Pointmaker

HOUSING: NOW IS THE TIME TO SEIZE THE OPPORTUNITY

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SUMMARY

- Unless radical action is taken now, the Government will not achieve its target to build one million new homes by 2020.
- This could have severe electoral consequences. Housing is an increasingly salient political issue. According to Ipsos Mori, voters now consider housing to be one of the five most important issues facing Britain today, ahead of education, poverty, defence and foreign affairs, and crime.
- Public opinion on new housing development has also changed dramatically in the last few years. In 2010, the British Social Attitudes Survey found that 46% of respondents said they would oppose any new homes being built in their local area. In 2014, this opposition had fallen to just 21%.
- The importance of housing to the electorate reflects the fact that there are simply not enough places for people to live in. With house prices continuing to rise far faster than wages, the need for new housing has never been greater.
- The *social* and *economic* consequences of worsening affordability are considerable: the divide between those who inherit wealth and those who don't will become more pronounced, and UK productivity will continue to stagnate as high house prices tie up significant sums in unproductive assets.
- The current system conspires to make it not in the interest of any individual stakeholder to take on this challenge. It is a dysfunctional market.
- It is therefore hardly any surprise that no new towns have been built in this country since Milton Keynes back in the 1970s. Planning restrictions, fragmented land ownership lack of institutional capital funding and the tax treatment of new development – local authorities have been the big losers on the provision of social and physical infrastructure for new developments – have combined to stifle new initiatives.
- A programme of reform, inspired by a grand vision and as bold as that outlined in the 1979 'Right to Buy' White Paper, is needed now.

INTRODUCTION: IT'S TIME TO DELIVER

In 1979, while introducing the White Paper which outlined for the first time the Right to Buy for council tenants, Michael Heseltine declared that it "lays the foundations for one of the most important social revolutions of this century… no single piece of legislation has enabled the transfer of so much capital wealth from the state to the people." He declared that the right to buy had two main objectives: to give people what they wanted, and to reverse the trend of ever-increasing dominance of the state over the life of the individual.

Heseltine concluded: "There is in this country a deeply ingrained desire for home ownership. The Government believe that this spirit should be fostered. It reflects the wishes of the people, ensures the wide spread of wealth through society, encourages a personal desire to improve and modernize one's own home, enables parents to accrue wealth for their children and stimulates the attitudes of independence and self-reliance that are the bedrock of a free society."

A similar opportunity faces the current Government. The new Housing White Paper, due to be delivered to Parliament in February 2017, needs to be as bold in its vision and aims as its 1979 predecessor.

For the problem can no longer be fudged. Unless radical action is taken now, the Government will not achieve its target to build one million new homes by 2020.

This could have severe electoral consequences. Housing is an increasingly salient political issue. According to Ipsos Mori, voters now consider housing to be one of the five most important issues facing Britain today, ahead of education, poverty, defence and foreign affairs, and crime.[1]

Public opinion on new housing development has also changed dramatically in the last few years. In 2010, the British Social Attitudes Survey[2] found that 46% of respondents said they would oppose any new homes being built in their local area. In 2014, this opposition had fallen to just 21%. Similarly, those supportive of the construction of new homes in their local area climbed from 28% in 2010 to 56% in 2014. Nimbyism is not dead – but it is less strident and universal than it used to be.

The importance of housing to the electorate reflects the fact that there are simply not enough places for people to live in. With house prices continuing to rise far faster than wages, the need for new housing has never been greater.

As the Prime Minister has recognised, the *social* consequences of worsening affordability would be significant across the country:[3]

"Unless we deal with the housing deficit, we will see house prices keep on rising. Young people will find it even harder to afford their own home. The divide between those who inherit wealth and those who don't will become more pronounced."

The *economic* consequences of failure would also be considerable: by tying up significant sums in unproductive assets, high house prices contribute to the UK's low productivity. They also distort the labour market and force many working people to waste largely unproductive and uncomfortable hours commuting to work. One recent report estimates that if it were

1 The only issues considered to be more important than housing were Brexit, immigration, the NHS and the economy. See Ipsos Mori, *The EU and Brexit is seen as the most important issue facing Britain*, November 2016.

2 See *British Social Attitudes*.

3 Speech on 11 July 2016 in Birmingham launching her national campaign to become Leader of the Conservative Party.

somehow possible to scrap commuting altogether, the UK economy would see a productivity boost worth £12 billion a year.[4] On top of that, high housing costs are affecting people working not just in low-paid jobs but in many traditionally middle-class occupations.

The *political* consequences of failure could also be dramatic: the electorate would not be likely to look favourably on a Government which had failed to meet its housing targets, particularly as it had recognised the problem at the highest level.

The current system conspires to make it not in the interest of any individual stakeholder to take on this challenge. It is a dysfunctional market.

It is therefore hardly any surprise that no new towns have been built in this country since Milton Keynes back in the 1970s.[5] Planning restrictions, fragmented land ownership lack of institutional capital funding and the tax treatment of new development – local authorities have been the big losers on the provision of social and physical infrastructure for new developments – have combined to stifle new initiatives.

That is why a programme of reform, inspired by a grand vision and as bold as that outlined in the 1979 White Paper, is needed now. As housing is such a multi-faceted policy area, this should involve a wide range of policy initiatives detailed in the following section.

1. RECOMMENDATIONS FOR THE WHITE PAPER

1.1 A vision

While each of the following areas need to be addressed if the Government is to meet its housing targets, it is essential that these measures are introduced under the banner of a single, coherent programme. For many different parties – including landowners, developers, financial institutions, local councils, planning officials, residents, would-be first-time homebuyers – need to be inspired and stimulated by any new proposals. All these groups have their own interests and their own priorities. If the White Paper is to pave the way to a "social revolution" which will have as great an impact as the original Right to Buy programme,[6] then all these parties will need to be inspired by a grand vision, not just a package of reforms (however coherent these might be).

1.2 Planning Simplification

The complexity of the current planning system makes any significant housing extremely risky. It injects uncertainty at all stages, with potential developments unviable due to higher risk premiums. The high fixed costs of manipulating the planning system act as a barrier to entry

4 CEBR, *Housing Crisis: the economic impact revealed*, 2015.

5 The most recent new towns were Milton Keynes, Buckinghamshire (designated 23 January 1967); Peterborough, Cambridgeshire (designated 21 July 1967); Northampton, Northamptonshire (designated 14 February 1968); Warrington, Cheshire (designated 26 April 1968) Telford, Shropshire (designated 29 November 1968); Central Lancashire, Lancashire (designated 26 March 1970). Other developments outside the scheme[edit] Although not officially a new town, the expansion of Tamworth in Staffordshire (some 15 miles north of Birmingham) during the 1960s, 1970s and 1980s mirrored that of a new or expanded town, and it was mostly populated by people who had previously lived in or near Birmingham. Other new large scale developments have been founded since 1970 but were no designated as new towns. These include: Cambourne, Cambridgeshire; South Woodham Ferrers, Essex; Ebbsfleet, Kent; Wixams, Bedfordshire; Sherford, Devon; Northstowe, Cambridgeshire (planned); Cranbrook, Devon; and Poundbury, Dorset.

6 Right to Buy directly affected over six million individuals and is regarded as one of the most important reforms of the Thatcher Governments.

particularly for smaller developers, thereby reducing competition.

