

# LAND FOR THE MANY

Changing the way our fundamental asset  
is used, owned and governed

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## Preface



### **George Monbiot**

Dig deep enough into many of the problems this country faces, and you will soon hit land. Soaring inequality and exclusion; the massive cost of renting or buying a decent home; repeated financial crises, sparked by housing asset bubbles; the collapse of wildlife and ecosystems; the lack of public amenities – the way land is owned and controlled underlies them all. Yet it scarcely features in political discussions.

The sense that even in discussing land we are trespassing is so strong that this critical issue remains off the agenda. Yet we cannot solve our many dysfunctions without addressing it. This report aims to put land where it belongs: at the heart of political debate and discussion. It proposes radical but practical changes in the way land in the UK is used and governed. By these means, it seeks to make this a nation that works for everyone, with a better distribution of wealth and power, greater financial stability, economic security and environmental quality, greater participation in the decisions that affect our lives, an enhanced ability to create our own homes and neighbourhoods and a stronger sense of community and belonging.

## Summary of Recommendations

The following are proposals to the Labour Party, which will consider these as part of its policy development process in advance of the next general election.

### Transparency

All information about land ownership, control, subsidies and planning should be **published as open data**. There should be free and open access to information on who owns land, including the **identities of the beneficial owners**.

There should be a fully **public register of charges and options over land titles**, and public databases of the prices paid for all property and of public subsidies paid on land. Land should be registered with the Land Registry as a prerequisite for receiving subsidies.

**Local Authority Asset Registers and sales should be published as open data**. There should also be a full **register of planning permissions**, including developers' commitments.

The Land Registry and Ordnance Survey should return to being **executive agencies of government**. A portion of the Land Registry's £530 million in cash reserves should be used to help fund initiatives proposed in this paper.

### Land price stabilisation

We recommend that a Labour government should set **an explicit goal to stabilise house prices**, so that wages can catch up and the house-price-to-income ratio can gradually fall. As the problem of house price inflation is, at root, a problem of residential land price inflation, this is also a goal to stabilise land prices.

The measures listed below would **discourage land and housing from being treated as financial assets**, encourage banks to redirect lending into productive sectors, and encourage a more efficient use of the existing housing stock (Chapter 3). Together, these policies would bring an end to house price inflation.

To prevent these long-overdue reforms from triggering an unduly sharp reversal in land values, we float an innovative and radical solution called **the Common Ground Trust** (Chapter 4).

One function of the Common Ground Trust is as a non-profit institution that **helps prospective buyers purchase homes**. At their request, it will buy the land underlying a house, making the upfront deposit for home ownership **much more affordable**. In return, the buyers pay a land rent to the Trust. By bringing land into common ownership, **land rents can be socialised** rather than flowing to private landlords and banks.

This function ensures that the Common Ground Trust **supports demand from ordinary buyers in the housing market**. Debt-fuelled and speculative demand can then be reined in without the risk of an uncontrolled or destabilising fall in values. As such, the Trust is an enabler for the broader package of reforms set out below.

## Ending the Buy-to-let frenzy

We recommend major reforms of the private rented sector (Chapter 3). For example, **tenancies should be open-ended**, and landlords should lose their power to evict a tenant who has not broken the terms of the tenancy agreement for the first three years of the tenancy agreement, and should have to provide grounds for eviction after that point. There should be a **cap on annual permissible rent increases**, at no more than the rate of wage inflation or consumer price inflation (whichever is lower). We propose that Buy-to-let mortgages should be more **firmly regulated and restricted**.

We also support Labour's commitment to an **ambitious social housing building programme**, and suggest changes to the system of land assembly (see below) to facilitate this goal.

## Macroprudential supervision

The Bank of England should use credit guidance and other macroprudential tools to **encourage a shift in bank lending away from real estate**, and towards more strategically useful sectors of the economy (Chapter 3). Once house prices are stabilised, and the house-price-to-income ratio starts to fall, the **maximum loan-to-income and loan-to-value ratios should be tightened**, to prevent any future debt-fuelled re-inflation of house prices. Supplementary measures will be needed to prevent this from disproportionately affecting the less well-off.

## Progressive and efficient tax reform

To discourage the use of homes as financial assets, reduce the tax paid by the majority of households, and encourage more efficient use of the housing stock, we recommend that a Labour government should **replace the council tax with a progressive property tax** (Chapter 3). This should be payable by owners, not tenants. The valuation of properties for tax purposes should be updated annually, and **empty homes and second homes should automatically be taxed at a higher rate**. We also recommend a **surcharge for all properties owned by those who are not resident in the UK for tax purposes**.

**Stamp Duty Land Tax should be phased out for those buying homes to live in themselves**, and capital gains tax for second homes and investment properties should be increased. We recommend **that inheritance tax should be abolished, and replaced with a lifetime gifts tax levied on the recipient**.

Business rates should be replaced with a **Land Value Tax**, calculated on the basis of the rental value of local commercial land.

To ensure that farmland is reserved for farmers and to prevent it from being used for tax avoidance and speculation we propose that a new **English Land Commission** undertakes a **review of tax exemptions** given to landowners. This should aim to restrain these fiscal privileges without harming family farms. The removal of similar tax exemptions on woodlands and forestry should also be considered.

In the interests of transparency, and to ensure that land is not used for financial speculation, tax avoidance or money laundering, we recommend an **Offshore**

**Company Property Tax payable by companies based, or beneficially owned, in secrecy jurisdictions** (Chapter 3). We also recommend an **increase in the Annual Enveloped Property Tax** and a removal of the exemption for properties under £500,000.

## Development and planning

**Development should be led by democratically-accountable public bodies and communities**, not private developers operating according to the need to maximise shareholder returns. Labour has set out plans for an English Sovereign Land Trust, which could work with local authorities to advance this process (Chapter 5).

**New Public Development Corporations should be given the power to purchase, develop and sell land in the public interest** for the creation of new towns and other communities. Their construction contracts would give priority to local small and medium-sized firms, **ensuring that builders compete on quality** rather than on their ability to navigate the speculative land market.

The Development Corporations should be able to obtain **long-term, low-cost loans from Labour's proposed Regional Development Banks**.

We recommend that the **Land Compensation Act is reformed** to enable development corporations and other public authorities to acquire land at prices closer to its current use value, rather than its potential future residential value. This could **reduce the cost of building genuinely affordable housing by up to 50%** (Chapter 5).

Local authorities should also be empowered to **lead local development**. They should **set housing targets based on the type, size and tenure that local people need and can afford**.

The planning system should be reformed to **address imbalances of power**, which currently allow deep-pocketed developers excessive influence over local decision-making. Among the measures we recommend are **permitting local authorities to set and vary planning fees**: for example, increasing them for applications raised more than once, or when advice or policy has been ignored (Chapter 5).

We propose that a Labour government should **remove permitted development rights** that allow office and agricultural buildings to be turned into housing without full permission.

**The sell-off of public land to the highest bidder should end**. Local authorities and other parts of government should use the land they own to deliver high quality affordable housing and meet other key social needs.

