelandcompensationrules.pdf](https://www.civitas.org.uk/content/files/reformofthelandcompensationrules.pdf)

⁷ Ibid.