The solution is to have a planning system that reduces development risk. The system should be rule-governed, should be transparent and should provide sensible incentives to both developers and local residents.[7]

1.3 Introduce Special Purpose Vehicles for new developments

Special Purpose Vehicles (SPVs) are a mechanism by which such a simplified system can be implemented rapidly and effectively.

Primary legislation could enable the SPV to be recognised for the purposes of developing a new community or urban extension at an early stage of any development. Combined with streamlining of local planning regulations and a single consenting regime, it would give statutory backing to outline proposals for a development, after full consideration by the various stakeholders in the SPV. The SPV's special status would be loosely based on the Development Consent Order system for Nationally Significant Infrastructure Projects.

This will meet developers' and financial institutions' need for predictability of timing, as well as providing investor confidence in the eventual outcome together with relatively speedy progress towards completion. The legislation should articulate the principles to be applied by local and central government when determining whether to initiate or support a particular project.

Ministers can ensure right from the beginning that due process has been followed and that all stakeholders have had an opportunity to set out their arguments through reviewing the initial Development Plan. A crucial point at this vetting stage is that ministers can confirm they have no policy objections about a development prior to the next stage of the process proceeding. This is a necessary prerequisite to ensure the SPV can attract funding for the project since investors will need to see that permission to apply has been granted.

1.4 Encourage the assembly of land for development by granting permission to apply in principle

In the Housing and Planning Act 2016 (section 150) the Government announced proposals for a new form of automatic consent – referred to as permission in principle – which could be granted on adoption of a qualifying document that allocates specified kinds of sites, or with an application from a developer to the local council. However, this only applies to "housing-led" development on sites allocated in brownfield registers, development plan documents or neighbourhood plans or via applications direct to local authorities on unallocated sites. In January 2017 the DCLG published a set of draft statutory instruments, as part of a package of legislation to implement the permission in principle consent route.[8] This legislative

[7] As Professor Paul Cheshire has noted, there is a good analogy with Building Regulations. These are rules which developers and builders understand and are happy to apply. If a developer's project is compliant with Building Regulations it does not go to a political committee. The developer knows in advance it will get permission. The same principles should apply to planning permission: follow the rules with limited uncertainty.

[8] The existing legislation due to be amended includes the Local Government Act 1972, The Town and Country Planning Act 1990, The Planning (Hazardous Substances) Act 1990 and The Commons Act 2006. Unless the draft regulations are refused by Parliament, they would then be formally 'made' by the Secretary of State and, according to the draft statutory regulation, would come into force "on the twenty-first day after the day on which they are made". See 'Government publishes regulations to introduce permission in principle', *Planning* journal website, 9 January 2017.

amendment is to be applauded but it should be extended to other sites.

1.5 Compulsory Purchase Orders

Compulsory purchase powers should be made available as a 'back-up' to deter individual landowners from seeking to achieve 'blackmail' prices.

1.6 Publicly owned land

More publicly held land for development needs to be release for development, particularly land owned by local authorities and government agencies. Six per cent of the total land surface in England and Wales is estimated to be in public ownership with as much as 20% in and around urban areas. Yet between 2011 and 2015, only 200 homes were built on public land. To this end, the Government should harmonise arrangements for the disposal of land held by public bodies and local authorities.

1.7 A common methodology for calculating housing need

The Government should insist that a common methodology is adopted by all local authorities to calculate the strategic housing market need, on a five year basis. Such a move will end certain local authorities' attempts to curb housing demand projections in an entirely unrealistic manner and will do away with the current conflicts of interest over the appropriate means of delivering objectively assessed housing need.

1.8 Redraw the Greenbelt

The Government needs to encourage local authorities to review and redraw greenbelt boundaries. The House of Commons library points out that the greenbelt has more than doubled in size since 1979 (an increase of 127 per cent to be precise),[9] yet some of it is not particularly green – in fact, amber at best. Furthermore, well over a third of it is devoted to intensive farming, which is neither kind to the environment nor wildlife. While the Greenbelt designation seems to attract great political angst, it is not an environmental designation like RAMSAR; SSSI; AONB; National Park, and others.

1.9 Encourage investment from financial institutions

In order to encourage investment from financial institutions, the Government must review the Solvency II regulatory regime as it applies to insurance companies and others. This EU regulation, albeit well-intentioned, represents a major hurdle to tapping the deep well of institutional funding for new housing developments. Furthermore, it places UK institutions at a distinct disadvantage to their international competitors based outside the EU. Solvency II needs to be scrapped and a more sensible regulatory regime put in its place.

In addition, should proposals to reform the Local Government Pension Scheme go ahead so that a sovereign wealth fund is created, this could be free to invest – on a commercial basis – in new housing developments (both social and private).

1.10 Replace the Community Infrastructure Levy with a single development charge

The infrastructure required for newly-built communities has evolved and expanded over the last half century. It now includes as core essentials: good access to airports, high capacity broadband, and pipes and sewers that can cope with climate change and flooding concerns. Greater use could be made of the Development Consent Order (DCO) process but in a manner which focuses on a more consensual process where simplification and clarity is the maxim.

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9 House of Commons Library briefing paper on The Greenbelt, published January 2016, page 17.

To this end, both section 106 and the Community Infrastructure Levy should be abolished and replaced by a single, national development charge of 20 per cent of the sale value of the development.[10] This would improve clarity, streamline development and provide a significant sum to local authorities for the provision of support infrastructure.

1.11 Encourage competition by rewarding landowners who split up sites

The exodus of small builders from Britain's house construction sector can be reversed by streamlining the planning process and reducing its steep cost, particularly with respect to relatively modest schemes. In addition, the Government could consider reducing the development charge for landowners who split their sites up to open up the market for firms with small balance sheets.

1.12 Create the mechanism to engage business in new development

The hallmark of a sensible master plan for new community developments should be a framework which offers flexible spaces to suit a range of different businesses and micro-enterprises; support for home working and adaptable spaces to accommodate larger, more diversified operations and higher employment levels, thereby enabling growing businesses to relocate within the same town and reduce the need to travel and incur huge direct and opportunity cost in providing unsustainable transport infrastructure.

In this context, much can be learnt from the success of Milton Keynes which has shown how employment, notably in the private sector, can underpin the development of a new town. It is essential to embrace business and employers in these planned new communities since they need to must give leadership in providing jobs for local residents yet now have nearly no democratic voice. Without jobs, these communities will not succeed or be sustainable.

2. THE BUILDING BLOCKS FOR BETTER, FASTER HOUSE-BUILDING

2.1 Landowners

Land is the first essential. Some promising schemes involve just one large landowner. But in many instances it is likely that agreement must be reached between a fragmented group of landowners with some public sector land ownership involved as well.

As Peter Freeman and his colleagues in their short listed entry for the Wolfson Prize 2014 point out, a typical Garden City will require between 1,000 and 1,500 acres for each 10,000 homes built, including land for associated amenities and work space. However, in most parts of the country where demand for new housing is high, land ownership tends to be fractured. Consequently, as this experienced developer has noted, any new garden style community could require at least 20 land holdings to be assembled, but it may be as many as 100 or more.