We call for a **formal review of participation in planning**, whose purpose is to ensure that communities are better able to co-create local policies and developments.

We recommend the **creation of a Community Participation Agency** to ensure that under-represented groups in particular are involved in the planning process and to **secure the participation of citizens in plan-making and major infrastructure planning**.

We propose introducing a form of **jury service for plan-making** stages to facilitate broader participation.

Each local authority should **appoint a Future Generations Champion** to represent the interests of children and unborn generations in planning decisions and plan-making. This will ensure that **the long-term environmental implications of current decisions are taken into account.**

We seek to enhance the opportunities for **communities to design and co-create whole developments and housing estates.**

## Community ownership and control

To put communities at the heart of development, a Labour government should **support the creation of Community Land Trusts and Community-Led Housing** (Chapter 6).

To enhance the community ownership of land, we propose:

Introducing a **Community Right to Buy** based on the Scottish model, in the other three nations of the United Kingdom.

Introducing **Compulsory Sale Orders**, granting public authorities the power to require land that has been left vacant or derelict for a defined period to be sold by public auction. Community groups could be offered the right of first refusal and financial support to purchase this land.

Devising new **rules to facilitate community ownership** and increasing the choice and scope of **mortgages for community-led housing.**

## Public amenities

We propose an **urban and suburban right to roam**, codifying a citizen's right to come onto land for civic and cultural purposes (Chapter 7). We also propose a **new Public Realm use class**: defining public space that citizens have the right to use for civic and cultural purposes. Allowing Public Realm use would be a planning requirement in all new developments with open space.

The provision of parks should become a statutory service for councils. Our proposed reforms to the Land Compensation Act 1961 will make it easier for councils to **create new parks and urban green spaces.**

A Labour government should amend the Allotments Act 1908 to introduce a time limit of **one year for the mandatory provision of land for allotments**, and to ensure that this land be situated within reasonable distance of plotters' homes.

National Planning Policy Guidance should be amended to make allotment provision and land for community food growing projects a **key function of Green Belts**, particularly near railway stations connecting to city centres.



## Farming and the countryside

We propose to widen access to farming, by **halting and reversing the sell-off of County Farms**, and legislating for a ministerial lock on their disposal (Chapter 8). In suitable areas near cities, county farms should be broken up to create opportunities for small farmers, with tenancies offered at below-market rates.

We seek to **encourage Community Land Trusts to buy rural land**, for farming, forestry, conservation, rewilding and the protection of catchments. To this end, we propose creating a **Community Land Fund**, with a target of £200m of land in community ownership by 2030, financed by some of the £530m surplus accumulated by the Land Registry.

To meet the needs of land workers, **agricultural ties on dwellings should be protected**. There should be a **clear policy route for new landworker dwellings on low impact farming operations**. This could be a One Planet Development Policy, as is currently in force in Wales.

To democratise decision-making and arrest the rapid collapse of wildlife and ecosystems, we suggest that the English Land Commission be charged with investigating the possibility of **extending the planning system to cover major farming and forestry decisions**.

To help address our health crises and enhance our sense of belonging, we propose that the rest of the UK adopts the Scottish principle of a **Right to Roam across all uncultivated land and water**, excluding gardens and other exceptions.

To prevent the further loss of rights of way, we propose that Labour repeals the legislation limiting the protection of footpaths and bridleways.

## Research and policy development

We call for **bodies modelled on the Scottish Land Commission** to be established in the rest of the United Kingdom. Their role should be to research ongoing issues involving the ownership, use and control of land, and to propose new policies.

## 1. Introduction – The Lie of the Land

### Landlocked

Almost everyone agrees that Britain suffers from a series of chronic problems. Inequality continues to grow, and the distribution of wealth is even more uneven than the distribution of income, restricting social mobility. The economic power of those who benefit from this disparity translates into political power, compromising democracy. Economic instability caused by inflating asset values threatens periodic financial crises.

The quality and quantity of public space is insufficient to meet our needs for recreation and tranquillity. Children in many boroughs have few places in which to play, as shared spaces have been filled by cars. The outdoor lives enjoyed by previous generations have been replaced by indoor living, often associated with unfitness, obesity and alienation.

Housing is scarcely affordable and does not meet our needs. For many young people, owning a home now seems a distant and improbable dream. People pay inordinate rents for cramped and squalid accommodation. Those who can buy often have to devote much of their lifetime income to mortgage repayments. Two decades ago, the average working family needed to save for three years to afford a deposit. Today, it must save for 19 years.<sup>1</sup>

Small farms are being incorporated into large ones at astonishing speed, while the abundance and diversity of wildlife are collapsing, threatening a silent spring.

Successive governments have sought to address all these predicaments, yet they endure. It is our belief that one of the reasons for their persistence is a failure to attend to the use and control of land.

The current distribution of landed property drives a potent spiral of wealth accumulation. The money that the owners of valuable property harvest in the form of rent and capital appreciation allows them to buy more property, which in turn enables them to increase their capital and rental income. Land now accounts for 51% of the UK's net worth, compared to 26% in Germany.<sup>2</sup> The value of land has increased from around £1 trillion in 1995 to over £5 trillion today.<sup>3</sup>

Most of this rise in value is the result of speculative inflation, rather than improvements. "Land," Winston Churchill argued in 1909, "is by far the greatest of monopolies".<sup>4</sup> The owner of an empty house or derelict plot of land "has only to sit still and watch complacently his property multiplying in value... without either effort or contribution on his part".

But the land and housing market is a zero sum game: such windfall rewards are mirrored by the deprivation and exclusion of others. Sometimes the impacts of inflated housing costs are easy to spot, such as with the growing numbers of rough sleepers, and families crammed into homes designed for single occupancy.

1 A. Corlett and L. Judge, 2017. [Home affront: housing across the generations](#), London, Resolution Foundation.

2 Office for National Statistics. 2018. [The UK national balance sheet estimates: 2018](#).

3 Office for National Statistics. 2018. [Aggregate land values 1995-2016](#). Freedom of Information Request.

4 Land Value Taxation Campaign, February 2010. [Winston Churchill Said It All Better than We Can](#).

But rising housing costs also inflict less visible pain: longer commuting times and the exclusion of people on low incomes from neighbourhoods with good schools, jobs and transport links. They are priced out not because bricks and mortar have suddenly become more expensive, but because land values have risen 544% since 1995,<sup>5</sup> far outpacing any growth in real incomes. By 2016, the cost of land accounted, on average, for 70% of the price of a home.<sup>6</sup>

As Thomas Piketty explained in his book *Capital in the Twenty-First Century*,<sup>7</sup> such spirals do not break down by themselves. Without political action, the rich become richer and the poor become poorer. A new era of patrimonial wealth expansion, caused by a reduction in tax and regulation, drives us towards the extreme inequality last witnessed in Britain a century ago.