The aim should be to assemble sufficient land by private treaty negotiations in appropriate locations but it may well prove that Compulsory Purchase Orders are required in some instances to marshal the land required at a realistic price. After all, this was the route adopted by the development of New Towns in the late 1940s, 1950s and 1960s. In practice, the availability of compulsory purchase facilitates negotiations, making individual landholders realise that they cannot command "blackmail" prices by

[10] This proposal was originally put forward by Professor Paul Cheshire CBE of the London School of Economics.

threatening to veto the entire scheme; and compulsory purchase will frequently be necessary if only to provide clarity around the absorption of miscellaneous rights, easements and the like. At the same time, the coalition of interests driving the process including local and central government, together with the procedure for the protection of private interests, ensures that the rights and property of individuals are not simply extinguished without due consideration of the wider public interest and without genuinely adequate compensation.

It is worth noting that in the case of the ambitious redevelopment of King's Cross by Argent LLP, virtually the entire site was owned by two bodies: London & Continental Railways (which took over the land previously held by British Rail); and DHL Deutsche Post (which acquired the site when it bought National Freight Consortium). In a significant move, these two landowners decided to pool their land holdings in 1999 and to share any proceeds pro rata (through what is known as an "Equalisation Agreement"). Employing this approach, the land could be developed comprehensively. This proved to be a decisive step and, while it took many more years before redevelopment began, the results have proved spectacular. This ambitious scheme has led to the refurbishment of 20 historic buildings and structures, a further 2,000 homes and serviced apartments along with 25 large, new office buildings totalling 8 million sq ft, 20 new streets and ten new major public spaces including Granary Square, home to Central Saint Martins, part of the University of the Arts London.

Another feature of this development which could be replicated is the fact that the two landowners had the option, following valuation, to accept only half the land price and to become 50% partners in the on-going delivery of King's Cross. This allowed them to participate and benefit from the further uplift in value created by this ambitious development. Whereas this was a practical negotiation to have with just two landowners, it may prove more complex with 20 or more landowners for a new community or Garden City. However, by employing an SPV (see section 4), the land could be assembled expediently and the owners – be they existing landholders, local residents, the local authority or a Community Land Trust – could, in due course, benefit from the rise in land values.

2.2 Public sector land

At least 900,000 hectares in England and Wales, six per cent of the total land surface, is thought to be in public ownership.[11] The proportion of publicly-owned land has been estimated to be higher in major urban areas at around 15 per cent of freehold property (this rises to over 20 per cent in London).[12]

It is shocking to discover the poor record revealed by a National Audit Office (NAO) inquiry into the number of new homes built on public land sold between 2011 and 2015. Only 200 homes were built, although the NAO noted that as many as 109,500 could have been built on this land. In the capital alone at least 130,000 homes could be built on surplus land owned by the public sector, according to research carried out by the London Land Commission, a new statutory body established in 2015.[13]

11 Telereal Trillion, *New Homes on Public Sector Land, Accelerating Delivery*, April 2016.

12 Ibid.

13 Source: reported in *The Financial Times*, 26 January 2016. The Homes and Communities Agency reckon that 600 acres of surplus public sector land nationally could support more than 5,000 homes as well as land for industry and business.

What is more, Savills has estimated that two million homes could be built on public land in England.[14] They point out that a 'lack of transparency as to the extent of public land holdings is a "major drawback … limited public data currently makes it impossible to conduct a comprehensive analysis of all public land."

In addition, there is a real problem of the public sector crowding out the private sector. When local authorities have a financial interest in sites which might be inappropriate for development they may favour these and look to restrict competing sites.

Clearly, given the fact that the Government expects nearly one third of new homes to be built on public land by 2020,[15] and given the abysmal record of doing so recently, radical action has to be taken to ensure that this underutilised asset held in public hands is freed to provide the land that is required to create new homes and communities. This should entail:

1. Central government stepping in to standardise arrangements for disposal of local authority and public body land.

2. As recommended in a recent House of Lords select committee inquiry[16] into the housing market, a senior Cabinet minister should be given overall responsibility for identifying and coordinating the release of public land for housing, with a particular focus on providing low cost homes.

3. Resolving the conflict of interest where local authorities are determining applications on their own land or looking at them in local plans.

2.3 Financial Institutions

In the past, funding new housing development has been a problem, particularly larger ones. However, it makes obvious sense to tap pools of 'patient' capital managed by life insurance companies and pension funds in order to back new housing for sale or rent.[17]

To do so, the Government will need to review regulations such as the EU's Solvency II regime. This regulatory strait-jacket seeks to identify and dictate how much capital insurers need to set aside to cover the perceived level of risk. While this may appear a laudable objective, in practice, this has inadvertently blocked a substantial source of capital for urgently needed infrastructure and housing.

Brexit provides the opportunity to rethink this stultifying regulation. As Anthony Hilton has pointed out, "Unfortunately, Solvency II is one those brilliant ideas in theory that has become a giant train smash in practice by insisting (as with pension schemes) that assets and liabilities with a life running for decades should be measured for risk on a 12 month basis. Of course, having all that money, it becomes like the emperor's new clothes, and no one will face up to the reality and scrap it".[18]

14 Savills, *Public Land, unearthing potential*, Autumn 2014. Savills explains that this estimate was based on analysis of public records of the central Government estate, the land holdings of the Greater London Authority and "market knowledge of the potential for development on NHS and local authority land." See House of Lords select committee on Economic Affairs, First report, session 2016-17, *'Building More Homes'*, July 2016, page 48.

15 See House of Lords select committee on Economic Affairs, First report, session 2016-17, *'Building More Homes'*, July 2016, page 5.

16 Ibid.

17 Centre for Policy Studies, *A Convergence of Interests*, 2016.

18 Evening Standard, 16 December 2016.

But it must be scrapped.

This would expedite the encouraging signs that institutional capital is increasingly prepared to commit substantial sums of money to housing and infrastructure projects. Hermes Investment Management, for example, the primary manager of the BT Pension Scheme and a major institutional asset manager with £21 billion assets under management, has already publicly stated its commitment to the idea of building more new communities.[19] Legal & General PLC, Britain's largest institutional shareholder, has done likewise. Indeed, Legal & General is now cooperating with PGGM, a Dutch pension fund manager, to construct a total of 3,000 apartments across the UK as part of a £600m "build-to-rent" initiative. Paul Stanworth, the managing director of Legal & General Capital (LGC), the insurer's main investment division, stresses: "The UK rental market, compared to the US and Europe, is dysfunctional, with ever increasing rents and increasingly poor accommodation. For this to change", he adds, "and renting to become more affordable, we need to invest in the 'new', and build new homes to rent, and just stop inflating the prices of old housing stock."[20] Furthermore, the Bank of England, as the industry regulator, has noticed a marked increase in investment from major insurers into the infrastructure and property sector, encouraged by the ability to employ matching adjustment provisions to offset the regulatory constraints imposed on EU insurers.

Institutional interest in the private rental market is clearly growing. Legal & General, M&G, (the asset management arm of insurer Prudential) and Hermes Investment Management have all launched funds in the last few years with the express aim of chanelling money into new homes for rent with some funds specifically aimed at certain sectors of the market, such as student housing or sheltered accommodation.

But more could be done to encourage institutional funding for new housing and infrastructure through removing unnecessary regulation. As a leading actuary advising numerous large pension funds has told us, "finding deals and executing on them is difficult unless you are a large pension scheme with some in-house expertise". He explains: "There is probably a reluctance on many investment advisers to get their hands dirty in advising on infrastructure outside of a fund structure. The expense of doing proper due diligence and the duty of care being potential barriers". Another City investor felt that insurers have an appetite for social housing and infrastructure, albeit tempered by Solvency II regulatory constraints; but a pivotal factor was how to deal with illiquid assets when institutions opted to sell? In other words, how far are these assets tradeable on a secondary market? This is a challenge which capital markets need to respond to with the help of government and regulatory agencies responsible for sensible oversight of the insurance and pensions sectors.

Fortunately, Government ministers are taking a much closer interest in these bottlenecks and barriers. Richard Harrington MP , Parliamentary Under Secretary of State for Pensions, in an address to the All Party Parliamentary Group on Pensions on 25 October 2016, promised to look at regulatory and structural hurdles placed in the way of UK pension funds with respect to

19 See letter of commitment from Chris Taylor, CEO of Hermes Real Estate Investment Management (HREIM), reproduced in appendix 11, New Garden Cities short listed submission, Wolfson Prize 2014, Peter Freeman et al.

20 Quoted in The Guardian, 'Legal & General to build and rent out 3,000 new UK homes', 27 January 2016.

investing in housing and infrastructure, particularly private rental housing.

In his remarks to pension professionals, lawyers and legislators he noted that foreign pension funds, such as Ontario Teachers' Pension Fund, had expressed to him their astonishment at the reluctance of UK pension funds to invest in long term assets, such as rental housing and major infrastructure projects here in Britain. The Minister observed that this may be partly attributable to valuation issues and the fragmentation of individual funds, but these problems needed to be resolved and funds consolidated so they could invest in much needed infrastructure and housing: a cornerstone of the current Government's overall policy.

2.4 Local Authority Involvement

It is encouraging to witness the far more pro-active approach adopted by some local authorities to proposals for new communities and urban extensions. This represents a sea-change in attitudes over the last decade.

Whereas only a few years ago, local authorities tended to have entirely unrealistic views of the need for housing and support services in their area, this is rapidly beginning to change. In the Yorkshire spa town of Harrogate, for example, the Planning Inspector Phillip Ware told councillors to go away and rethink the town's local plan in 2014 because its annual housing target of 390 homes was not even a half of the total which independent assessors judged was required. Councillors were resistant at first but the Borough Council has now published its draft Local Plan with a consultation programme held over the last two months of 2016. Significantly, this Plan now proposes far more housing: in fact, up to 11,697 new homes between 2014 and 2035 along with the allocation of up to 25 hectares of land dedicated to commerce and employment opportunities.

Similarly, in another popular area of housing demand, Cheshire, the Council has published a revised draft Local Plan – its first attempt was thrown out by the Planning Inspector as being entirely unrealistic with respect to addressing housing need. The revised plan, announced in February 2016, increased the housing requirement up to 2030 by around a third, from 27,000 to 36,000 homes, some of which will need to be built on what is currently classified as greenbelt land.

In the past, local authorities have tended to resist large new settlements since they generate a host of new demands on scarce local resources, including planning teams. They derive little revenue from additional housing and commercial development yet are obliged to fund support infrastructure (roads, drainage, lighting, and so forth.).[21] As the recent House of Lords select committee report pointed out, "there is currently no immediate financial benefit to the local authority from the planning process. The 'windfall' created by the grant of planning permission is retained by the landowner".[22] However, it can also be argued that local authorities benefit substantially from the economic activity, council tax, planning fees, infra improvements, S106, CIL, new homes bonus, business rates generated by new developments.

21 The Community Infrastructure Levy (CIL) was designed to mitigate this impact on local authorities; but it has proved enormously complex to implement, and in any event it was never expected to do more than soften the disincentives to development.

22 See House of Lords select committee on Economic Affairs, First report, session 2016-17, *'Building More Homes'*, July 2016, para 112, page 38.

But the status quo is beginning to shift.

Since the last general election central government has awarded greater powers and a larger share of resources to cities, such as Manchester and Sheffield. The Northern Powerhouse initiative is revitalising local government in these areas and encouraging them to consider more ambitious schemes. It is significant, for example, that the Combined Greater Manchester Authority is currently reviewing its housing requirements as well as its greenbelt boundaries – the first such review in 30 years – as part of its Spatial Framework, published in the autumn of 2016.

Driving this change in attitudes towards new construction is the obligation now placed on local authorities to identify through a Local Plan. The Government has made it clear – in the Housing & Planning Act 2016 – that Local Plans will have to be agreed by each local authority in England by early 2017. If they fail to do so, they will be compiled by a team appointed by central government. These Local Plans are immensely important since they identify an annual figure for how many new homes the council plan to authorise within its boundaries – typically over a period of some 15 years. The Housing White Paper must ensure that a common methodology is adopted for calculating the strategic housing market assessment and a five year supply calculation. Otherwise, recalcitrant local authorities whose councillors shy away from realistic assessments of housing need will continue to resort to wholly impractical assessments, which will simply exacerbate the housing crisis.

Accordingly, it is of the greatest urgency that the Government insists on a common methodology to assess housing need and ensures that it is adopted by all English local authorities. This will streamline the whole process of estimating demand and will do away with the current conflicts over the appropriate means of delivering objectively assessed housing need and speed up both the local plan and planning application processes.

Establishing how many new homes should be built under the Local Plan will serve as a catalyst for the creation of new communities. In some areas, such as East Surrey where much of the land is categorised as greenbelt, this will inevitably mean some adjustment to the boundaries of what is deemed greenbelt, and what is not.

Councils' legal obligation to provide sufficient housing to meet identified demand has spurred many local authorities to review greenbelt boundaries as they have developed over the last half century. As noted above, Cheshire East has issued a revised Local Plan which proposes swapping part of the existing greenbelt to build new settlements while designating new greenbelt nearby to compensate for this loss. While the Planning Inspector examining the Local Plan eventually turned this proposal down, the Government should aim to simplify the process to expedite future proposals.

A number of other local authorities are also reviewing the greenbelt: Coventry City Council is looking to remove ten per cent of the city's 3,000 hectares of designated greenbelt land to help provide 25,000 homes by 2031[23] while in the case of Birmingham City Council, the Secretary of State at the DCLG has lifted the previously imposed block (known as a Housing Direction)[24] on plans to build 6,000 homes and business

[23] 'Revealed: Swathes of greenbelt to be lost under new 25,000 homes plan', *Coventry Telegraph*, 4 January 2016.