The sensible use of land is crucial to economic stability. But successive governments have allowed it to be treated like a pile of chips in a casino. Leveraged speculation on land and houses has created, in some parts of the country, potential bubbles. Because speculators amplify both upwards and downwards house price movements, the treatment of homes as financial assets exposes both householders and the national economy to systemic risk.

These problems are compounded by a tax system that rewards the use of land as a speculative asset. Without significant penalties for leaving homes empty, profligacy and deprivation exist side by side.

When land is granted planning permission for a change of use – such as from agriculture to housing – the owner is likely to receive a vast windfall gain. In some cases, the value of the land can rise 100-fold or more, overnight. This uplift in land value, also known as planning gain, has been created by society, and in fairness should largely belong to society. But society must pay extravagant fees to the beneficiaries, in the form of the house prices and rents that incorporate this uplift. This transfer of wealth deprives communities and local authorities of the resources that could address many of their needs.

An imbalance in the use and ownership of land also crowds out public amenities. The expansion of private space at the expense of public space shuts down opportunities to pursue pleasure, fitness and peace of mind, creating deprivation. In privately owned public spaces ('POPS') – squares and parks that appear to be public but are possessed and controlled by private companies – the owners can determine what we do, restricting civic and political life.

The European farm subsidy system has interacted disastrously with our high concentration of rural land ownership. Because the EU's Common Agricultural Policy pays farmers by the hectare, some landowners are able to harvest millions of pounds of public money. Many smallholders, by contrast, are cut out of the payments system altogether. Subsidies have helped inflate the speculative value of rural land, which in turn stimulates the further concentration of ownership. The number of English farms has declined by a fifth in the past ten years.

County Farms, owned by councils, have for decades offered young people a way into

5 Office for National Statistics. 2018. [Aggregate land values 1995-2016](#). Freedom of Information Request.

6 Office for National Statistics, 2017. [UK National Balance Sheet Estimates](#).

7 T. Piketty, 2014. *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press.

farming, but privatisation and austerity have caused half of them to be sold off since the late 1970s. Many people long for an allotment to grow fresh food of their own, yet ten times more land is devoted to golf courses.

Public access to rural land is essential for our health and wellbeing, and to address the alienation of children and adults from the natural world. The laws of trespass have kept us out of our own country. Successive Labour governments have sought to redress this injustice, setting up National Parks in 1949 and instigating a Right to Roam in 2000. But the Right to Roam covers just 10% of the land in England and Wales.<sup>8</sup> In some counties, particularly in upland areas, there are large expanses of accessible land; in others, almost none.

For too long, the political economy of land in Britain has been ignored in public life. Our land should serve the many, not just the few.

### Private sufficiency, public luxury

The aim of this report is to argue for changes in the way land is used and controlled in the United Kingdom, to meet social needs, enhance environmental quality and create cohesive, empowered communities and a more stable, effective economy. This shift will help to ensure that the UK becomes a more equal, inclusive and generous-spirited nation, with a stronger sense of togetherness and belonging.

As land is both finite and indispensable, it should be used strategically to meet the needs of all. Governments have both a right and a duty to intervene to meet the need for low-cost and secure housing, excellent public services and amenities, green space and wildlife refuges.

The pursuit of luxury has been a common theme among thinkers on both right and left. But it is evident that there is neither the physical nor the ecological space for everyone to enjoy private luxury. If we all sought to own our own tennis courts, swimming pools, playbarns and art collections, Newcastle would need to expand to the size of London, and London would cover much of England.

But there is enough physical and ecological space for everyone to enjoy public luxury. We have room, even on these crowded islands, for magnificent parks, playing fields, public swimming pools, urban nature reserves and allotments sufficient to meet the needs of all. The expansion of public wealth in land creates more space for everyone, while the expansion of private wealth in land reduces the space available for others, at the cost of most people's quality of life. The guiding principle of this report is private sufficiency and public luxury.

We set out what we believe are the most effective means of ensuring that everyone has sufficient access to the physical fabric of this nation. Where imbalances in political and economic power have led to exclusion, we seek a new equilibrium. Where centuries of enclosure (that continues by economic means today<sup>9</sup>) have permitted a small number of people to extract wealth through economic rent from a much greater number, we seek a more inclusive political economy.

<sup>8</sup> Marion Shoard, 'Into the Woods', *The Land Magazine*, Issue 22, January 2018.

<sup>9</sup> Brett Christophers, 2018. *The New Enclosure: The appropriation of public land in neoliberal Britain*. London, Verso.

Sometimes this will require more government involvement than exists today, but we do not intend that this should be only a state-led project. We propose a better balance between the four major pillars of the economy: the market, state, household and commons. One of the roles of the state is to support strong and confident communities that are better able to manage their own lives and resources.

The most neglected of the four pillars in public discourse is the commons. A commons consists of three elements: a resource (such as a plot of land); a community, that manages and principally controls the resource; and the rules and negotiations the community develops to secure its management. A true commons is managed not for the accumulation of capital or profit, but for the steady production of prosperity or wellbeing. Relevant examples in existence today include Community Land Trusts and Allotment Associations.

Common resources are inalienable (they cannot be sold or given away, but should be managed in perpetuity), and either their use or their production tends to be shared on an equal basis. Because of these features, common resources are often managed more sustainably than those controlled by private interests.

One of our aims in pursuing a more balanced use of land is to expand the commons, strengthening community and providing greater opportunities for community groups to co-produce housing, amenities and shared spaces. In doing so, we create a wider range of economic options.

We also expand the space available to everyone. For example, in community housing developments, rather than chopping the available space into coffin-sized gardens, there is an opportunity for everyone to use a much larger common space, in which children have room to play and adults have somewhere to meet, to garden and to connect.

By recognising the importance of land and by breaking the destructive spirals of accumulation and deprivation, we will help to create a fairer society. By reviving community, built in our neighbourhoods, we can recover a sense of agency and belonging. By regaining our place in the land, we reclaim our role as active citizens. The proposals in this report, which are practical and evidence-based, seek to ensure that a good, fulfilling life is available to everyone.<sup>10</sup>

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<sup>10</sup> We recognise that the legal and policy environment in relation to land varies across the different nations of the United Kingdom. While we have not sought to comprehensively map each recommendation across each nation, we have endeavoured to highlight instances where key recommendations apply differently, or do not apply, to certain nations.

## 2. Making Land Visible: unlocking information

Many of the problems we identify in this report are caused or exacerbated by the UK's exceptional lack of transparency on land. Communities do not know how the land around them is owned and controlled. Local residents find the planning process confusing and opaque.

And even experts struggle. For years, the UK's planning and housing organisations have called for more transparency, without success.<sup>11</sup> Astonishingly, even repeated calls by Government Ministers and Members of Parliament for better information on housing, planning and land have been unsuccessful.<sup>12,13</sup>

Labour's Green Paper, *Housing for the Many*, identifies this problem, calling for "fast-track reforms so local communities know who owns, controls and has an interest in land".<sup>14</sup>

In this chapter, we detail the reforms needed, calling for:

1. Clear, comprehensive data on land ownership, control, subsidy, and planning;
2. This data to be treated as a public good, not an asset to be monetised;
3. Following the lead of the Scottish Land Commission, the establishment of Land Commission bodies in England, Wales and Northern Ireland, with a remit to use this information to tackle the problems we identify in this report.