[24] Birmingham City Council, Adopted Birmingham Development Plan, 2017.

accommodation on greenbelt land around Sutton Coldfield to meet an identified need to build 89,000 new homes over the next 15 years to address the region's acute housing shortage.[25]

In the Home Counties, both Brentwood and St Albans are looking to release greenbelt land for sympathetic development. Brentwood Council's draft Local Plan, published in February 2016, not only makes provision for 7,240 new homes to be built in the borough between 2013 to 2033, at an average annual rate of 362 homes per year, but specifically includes proposals for a new "greenfield urban extensions" in the greenbelt, with the aim of creating a new community of up to 2,500 homes at Dunton Hills Garden Village.[26] Furthermore, the umbrella group representing local authorities in the Home Counties, the South East England Councils (SEEC) has argued that London Mayor's, Sadiq Khan, should consider releasing greenbelt to meet the capital's housing needs, just as they are doing for the commuter belt.[27]

In the North East of England, an interesting proposal to create a 2,000-home garden village – dubbed Dissington Garden Village – on a 210-hectare site in Ponteland, north of Newcastle, has won the support in principle of Northumberland County Council. This scheme has brought in the Prince's Foundation for Building Community to steer community engagement and detailed design with the master plan devised by Farrells, the leading international firm of architects eponymously named after its principal, Sir Terry Farrell. The developers are proposing a new mixed-use community with housing supported by education, leisure, medical, retail and employment facilities. This will require the deallocation of the location's greenbelt status but in an important move Northumberland County Council recognises that some redrawing of the greenbelt is inevitable. As part of the proposal 130 hectares would be set aside for public open space and landscaping, with sports pitches, parkland, allotments and walking and cycle routes and a relief road, bypassing the town centre of Ponteland.

Perhaps the most ambitious review of housing requirements is being undertaken by the Greater Manchester Combined Authority (GMCA), a planning body comprising ten local authorities in and around this conurbation. Manchester has won an excellent reputation under its chief executive Sir Howard Bernstein for leading the way in urban regeneration and imaginative new schemes. This initiative has been rewarded by central government delegating an increasing number of powers and budget to the authority.

In autumn 2016 the Authority published its Greater Manchester Spatial Framework (GMSF), the first for 30 years, which reviews its housing and infrastructure requirements along with proposals for the redrawing of greenbelt boundaries. Approved for consultation by the ten councils involved in November 2016, this Draft Framework focuses on the need to meet a surge in demand for housing, not least for the 81,000 families on the affordable homes waiting list. The plan has surprised many in so far as it has been ambitious about the number of homes to be built between 2015 to 2035. One of the options sets

25 See 'Tory Andrew Mitchell condemns Communities Secretary Sajid Javid over plan for 6,000 Greenbelt homes' , *Birmingham Mail*, 8 December 2016.

26 'Essex authority is latest to consider greenbelt release', *Planning* journal website, 3 February 2016.

27 A response to the consultation paper on *A City For All Londoners,* see article in *Planning,* London mayor should consider greenbelt release, say South East councils, *Planning* journal website, 20 December 2016.

out plans to increase construction levels to 11,360 units a year, compared with the 10,350 previously proposed. Significantly, it proposes that nearly a third – 28 per cent of them – should be built on 4,900 hectares of Greater Manchester's extensive greenbelt. If this Framework option is adopted the proportion of the GMCA's land area designated as greenbelt would be trimmed from 47 to 43 per cent – still a considerable land area.

The city authority's own planners recognise that something must be done. GMCA planners have allocated around 50 large greenbelt sites – most of which are fairly large – arguing that this will help to provide necessary supporting infrastructure and create new "garden city neighbourhoods". But the land to be developed is not necessarily in the right place. A coalition lobbying group of housebuilders and landowners, 'Housing the Powerhouse', argue that many of these proposed land releases are in places with relatively low housing demand.

These examples of emerging schemes, while still only a few in number, demonstrate that some local authorities have the will and capacity to embrace change and develop new communities and urban extensions. The challenge is to win over more of them to this vision.

2.5 Infrastructure provision

Post-war planning legislation was meant to provide both physical and social infrastructure for new communities but it was rarely delivered. Developers and house builders tended to concentrate on housing and ignored the provision of amenities and other social infrastructure. This was largely on account of the fact that New Towns either did not fulfil their role as master developers responsible for supplying all utilities and transport infrastructure or did so in a shabby, half-baked fashion.

It is crucial to ensure that in any major new development attention is paid to 'public goods' – such as urban parks, open spaces and wildlife habitat – as well as social centres that may be difficult to fund through direct private initiatives. Many academic studies have indicated that people may well be prepared to contribute to these non-direct benefits, since such amenities have been shown to have a positive effect on local house prices.[28]

The infrastructure required for newly built communities has evolved and expanded. High quality broadband is an essential prerequisite for many of today's new jobs; access to airports is often as important as access to road and rail hubs while people and businesses expect modern leisure facilities including gyms, sports grounds and social hubs to attract and retain sought after staff.

The Development Consent Order (DCO) process has proved to be a useful tool in bringing forward infrastructure provision. It is currently being used for a range of infrastructure projects, such as the Thames Tunnel. In this context, it provides a valuable streamlining function to ensure delivery, but this is more by way of bypassing elements of the existing system than by simplifying it or producing a more consensual process.

The creation of SPVs (see section 4) would open up the opportunity to try out new approaches to infrastructure provision. They could offer the opportunity to influence sustainability and inspire new standards: not just in construction, but in the delivery of utilities and in the manner in which parks and open spaces are managed,

[28] See academic studies cited in chapter 3 of *Urban Economics and Urban Policy: Challenging Conventional Policy Wisdom* by Paul Cheshire et al, Edward Elgar, 2014.

social and community facilities provided and local businesses are supported. In short, it offer the chance to maximise the extent of community owned and managed infrastructure.

Peter Freeman and his colleagues, in their short listed entry for the Wolfson Prize 2014, explore a range of options including Combined Heat & Power energy systems for a Garden City/Town which would include Sustainable Urban Drainage Systems; separate potable and non-potable water networks; rainwater harvesting and grey water treatment for use in irrigation; use of non-potable water in appropriate circumstances. The developers also stress the need for IT infrastructure including superfast broadband and Wi-Fi to support working from home, and so forth. Significantly, the infrastructure should be capable of adaptation to smart city systems as new technology emerges.

The sums involved in building any new garden style community of up to 15,000 units are substantial. Freeman[29] et al estimate the total cost for all physical and social infrastructure to amount to around £342m excluding professional fees.

The Community Infrastructure Levy was introduced to enable local authorities to recoup some of the expense required in providing infrastructure for new housing and commercial development. While it appears to have helped, there has been criticism levelled at its complexity – with no fewer than five sets of amending regulations since the first were passed in 2010 . There is a tendency to try and circumvent it and implementation has in many cases proved challenging. Developers understandably worry that they may be hit twice by both the CIL and Section 106 agreements, albeit restrictions were placed on the use of section 106 conditions to prevent double charging. Nevertheless, it would seem that there is considerable merit in the proposal by Professor Paul Cheshire of the London School of Economics who has suggested that, as part of a proposal for wider reform of the planning system, both section 106 and the Community Infrastructure Levy should be abolished and replaced by a single, national development charge of 20 per cent of the sale value of the development.[30] There should be a reciprocal obligations on LA and public agencies to supply the infrastructure and the proceeds should only be spent on identified purposes.

In his Autumn Statement in November 2016 the Chancellor, Philip Hammond announced a new £2.3bn infrastructure fund to underpin the creation of up to 100,000 new homes in areas of high demand. This fund, which will be allocated on a competitive basis to local authorities (so the onus will be on them to come forward with innovative bids) and will run to 2020-21. Not surprisingly, it was welcomed by housebuilders and organisations such as the Royal Town Planning Institute whose chief executive, Trudi Elliott, applauded the move: “It is overdue and we need it urgently”, she observed.[31]

[29] Wei Yang & Partners and Peter Freeman in collaboration with Buro Happold Consulting Engineers, Shared Intelligence and Gardiner & Theobald’s Wolfson Prize short listed entry 2014.