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11 "We ask that you open up the Land Registry... The wider economic, social and environmental benefits of making land ownership data open could be vast... Having the ability to establish who owns the land and property around them is a vital tool for communities keen to take back control of their own destinies." [Open letter to Secretary of State](#), signed by Royal Town Planning Institute, Town & Country Planning Association, Shelter, Shared Assets, and others, November 2016.

12 "In our view the data currently collected on planning permissions and their progress, and house starts and completions, is not sufficiently robust.... it is not possible from these data to identify who owns the land... The Government must ensure that the data collected by local authorities on the development pipeline are more thorough and reliable... We would expect this to be done by autumn 2017." [Report: Capacity in the homebuilding industry](#), House of Commons Housing, Local Government and Communities Committee, April 2017.

13 "In the course of our work, we have been somewhat dismayed by the paucity of publicly available data on land holdings and build out rates... I urge Ministers to expedite this work so far as possible... [Dame] Kate [Barker] felt strongly that there was a need for better planning permissions data". [Independent Review of Build Out Rates: Draft Analysis](#). Rt Hon Sir Oliver Letwin MP, June 2018.

14 Labour Party, 2018. Labour Party Green Paper: [Housing for the Many](#).

## What we need:

### Clear and comprehensive information to support communities

We believe that citizens and their elected representatives have a right to know:

- how land is owned, controlled, subsidised and used;
- what land is owned by the state, and when it is being sold;
- how planning decisions will affect their communities.

### Who owns land

In England & Wales the only definitive way to discover who owns a piece of land is to buy the information from the Land Registry.<sup>15</sup> With 24 million titles registered, at £3 each, it would cost £72 million to reveal who owns these countries. It is often too expensive for a small housebuilder to identify the owners of suitable building land, or for a community to understand local patterns of land ownership. Public bodies must also pay to obtain this information.

However, large companies find it easier to afford these fees. This creates an information asymmetry between larger and smaller housebuilders, which has encouraged a concentrated and dysfunctional housing market.<sup>16</sup> As Shelter has shown:

“The opacity of land markets... gives existing holders of land and well-informed market insiders disproportionate advantages over small businesses, entrepreneurs, local communities, public authorities and consumers... These barriers... help entrench market concentration in a small number of major house builders at the expense of SMEs, and hamstring local authorities’ and communities’ attempts to plan positively for their local areas”.

It has also encouraged the development of new intermediaries such as land banking firms.<sup>17</sup> And the complexity of land data needlessly complicates the planning process. As Housing for the Many notes:

“Land trading is one of Britain’s most opaque markets... This lack of information complicates land assembly, especially when a site has numerous land owners”.

And as the Royal Town Planning Institute has commented:

“Land registration is extremely important for a number of reasons, including facilitating strategic development, developing environmental management at a landscape scale, and transparency. In order to successfully manage land use we need to know who owns it”.<sup>18</sup>

<sup>15</sup> [Search for property information from HM Land Registry, gov.uk.](#)

<sup>16</sup> [The Lyons Housing Review, 2014.](#) “Contraction over the past 20 years has been accompanied by increased concentration in the industry, both in terms of overall numbers of firms and of the market share of the largest players... During the 1980s there were on average 10,000 SME builders, and they delivered about 57% of all output from the sector. In 2013, this figure had shrunk by almost three-quarters to just 2,800 active SME builders producing 27% of new homes”.

<sup>17</sup> “The land market is inefficient and fragmented. It’s a bit like airlines before the internet was set up: it was difficult to know who had the best price because of the asymmetry of information”. Thomas Aubrey from the Centre for Progressive Policy, quoted in [The modern-day barons: inside the murky underbelly of land promotion](#), The Telegraph, August 2017.

<sup>18</sup> [Written evidence](#) submitted by the Royal Town Planning Institute to the Public Bill Committee for the Agriculture Bill.

The financial barrier to information also enables international money laundering through the UK property market, especially in London.<sup>19</sup> In Chapter 3, we recommend taxing land ownership by companies based in secrecy jurisdictions, via an Offshore Company Property Tax, but such policies can be enforced only with more robust and open information.

While HM Land Registry has begun to publish some data on land owned by corporate bodies in England & Wales,<sup>20</sup> it has major exclusions,<sup>21</sup> is not open data<sup>22</sup>, and cannot be properly mapped.

We call for:

- **The comprehensive and open publication of the full details of individual owners of land in England & Wales (with suitable safety provisions), as is the case in New Zealand,<sup>23</sup> including land owned by charities and trusts;**
- **Compulsory registration and the open publication of, details of the beneficial owners of corporate bodies that own land (and of trusts where land is held via trust structures), to help prevent corruption and tax avoidance;<sup>24</sup>**
- **Open publication of the full details of the price paid for all property, not just sales at full market value, to support transparency and better analysis of land values;**
- **Free and open publication of the general boundaries of land titles, to widen access to information and enable geospatial analysis;**
- **The production of new National Statistics relating to land ownership, control and use, to inform policy.**

## How land is controlled

Housing developers often control land by means of 'option to purchase' agreements: private agreements between the developer and the landowner. This makes it impossible for communities to know who controls the land around them and further contributes to information asymmetries. As analysis by KPMG found in 2014:<sup>25</sup>

19 See for example: Transparency International, December 2016. [London Property: A Top Destination for Money Launderers](#); [Selling England and Wales By The Pound](#), a map and series of investigations by Private Eye, 2015.

20 HM Land Registry: [Commercial and Corporate Ownership Data](#) and [Overseas Companies Ownership Data](#).

21 The government has proposed to publish the beneficial owners of overseas companies, but not before 2021. Information about beneficial owners of trusts is only available to law enforcement and tax authorities. [Report on beneficial ownership registers](#), House of Commons Library, August 2018.

22 The datasets referenced above are published under [non-open licences](#) which restrict reuse. To the fullest possible extent (e.g. except where additional restrictions are required to protect privacy), all data should include the appropriate common identifiers (e.g. company numbers, UPRNs), and be published as structured data in open formats under the Open Government Licence (OGL).

23 We would propose case-by-case exemptions for individuals at risk of violence or intimidation, as is available for 'persons of significant control' on the UK companies register. See Protection for people at risk, [Persons with significant control](#), gov.uk. New Zealand has published [cadastral information and boundaries](#) since 2011 under a Creative Commons licence, but requires users to [agree to a separate licence](#) to access personal ownership information.

24 This should follow international standards, e.g. using LEI identifiers for trusts that do not appear on a public register. See e.g. [OpenCorporates' response to the Draft Registration of Overseas Entities Corporation](#) (OpenCorporates, 2018) and [Recommendations on beneficial ownership transparency](#) (Transparency International, 2018). As per the recommendations of the Tax Justice Network and others, 'ownerless' trust assets should belong to the settlor for tax purposes: see [A Wealth of Difference](#) (IPPR, 2018).

25 [Building the homes we need: A programme for the 2015 government](#). KPMG and Shelter, 2014.



“Private ‘option agreements’ between landowners and developers mean that much of the potential development land is tied up in private agreements hidden from competitors, local residents and public authorities... This uncertainty makes development a risky business”.

The Government promised in February 2017 to consult on private option agreements.<sup>26</sup> More than 2 years later, no consultation has yet been opened, and no action has been taken.

We call for:

- **A fully public register of charges and options over land titles;**
- **Legal measures to ensure charges and options are not legally enforceable unless included in the register.**

### **How land is used and who benefits**

Owning land is a profitable business. More than £3.4 billion of payments from the Common Agricultural Policy were made to UK landowners in 2017, mostly as a direct subsidy per hectare owned.<sup>27</sup> Yet citizens cannot easily find out which land in their local area is covered by these agreements, or who is the ultimate beneficiary.

Citizens have a right to know why and how this money is entering their community. It is vital that farm payments become more transparent after Brexit. Chapter 8 discusses reform of farm subsidy further, but here we simply call for better information.

We call for:

- **Full details of subsidy paid on land to be made public, including the amount; its purpose; name of the landowner, beneficial owner, and recipient of funds; and the boundaries of the land covered;**
- **More robust data to be gathered and published on the value of rental contracts, allowing better analysis and monitoring of the rental market;**
- **New legal measures to ensure that landowners do not receive public subsidy unless their land is fully registered with Land Registry, and that unregistered land reverts to public ownership if not registered by 2030.**

### **Public land**

Citizens also have a right to know what land is owned by the state. While local government spending over £25,000 must be published as open data, and procurement processes are rightly scrutinised, there is far less transparency around property disposals. This has helped enable a significant sell-off of government property in recent years<sup>28</sup>.

We call for:

- **Local Authority Asset Registers and property sales data to be published more frequently, to help citizens understand the property owned in their name.**

<sup>26</sup> [Fixing our broken housing market](#), Government white paper. Published in February 2017, this states: “The Government will consult on improving the transparency of contractual arrangements used to control land. Following consultation, any necessary legislation will be introduced at the earliest opportunity.” No consultation has yet been opened.

<sup>27</sup> Defra, [CAP Payments Search](#), accessed February 2019.

<sup>28</sup> While data quantifying the sale of public land is hard to obtain for the reasons discussed above, see for example *The New Enclosure* by Brett Christophers, Verso, London, 2018.

- **Additional measures to increase transparency and oversight of sales of public land and property.**

## Planning

As we discuss in Chapter 5, the planning process is confusing and opaque, with an asymmetry between the information held by developers and communities. Planning portals are typically hard to use, and not designed around the needs of residents. As Shelter has identified,<sup>29</sup> it is:

“...almost impossible for ordinary people to understand who owns and controls the land in their local area, fostering mistrust of developers and opposition to development. This is also a major barrier to communities wishing to bring forward Neighbourhood Plans”.

While the government has committed to a register of planning permissions, its promise is vague.<sup>30</sup> We call for this register to be fully open, use a data standard, and include information on developers’ commitments.<sup>31</sup>

We call for the register to include:

- **Section 106 and other commitments in structured form, to help communities understand and negotiate commitments from developers, and identify developers who renege on promises;**
- **Common identifiers for developers, to help residents identify other property built by the same developer;**
- **Full geospatial boundaries of land affected by plans, to allow mapping and analysis.**

## Making information work for the common good

Given the many problems identified in this chapter, why is information on land so opaque? The reason is the approach of successive Conservative governments to public information: treating it as an asset to be monetised, rather than a common good. Land Registry was converted to a Trading Fund by a Conservative government, and is statutorily required to cover its own operating costs, which it does partly by selling data.<sup>32</sup> Similarly, Ordnance Survey became a Government-owned Company in 2015, and generates revenue by charging for its mapping data.<sup>33</sup>

This leaves both bodies vulnerable to privatisation attempts, and has contributed to the bizarre situation in which citizens and their representatives cannot obtain information on land and housing. Ordnance Survey, in particular, has historically claimed intellectual property rights over geospatial data produced by other public bodies,<sup>34</sup> affecting citizens’ ability to obtain information about their own country. Both Land Registry and Ordnance Survey have a long and proud history, and produce information

29 Shelter, November 2016. [Briefing: The case for greater housing market transparency.](#)

30 [Autumn Budget 2017](#), section 6.3, gov.uk.

31 For example, [Brownfield land registers](#), gov.uk. The information required in these registers is specified in statute: [The Town and Country Planning \(Brownfield Land Register\) Regulations 2017](#): Schedule 2.

32 [Land Registry Trading Fund Order 1993](#), legislation.gov.uk.

33 [Governance and legal status](#), Ordnance Survey.

34 [Ordnance Survey challenged to open up its data](#), Guardian, March 2006.

of world-leading quality. This data should be treated as a common good.

We call for:

- **Land Registry and Ordnance Survey to become executive agencies of government, protecting them from further privatisation attempts, and enabling them to operate in the long-term interests of the country rather than short-term profit;**
- **An appropriate portion of the £530 million that Land Registry now holds in cash and investment reserves (accumulated from transaction fees during the housing boom) to fund some of the initiatives proposed in this paper.<sup>35</sup>**

### **An ongoing project: Land Commissions**

Inspired by the Scottish Land Commission,<sup>36</sup> we call for similar bodies to be established in the other three nations of the United Kingdom, to put this information to work.

We need to put land where it belongs: at the heart of political debate and discussion, through high-quality information, research and policy development. We propose that their role is to:

- **report into the ownership, use and control of land. For example, following Scotland's lead, to report into land ownership concentration in the other nations of the United Kingdom;<sup>37</sup>**
- **propose new policies on how to use land for the common good;**
- **provide scrutiny of laws and policies relating to land use.**

We expand on this in Chapter 9.