[30] See House of Lords select committee on Economic Affairs, First report, session 2016-17, *‘Building More Homes’,* July 2016, para 145, page 45.

[31] See ‘Chancellor launches £2.3bn Housing Infrastructure Fund’, *Inside Housing*. 23 November 2016.

2.6 LGPS: a potential funding source?

As Michael Johnson has shown,[32] the active fund management of the Local Government Pension Scheme's (LGPS) assets has been an expensive folly. Over the last decade, the assets (currently valued at £214 billion) have under-performed the major UK and global equity and bond indices.

Passive investing would have been more rewarding, a conclusion that resonates strongly with a recent FCA report into the asset management industry.[33] The only winner has been the fund management industry, garnering over £4.5 billion in reported fees which, as a percentage of asset market value, has more than doubled over the decade. In addition, unreported fees, including performance fees paid to alternative assets managers, are estimated to be between £3.6 billion and £4.6 billion. The 89 individual LGPS funds exhibit an extraordinary range of total annual costs per member. Enfield's £592 (2015-16) is a staggering 21 times larger than West Yorkshire's £28. Generally, the larger the fund, or the more in-house the asset management, the lower the cost per member.

In addition, some funds have an alarmingly high degree of inter-year cost volatility, which shows that they are in a state of administrative and governance disarray. It demands explanation, as does the difficulty in determining the LGPS's cashflow.

The cost-savings anticipated from the on-going asset pooling exercise will have little material impact on the sustainability of the scheme, given the scale of the funds' deficits. Pooling needs to be accompanied by a much more assertive approach to asset management, including the consolidation of all private equity and infrastructure investments into specialist vehicles that should aspire to become centres of global expertise.

A dramatic structural simplification of the LGPS is required: the local architecture should be swept away, to leave just the asset pools and specialist investment vehicles, each with an independent governance committee (IGC). The IGCs' should demand disclosure to the standards required for retail investors.

But the Government could go further. It could use the LGPS's assets to seed an infrastructure-focused sovereign wealth fund, some of which could be used to fund new housing projects, both private and social – where these have commercial returns.

2.7 Reviving the small builder sector

The last quarter of a century has witnessed a dramatic reduction in the construction of purpose built local authority housing and a massive exodus of smaller firms from the sector. The house building market in Britain is dominated by a clutch of major firms who tend to build what they believe people will accept. Compared with other countries, notably the USA, building standards and design tend to be underwhelming. Hence peoples' scepticism towards new built housing: they prefer second hand housing.

The Royal Town and Planning Institute claims that the fact that the three largest housebuilders built a quarter of all new homes in 2014 is indicative of an uncompetitive market. Lord Kerslake, the former joint head of the Civil Service is also a critic of the way in which the industry has become dominated by a cluster of

[32] Centre for Policy Studies, *The LGPS: A Lost Decade*, 2017.

[33] Market Study MS15/2.2; *Asset Management Market Study, Interim Report*; FCA, November 2016. A final report will be published later in 2017.

firms. As he pointed out to the recent House of Lords select committee inquiry into housing, "One of the questions you might ask yourself is who the last new big housebuilder to come to the market is. The answer is that there is none … I do not think that makes it a healthy competitive sector."[34]

Over the course of the last couple of decades there has been a remarkable exodus of small builders from the sector. The financial crisis of 2008 and the subsequent difficulty of obtaining bank funding for new construction projects has exacerbated this trend. Since 1988, approximately 80 per cent of small housebuilders – traditionally the bedrock of the industry – have exited the sector. Besides problems raising funding, the onerous planning system which entailed considerable up front expense acts as a massive deterrent to new entry.

The dramatic decline from 12,200 firms in 1988 to a mere 2,400 in 2014 is detailed in the accompanying table. Over the space of this quarter century almost 10,000 small building firms left the industry. Yet, if they had remained in business and building, they could have constructed (assuming each firm only built ten houses a year) at least 100,000 units a year and probably many more. This has proved a dramatic haemorrhaging of capacity across the sector countrywide.

Table 1: Number of firms registering low volumes of housebuilding, 1988 to 2014

Number of units registered	1988	2008	2014
1 to 10 units a year	10,112	4,411	2,000
11 to 30 units a year	1,500	745	244
31 to 100 units a year	603	311	159
Total	**12,215**	**5,467**	**2,403**

Source: Federation of Master Builders quoted in the House of Lords select committee on Economic Affairs, First report, session 2016-17, 'Building More Homes', July 2015, page 21.

As Jennie Daly, UK Director of Planning at Taylor Wimpey plc, has acknowledged the barriers to smaller and medium sized firms are "significant". As she observed: "We are a large scale business with a very substantial and professional staff, and we still find the process risky, difficult to predict and costly. For the smaller and medium sized housebuilder, that is tenfold in volume and risk."[35]

In practice, it is likely to cost at least £100,000 to submit a development plan to a local authority for a relatively modest housing development. Given the risks of failing to win planning permission, few firms can afford such an upfront investment, particularly taking into account the cost of land.

Another problem, as Professor Paul Cheshire has noted, is that smaller developers cannot access capital because of the uncertainties inherent in winning planning permission. A small or medium sized developer probably learns what the S106 conditions are days before a proposal goes to a planning committee – so they only have three to five days to conclude a deal with the landowners

[34] See House of Lords select committee on Economic Affairs, First report, session 2016-17, *'Building More Homes'*, July 2016, para 40, page 21.

[35] Evidence Q 104, House of Lords select committee on Economic Affairs, First report, session 2016-17, *'Building More Homes'*, July 2016, para 39, page 21.

and to organise the finance (it is easier for larger developers because they have much easier access to capital and also usually have cultivated links to planning authorities so they get more time before it goes to committee).

Simplifying the planning system would revive the UK's construction sector by generating many more opportunities to build. This should also trigger new ways on constructing homes and places of business. It could also encourage some much needed innovation in building techniques, which have hardly changed in Britain in the last half century. Factory-made modular housing is still a cottage industry in the UK, but investors such as Legal & General believe it could offer tremendous benefits in terms of energy efficiency and cost savings.

The new homes could be built by a wide range of developers: volume housebuilders, niche market operators, small and medium sized local builders, individuals, and co-operatives. As well as modular construction, other methods for 'scaling up' could be utilised such as those that can be seen at Chapelton of Elsick, a new community that is being built ten miles south of Aberdeen, and, on a larger scale, at Newquay in Cornwall, where a pattern book and building code based approach is employed to ensure quality and sustainability in domestic architecture while also supporting scaling up of house construction.

As Keith Boyfield and Susan Parham note in their recent study on Garden Cities, "The pattern book and building code allows a considerable number of smaller house building firms (often otherwise locked out of the market) to produce good quality, well-proportioned housing in sympathy with their location; in turn these can guide the rapid production of a substantial number of houses. This helps deal with the well-recognised housing industry structural problem centring on large volume builders being unwilling or unable to change their building practices in an adept and responsive way"[36]

2.8 Employment

To succeed, new developments must be able to offer a range of employment opportunities to residents. Otherwise, they will mutate into dormitory towns and lose their vibrancy. Milton Keynes has shown how employment, notably in the private sector, can underpin the development of a new town. It has carved out a remarkable record with respect to providing a home for new SME businesses, thereby generating well-paid jobs, as well as its impressive record of innovative development (reflected in a top ten ranking with respect to patents approved per 100,000 residents). Milton Keynes provides a model for future development with regard to attracting and fostering growing businesses.