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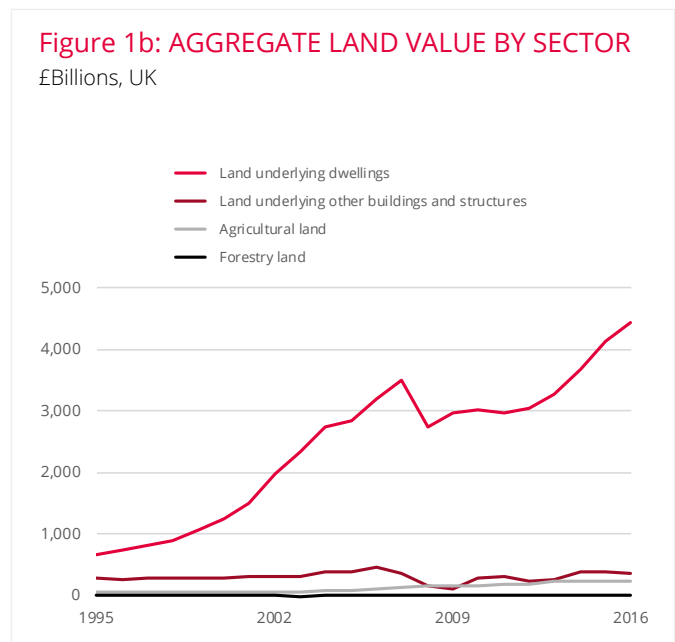
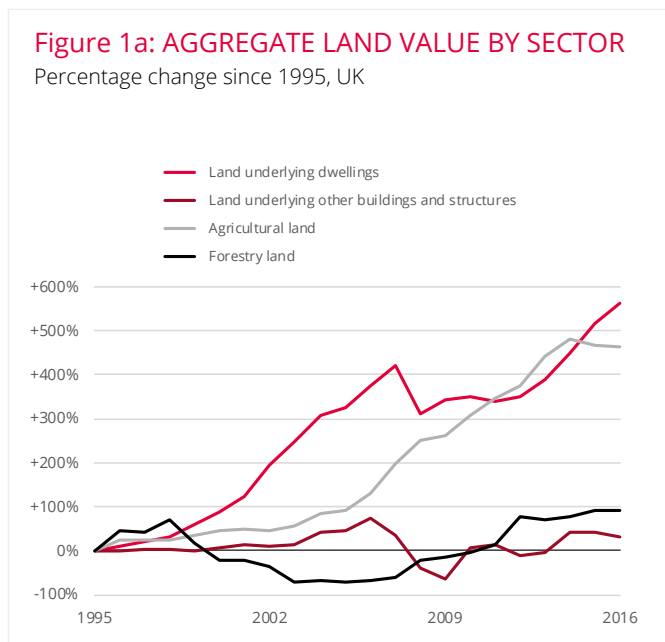
35 Financial statements, [HM Land Registry Report and Accounts](#), 2017-18. (While clearly Land Registry needs to hold some reserves, we argue that its current cash ratio is more than adequate to cover its liabilities, and a portion of this could appropriately now be returned to taxpayers.)

36 [Scottish Land Commission](#).

37 [The scale and concentration of land ownership in Scotland](#), Scottish Land Commission.

## 3. For the Many, Not the Few: A fair price for land

In 2017 the Office for National Statistics published, for the first time, estimates for the aggregate value of the land in the UK.<sup>38</sup> The data reveals that in just two decades the market value of land has quadrupled, increasing recorded wealth by over £4 trillion. Agricultural land and residential land have experienced the most dramatic price increases (figures 1a and 1b).



Source: Office for National Statistics. 2018. [Aggregate land values 1995-2016](#).

This price inflation has systematically undermined our aspiration to live in a society with equal opportunity for all.

When people buy or rent a house, they are not only buying or renting the bricks and mortar, they are buying or renting a portion of residential land underneath. A recent study of 14 advanced economies found that 81% of house price increases between 1950 and 2012 can be explained by rising land prices (the remainder is explained by rising construction costs).<sup>39</sup>

As residential land values rise, communities become segregated on socioeconomic lines. Poorer households are priced out of areas with good schools, clean air, jobs, parks and public transport links.<sup>40 41</sup>

38 Office for National Statistics, 2017. [UK National Balance Sheet Estimates](#).

39 K. Knoll, M. Schularick, and T. Steger, 2017. No price like home: global house prices, 1870–2012. *The American Economic Review* 107: 331–353.

40 J. Muellbauer, 2018. [Housing, Debt and the Economy: A Tale of Two Countries](#), *National Institute Economic Review* 245, August: R20–33.

41 S. Gibbons and S. Machin, 2008. Valuing school quality, better transport, and lower crime: evidence from house prices. *Oxford Review of Economic Policy*, 24 (1), 99–119.

The higher land prices rise, the more inheritance<sup>42</sup> and windfall gains<sup>43</sup> overshadow the rewards of work. For 10 out of the last 20 years, the owner of an average house in London has reaped more in annual price growth than the average full-time UK worker earns in a year.<sup>44</sup>

As prices rise, more people have no option but to rent, and landlords gain increasing power to hike rents,<sup>45</sup> even while neglecting property maintenance. Between 2002 and 2015, housing costs for private renters grew by 16% while wages for those renters grew by just 2%.<sup>46</sup>

For many households, the cost of even 'affordable' accommodation can be borne only through painful compromises: such as putting up with damp, mould and cold; living in overcrowded conditions and accepting long commuting times.<sup>47</sup> These compromises affect health, child development and life chances.

Meanwhile, the 462% increase in the value of agricultural land has pushed it out of the reach of people whose primary interest is farming. Those who wish to start as farmers often discover that their likely income will not cover the interest payments on the loans required to buy land.

### How did residential land prices get so high?

Although some good analyses of house and land price inflation have emerged over recent years, many politicians and commentators still repeat discredited theories: that the problem is 'red tape' in the planning system (see Chapter 5);<sup>48</sup> or immigration;<sup>49,50</sup> or the failure of house building to keep pace with population increases.

These theories might sound plausible. But they are not supported by the data. In fact, the Government's own house price model suggests that even if the number of homes had grown 300,000 every year since 1996, far outstripping the growth of households, the average house today would be only 7% cheaper.<sup>51</sup>

42 R. Joyce and A. Hood, 2017. *Inheritances and Inequality across and within Generations*. Institute for Fiscal Studies.

43 C. D'Arcy and L. Gardiner, 2017. *The Generation of Wealth: Asset Accumulation across and within Cohorts*, Intergenerational Commission Wealth Series, Resolution Foundation.

44 Land Registry Data and Annual Survey of Hours and Earnings.

45 The relationship between house prices and rents actually operates in both directions, in that the expected stream of future rental income influences land prices too.

46 S. Clarke, A. Corlett, and L. Judge, 2016. *The Housing Headwind: The Impact of Rising Housing Costs on UK Living Standards*, Resolution Foundation.

47 Office of National Statistics, 2014. *What Does the 2011 Census Tell Us about Concealed Families Living in Multi-Family Households in England and Wales?*

48 This view has been the subject of some robust criticism from planners, who point out that far more land is allocated for development in plans than is actually developed. See D. Bowie, 2010. *Politics, planning and homes in a world city: the Mayor of London and strategic planning for housing in London 2000-2008*, London: Routledge; J. Sarling and R. Blyth, 2013. *Delivering Large Scale Housing: Unlocking Schemes and Sites to Help Meet the UK's Housing Needs*, London: RTPI.

49 Over 60 per cent of British voters claim that immigration is the cause of the housing crisis – higher than any other explanation. *The Observer*, 2016. *UK housing crisis: poll reveals city v country split on who to blame*.

50 Interestingly, a study published in the *Economics Journal* found that an increase of immigrants equal to 1% of the initial local population actually leads to a 1.7% reduction in house prices. F. Sá, 2015. *Immigration and House Prices in the UK*, *The Economic Journal* 125, no. 587, September 1: 1393–1424.

51 These results are in line with other studies, including from the Office of Budgetary Responsibility, the OECD, G. Meen at Reading University, and Oxford Economics for the Redfern Review, 2016. See I. Mulheirn, 2018. *What Would 300,000 Houses per Year Do to Prices?*, Medium (blog), April 20.

This is because the balance of demand and supply in the land and housing markets is not determined only by the ratio between the number of houses and the number of households seeking somewhere to live. It is also shaped by:

- the relative attractiveness of home ownership compared to renting;
- the relative attractiveness of homes as financial assets, compared to other types of investment;
- the purchasing power with which landlords, speculators and ordinary households can support their desire to buy;
- the distribution of that purchasing power.

These latter three factors have been the primary drivers of land and house price inflation in the UK over the last three decades. Here we describe the key changes that have pushed demand for houses, and therefore residential land values, to unprecedented heights.

## Mortgage market liberalisation

An economic preference becomes effective demand only when it is backed up with money. This is one reason why those in most housing need (including migrants), exert the least demand in the housing market. If all house and land purchases had to be made from existing savings, the price could be bid up only so far, regardless of how desperate the bidders were to win. But most ordinary people rely on credit (mortgages from banks or building societies) when they buy a house and the land beneath it. It therefore follows that the ease with which households can obtain mortgage credit, and the cost of this credit,<sup>52</sup> will exert a major influence on purchasing power in the housing market, and therefore on the overall level of house and land prices.<sup>53 54 55</sup>

During the 1980s and 1990s there were seismic changes in the UK mortgage market – including the lifting of various restrictions on banks and building societies, the growth of securitisation,<sup>56</sup> and the lowering of the Bank of England base rate. The overall result was intensified competition in the mortgage market, and an increasing willingness by banks to offer riskier loans, at high loan-to-income (LTI), and loan-to-value (LTV), ratios.<sup>57 58</sup> In 2007, half of all mortgages had no income verification, and a third of all mortgages were interest-only.<sup>59</sup>

Despite measures introduced in the wake of the financial crisis that were supposed to reduce risk, the proportion of loans extended at high income multiples now far exceeds the 2007 peak.<sup>60</sup>

52 It is worth stressing that comparisons with other developed countries experiencing low interest rates show that low interest rates alone do not explain the growth of mortgage credit in the UK. Other institutional factors are critical. See J. Ryan-Collins, T. Lloyd and L. Macfarlane, 2017. *Rethinking the Economics of Land and Housing*. Zed Books, pp. 156-157.

53 J. Muellbauer, 2018. *Housing, Debt and the Economy: A Tale of Two Countries*, National Institute Economic Review 245, no. 1 August: R20–33.

54 J. Ryan-Collins, T. Lloyd, and L. Macfarlane, 2017. *Rethinking the Economics of Land and Housing*, London: Zed Books.

55 G. Turner et al., 2018. *Financing Investment: Final Report*, GFC Economics Ltd & Clearpoint Advisors Limited.

56 Securitisation is the practice of pooling together and repackaging a number of loans and issuing tradable debt securities sold to investors that will be repaid as the underlying loans are reimbursed. In many cases the loans used to back the tradable securities are mortgage loans (residential or commercial) – in these instances the securities are called ‘Mortgage Backed Securities’ (MBS).

57 T. Dolphin and M. Griffith, 2011. *Forever Blowing Bubbles? Housing’s Role in the UK Economy*, London: IPPR.

58 J. Ryan-Collins, T. Lloyd, and L. Macfarlane, 2017. *Rethinking the Economics of Land and Housing* London: Zed Books.

59 Financial Services Authority, 2009. *Mortgage Market Review 09/3: Discussion Paper* London: FSA.

60 The proportion of loans with LTI ratios between 4.0 and 4.5 has almost doubled since the pre-crisis credit peak in 2007 (from 8.95% to 17.65%), while the share of LTI≥4.5 has also risen from 6.50% to 10.65%. G. Turner et al., 2018. *Financing Investment: Final Report*, GFC Economics Ltd & Clearpoint Advisors Limited, June 20, p.54.

Governments have further supported the growth of mortgage lending by subsidising the cost of home purchase via various Help to Buy schemes. Analyses suggest these schemes have boosted the profits of housebuilders and pushed prices further out of reach of the many.<sup>61</sup>

The net result of these developments is that domestic mortgage lending has expanded from 20% of GDP in the early 1980s to over 60% now, exerting enormous upward pressure on residential land prices and creating a feedback loop between the financial system, land values and the wider economy.<sup>62</sup> The more credit flows to residential land, the higher house prices rise and the more credit households then need to purchase a home.

### **The raw deal for renters**

Between 1915 and 1989, Britain, like many other countries, legislated to control rents and to ensure tenants could not be evicted without reason, enabling them to put down roots in their communities. Margaret Thatcher's Housing Acts of 1980 and 1988 dismantled these rights. Under the Assured Shorthold Tenancies that Thatcher introduced, landlords can offer fixed-term contracts of just six months, and after that point raise rents or evict tenants without reason.

Meanwhile, a dramatic shrinking of social housing stock following the introduction of Right To Buy helped to create a captive market of households with no feasible alternative to private renting. As discussed in Labour's Housing for the Many Green Paper,<sup>63</sup> Thatcher presided over a major shift in housing policy, away from investment in public housing stock and towards subsidising the rents paid by lower income tenants. These are some of the reasons that rents grew so dramatically during the 80s and early 90s: housing costs tripled as a proportion of renters' income between 1980 and 1994.<sup>64</sup> Today some £8 billion of housing benefit flows into the pockets of private landlords every year.<sup>65</sup>

These trends, in combination with plummeting interest rates after 1992, explain the dramatic divergence over the past three decades in housing costs between those who own and those who rent. Today, housing costs consume 36% of household income for renters, compared to just 12% for the average mortgaged home-owning household.<sup>66</sup>

These shifts affect residential land values (and therefore house prices) in two ways. First, survey data confirms that the insecurity of renting, and its relative expense compared to paying a mortgage,<sup>67</sup> are two reasons why British people overwhelmingly

61 P. Collinson, 2017. Help to buy has mostly helped housebuilders boost profits, The Guardian, October 21st.

62 J. Ryan-Collins, T. Lloyd, and L. Macfarlane, 2017. Rethinking the Economics of Land and Housing, London: Zed Books.

63 Labour Party, 2018. [Housing for the Many](#). Green Paper.

64 C. Belfield, J. Cribb, A. Hood, R. Joyce. Living standards, poverty and inequality in the UK: 2014. Institute for Fiscal Studies, 26.

65 This is in spite of severe cuts in the generosity of Housing Benefit, which have reduced the expense to the taxpayer but at the cost of increased financial stress for many tenants. See L. Judge and D. Tomlinson, 2018. [Home Improvements: action to address the housing challenges faced by young people](#), Resolution Foundation Intergenerational Commission.