Highly skilled employees are encouraged by a high quality residential and business environment, so the process becomes self-fulfilling when managed appropriately. Furthermore, as more people turn to self – employment, it makes sense to encourage home-working with supporting business hubs and flexible offices/workshops to support those who wish to have a better home-work-life balance. Accordingly, a sensible master plan for a new development would create a framework to accommodate:

[36] See *Garden Cities – Why Not?* by Dr Susan Parham & Keith Boyfield,, Garden City Perspectives I, International Garden Cities Institute, Letchworth, July 2016, page 10.

- Flexible spaces to suit a range of different types of businesses and micro-enterprises.
- Home working (through appropriate house design and provision of business hubs/flexible workspace).
- Adaptable spaces to accommodate larger, more diversified operations and higher employment levels, enabling growing businesses to relocate within the town.
- An appropriate amount of industrial and warehousing floorspace, to meet the requirements of local businesses attracted to the new community.

Such a strategy accords with the Government's industrial strategy[37] which seeks to deliver major infrastructure improvements, particularly better transport connections, a step change in house-building (which itself acts as a catalyst for greater employment), and support for the regional development, thereby providing attractive employment opportunities outside the South East of England.

3. A GRAND VISION

The above "building blocks" can all help to ease the housing crisis. But if all the various parties are to be aware of the Government's determination to initiate a new "housing revolution", they must be brought together under a single coherent programme.

Pink Planning offers such a model.[38] It aligns the interests of all the various parties[39] that are required to create dynamic new communities. Inspired by the idea of diluting the red tape that shackles planning and development of new communities in this country, it provides a streamlined approach to get things done. Creating a range of Pink Zones across the country could be the most expedient way to deliver places for people to live and work.

Pink Planning involves a mechanism known as a special purpose vehicle (SPV). This mechanism enables them to win initial permission from central government to create new communities.

The distinctive aspects of the Pink Planning approach are threefold:

1. community co-operation is incentivised, thereby reducing adversarial conflict;
2. planning permission procedure is streamlined; and
3. the range of developer's contributions and involvement beyond infrastructure are expanded to include employment growth and other factors that supply residents' wider needs, and which make the developed communities attractive places to live and work.

Pink Planning would reduce the risk and uncertainty inherent in the current planning system. It can thereby take advantage of this

37 '*Industrial strategy*', Briefing Paper Number 07682, 14 October 2016, House of Commons Library.

38 Centre for Policy Studies, *Pink Planning – diluting the red tape*, 2014.

Centre for Policy Studies, *A Suggestion for the Housing & Planning Minister*, 2015.

Centre for Policy Studies, *A Convergence of Interests*, 2016.

39 Those with interests in any development include landowners; the funders of new development with an increasing focus on financial institutions such as life insurance companies and pension funds; infrastructure suppliers; construction firms and an array of builders; local authorities; professional advisers such as architects and civil engineers; and, last but not least, local residents and representatives of civil society.

growing willingness of institutional capital to invest in long term housing and infrastructure assets – not least because other forms of investment, whether equities, gilts or commodities, have shown such relatively modest returns in recent years. Consequently, institutional investors have a growing appetite for long-term assets which will meet their long term liabilities.

Some local authorities have recently shown the will and capacity to embrace change and develop new communities and urban extensions. The challenge is to win over more of them to this vision. Pink Planning provides the streamlined model that can deliver this goal.

The inspiration for this approach stems from Britain's Victorian and Edwardian history – periods in which attractive towns and suburbs were built by private developers across the country to house Britain's rapidly growing population and to enable people to live within commuting distance of their workplace. This was the driving impetus behind new communities not just in London but in the rapidly expanding conurbations of Manchester, Leeds and Birmingham – the final example very much pioneered by Joseph Chamberlain.

The challenge now is to replicate this dynamic vision and create communities and attractive places where people want to live and work and enjoy a range of social and physical amenities. This is a chance to remould Britain for the twenty-first century and offers a chance to test 'smart city' ideas – ways of offering technologically based solutions to urban problems.[40]

4. HOW THE PINK PLANNING MODEL PROCEEDS

As the name implies, delivery of the Pink Planning model will therefore require deregulatory primary legislation. But there is nothing unprecedented in what is proposed: all the integral components of the model are already found in legislation or the common law. The distinctive element in these proposals lies in employing key features of a number of regimes to deliver an efficient and effective legal mechanism for establishing strong and sustainable new neighbourhoods.

The aim of the process is both to achieve pre-application consensus, and to act for the benefit of all present and future residents of an area. The onus is on creating a positive legacy in which people can take pride and in which they can identify. They will want others to know where they live.

Integral to the Pink Planning model is a Special Purpose Vehicle (SPV), which is used to bring together all the interests necessary to found stable and attractive communities.

It has always been the case that new communities and neighbourhoods have been developed by a managing entity, whether it was a landed estate, New Town or Urban Development Corporation. Without such vehicles, nothing would be delivered. Hence, our current impasse.

SPVs are legal entities set up for a particular purpose. They offer a routine model – easily replicated – that delivers new communities of housing with appropriate facilities and amenities. In this sense, it is a pro forma mechanism which means that one does not have to reinvent a

[40] For further details see *Garden Cities – Why Not?* by Dr Susan Parham & Keith Boyfield,, Garden City Perspectives I, International Garden Cities Institute, Letchworth, July 2016.

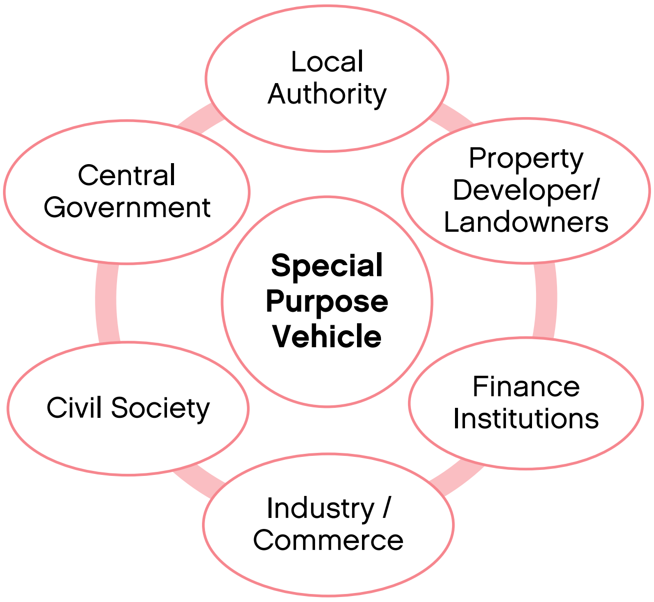
model to ensure houses get built. This is highly appealing because it is so flexible and can be tailored to the needs of individual communities.

An initiative for a new Pink Zone could originate from any party. It could be a combination of landowners, developers and local authorities with strong support from prospective employers. In a sense, it does not matter who originates the idea, but the crucial point is to generate buy-in from other key stakeholders, as illustrated in the diagram below:-

The purpose of the SPV is to produce a balance between the various interests in any proposed development so that the overall project delivers positive outcomes for all concerned. This will not be simple – but the strong incentives to work together should overcome any objections. That is why the SPV ensures that all bodies are represented, and that they all have a stake in initiating, delivering and maintaining the new community, with its housing, infrastructure and employment opportunities. The SPV does not require legislation to be established – it could take a number of existing forms including a trust or a company limited by guarantee – but it will need legislation to recognise it and grant it special status (as has been done, for example, in the case of Community Land Trusts).

In practice, SPVs could often take the form of a limited company or a partnership, which enables the SPV's operations to be confined solely to the activities set out in its constitution. (The terms of the arrangements would be negotiated on a case by case basis). Accordingly, they remain tightly focused on the final execution of the project, thereby improving delivery. Once a SPV's proposals have been outlined, legislation will be required to provide a streamlined planning process and a single consenting regime. This is important because it will meet developers' and financial institutions' need for predictability of timing, as well as providing investor confidence in the eventual outcome together with relatively speedy progress towards completion. At the same time, this approach will protect and listen to all relevant civil society and other interests.

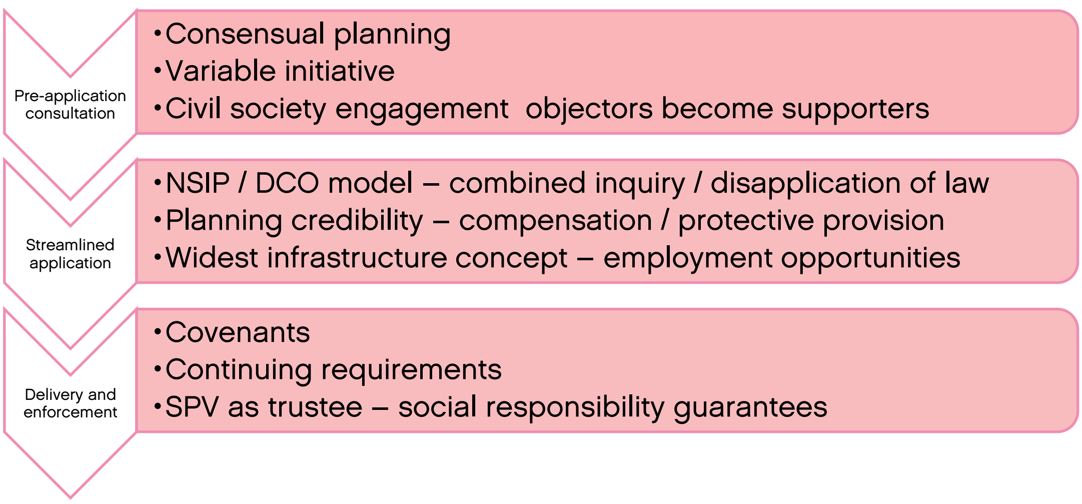
Figure 1: The Recommended Model:-building a circle of consent



The following diagram illustrates how the Pink Planning process works. The pre-application consultation aims to tackle objections from interested parties and hammer out a consensual agreement for future development. Through engagement with civil society groups, the goal it to transform objectors into supporters. The *Enquiry By Design* initiative, pioneered by The Prince of Wales's Foundation for Building Community, has demonstrated how involving the local community can shift previously adversarial attitudes to new development. It also shows how giving local people a say in a bottom-up approach contributes to support for appropriate development. As *The Financial Times*[41] points out, this approach to development has been employed in more than 100 cases with local communities helping to create a vision for their local area.[42] Those remaining interests that cannot be accommodated within the consultation will need to be addressed by existing planning mechanisms and through direct compensation for loss of amenity. This is a new approach, based on the experience in France and the Netherlands, which has greatly mitigated objections to new schemes.[43]

Under the streamlined application process – stage 2 of the model – a Development Plan for the new community is submitted by the SPV with local authority support to central government for policy approval. This means, of course, that the local authority or local authorities have to commit to the development. However, through submitting an initial Development Plan ministers can ensure at the outset that due process has been followed and that all stakeholders have had an opportunity to set out their arguments. Infrastructure provision in its widest sense – including contemporary must haves such as high speed data connections – are an important element at this stage in the development application.

Figure 2: Pink Planning basic model



41 How The Prince's Foundation has given communities a say on design', Kate Allen, *Financial Times*, June 28, 2014.

42 For futher details of how Enquiry by Design can assist see *A Convergence of Interests* by Keith Boyfield & Daniel Greenberg, Pointmaker May 2016, page 10.

43 For further details on how the Dutch and French compensation schemes work in practice see Compensating for Development: How to unblock Britain's town and country planning system' by Marcus Corry, Graham Mather & Dorothy Smith, The Infrastructure Forum, August 2012, pages 13 – 20.

The crucial point at this vetting stage is that Ministers can confirm they have no policy objections about a development before the next stage in the process commences. This is a necessary prerequisite to ensuring that the initiative can be taken forward since funders will need to see that permission to apply has been granted. This provides the certainty and timetable that the Pink Zone requires.

Local issues are then investigated through a planning inquiry process. As set out in a previous publication,[44] planning issues should be addressed by professionals with the right experience to ensure effective planning and appropriate safeguarding for individual interests. This is more efficient and effective approach than having planning issues adjudicated by politicians in an antiquated adversarial system, whether by a hybrid bill or a special parliamentary procedure, making due allowance for sensitivity to local issues.

Once the streamlined local inquiry process approves the Development Plan, a Development Order is made to implement it, which will include:

- Compulsory purchase powers where required as already employed in Development Consent Orders/Transport and Works Orders.
- Any necessary powers required to modify ancient local legislation as already employed in Development Consent Orders/Transport and Works Orders.
- Covenants to safeguard community assets (buildings, green spaces, rights of way, and so forth).

Accordingly, under this delivery model the SPV acts as an efficient project-delivery manager, contracting as necessary with suppliers. Direct compensation is provided for in the Development Plan with side-agreements. Where appropriate, provision can be made for a bespoke tailored SPV to continue after the development is delivered to manage certain amenities and community assets. This is the legacy aspect of the SPV, rather like the model used in Letchworth for the maintenance and provision of benefits to the local community.[45]

Once designated, Pink Zones would benefit from a simplified planning and consent regime. This could include the ability to use Compulsory Purchase Orders where required and, if appropriate, to offer direct compensation for those affected by any proposed development.

44 Centre for Policy Studies, *A Suggestion for the Housing & Planning Minister*, 2015.

45 In fact, governance arrangements as they were implemented in the Garden City model meant that the town controlled a number of assets, notably buildings, and land on which new development might proceed. This became a distinctive aspect about Garden Cities and one in which they stand out from conventional development. In the case of Letchworth Garden City Heritage Foundation, it currently reinvests an annual sum of around £4 million into the town. This dividend is used for such tangible benefits as extra health services, facilities and resources for all the residents of the town and illustrates that local people can glean real benefits from an ambitious community development. For further details on the Letchworth model see *Garden Cities – Why Not?* by Dr Susan Parham & Keith Boyfield, Garden City Perspectives I, International Garden Cities Institute, Letchworth, July 2016.

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