66 A. Corlett and L. Judge, 2017. Home Affront. London: Resolution Foundation, 30.

67 The expense of home ownership was further reduced by the introduction of Mortgage Interest Relief at Source in 1983, which gave borrowers tax relief for interest payments on their mortgage.

aspire to home ownership, and are willing to take on massive debts to that end. In 1975, when Thatcher became leader of the Conservative Party, 62% of people said they would prefer to be living in their own home in ten years' time, rather than renting from the council or the private sector. By 1991, the proportion had reached 84%.<sup>68</sup>

But more importantly, low interest rates, high rents and the promise of easy evictions increased the appeal of Buy-to-let landlordism. People trying to escape the private rented sector have frequently found themselves in a bidding war with Buy-to-let landlords.

### The Buy-to-let frenzy

The proportion of Britain's housing stock owned by private landlords leapt from 10 percent in 2002 to 20 percent in 2015.<sup>69</sup> This expansion was facilitated by the introduction, in the mid-1990s, of Buy-to-Let mortgages for small-scale landlords, which assessed buyers' credit-worthiness on the basis of rental yield from the property, rather than the buyers' existing income. This easy finance gave landlords a significant advantage over first-time buyers,<sup>70</sup> and the number of outstanding Buy-to-let mortgages increased tenfold between mid-2000 and 2007.<sup>71</sup>

Buy-to-let landlords have also enjoyed generous tax breaks, including Mortgage Interest Relief (scrapped for ordinary households from 2000), and a Wear and Tear Allowance which did not require any proof of investment in the property. These tax breaks, in combination with the cheap finance and deregulated rents, delivered yields that were difficult to match elsewhere. The capital value rose far above the maximum that many first-time buyers could raise.

Landlord tax breaks have been reduced over recent years, and more stringent mortgage affordability tests introduced. Buy-to-let borrowing has consequently slowed, but in Q1 of 2018 still made up 23% of all lending for house purchases.<sup>72</sup> This additional demand is a key reason why residential land prices continue to rise in many areas.

### Failures of land and property taxation

It is not only rental income that makes homes attractive as financial assets. It is also the expectation of making capital gains on the value of the land. A well designed tax system would remove this expectation, and thereby discourage people from treating homes as speculative assets. Our tax system has done the opposite.

Historically, land and property was the primary source of taxation in the UK. But there has been a shift away from the taxation of land towards flows of income and expenditure.<sup>73</sup> Under the UK's current tax system, income from labour is often taxed at much higher rates than income from land and other forms of wealth.<sup>74</sup>

68 B. Pannell, 2016. Home-Ownership or Bust? Consumer Research into Tenure Aspirations, Council of Mortgage Lenders, October, 46.

69 Office of National Statistics, Live Table 102: Dwelling stock (including vacants) by tenure, Great Britain.

70 P. Saunders, 2016. Restoring a Nation of Home Owners: What Went Wrong with Home Ownership in Britain, and How to Start Putting It Right, London: Civitas.

71 HM Treasury, 2010. Investment in the UK private rented sector, February.

72 FCA. 2018. [Mortgage Lending Statistics](#).

73 For example, Schedule A was a tax payable by homeowners on 'imputed rent' – the extra disposable income that home owners benefit from as a result of not paying rent. It formed part of the tax regime from the Napoleonic Wars until it was scrapped in 1963.

74 C. Roberts, G. Blakeley, and L. Murphy, 2018. A Wealth of Difference: reforming the taxation of wealth. IPPR, Discussion paper.



Council tax is a highly regressive and ineffective recurring tax on property that has come to resemble the unpopular poll tax it replaced.<sup>75 76</sup> It is based on the estimated value of the property on 1 April 1991, and therefore bears little resemblance to current market values. The poorest local authorities tend to set the highest rates, to compensate for their lower tax base and often higher needs.<sup>77</sup> The system is designed to ensure that the most expensive property in Band H (the highest band), no matter its value, will attract a maximum of three times the tax on the cheapest homes. As a result, those living in £100,000 homes pay around five times the tax rate of those living in £1 million mansions, as a proportion of the property's value.<sup>78</sup>

Stamp Duty Land Tax is progressive, based on up-to-date property values, and levied at a higher rate on second homes and investment properties. But Stamp Duty is essentially a tax on mobility, penalising those who need to move house regularly. It is also levied on the wrong people: the purchasers, who are already having to shell out for the inflated costs of a home, rather than the sellers, who are harvesting any gains in the sale price.

Capital Gains Tax offers one means of taxing unearned gains from rising house prices, but when it was introduced in 1965 an exemption was made for primary residencies. This tax exemption, worth £28 billion in 2017-18,<sup>79</sup> means that those who treat their home as an alternative to investing in a pension will benefit when selling that home, by comparison to people who choose to invest in other assets.<sup>80</sup> Indeed, governments have actively encouraged people to accumulate assets such as housing equity, to help meet the costs of social care and retirement as the population ages.<sup>81</sup>

Recent changes to inheritance tax have further enhanced the tax treatment of housing, compared to other assets. In the 2015 summer Budget, the Chancellor of the Exchequer announced a new transferable main residence allowance that effectively raises the tax-free allowance from £325,000 to £500,000 per person for estates that include a house, and to £1 million for married couples.

The UK's favourable tax treatment of home ownership helps account for its comparatively high house price volatility, and creates significant distributional advantages for homeowners, who benefit from rising real values, compared to those who rent.<sup>82</sup>

In certain parts of the country, particularly in London, housing has become the object of speculative investment by both domestic and foreign buyers, as rising global inequality and secular stagnation has created a glut of savings seeking a return. One

75 A. Corlett and L. Gardiner, 2018. Home Affairs: options for reforming property taxation. Resolution Foundation.

76 L. Murphy, C. Snelling and A. Stirling, 2018. A poor tax – Council tax in London: Time for reform, IPPR.

77 J. Muellbauer, Housing, 2018. Debt and the Economy: A Tale of Two Countries, National Institute Economic Review 245, August: R20–33.

78 A. Corlett and L. Gardiner, 2018. Home Affairs: options for reforming property taxation. Resolution Foundation, March.

79 Resolution Foundation, 2018. [UK's £155bn tax relief bill costs more than health, transport, justice, home and foreign office budgets combined. Press Release](#), 23 January 2018.

80 See also Guardian, 2016. 'Property is better bet' than a pension says Bank of England economist. The Guardian, 28 Aug.

81 J. Doling and R. Ronald, 2010. Home Ownership and Asset-Based Welfare. Journal of Housing and the Built Environment 25, 165–173.

82 M. Oxley, and H. Marietta, 2010. [Housing Taxation and Subsidies: International Comparisons and the Options for Reform](#), York: Joseph Rowntree Foundation Housing Market Taskforce.

in ten British adults now owns more than one home: a 30 per cent increase in the proportion of adults owning multiple properties between 2000-02 and 2012-14.<sup>83</sup> The annual amount of overseas finance in the UK housing market has risen from around £6 billion per year a decade ago to £32 billion by 2014. This accounts for 17% of all foreign direct investment<sup>84</sup> in the country.<sup>85</sup> A recent study estimates that house prices would be 19% lower in the absence of foreign purchases.<sup>86</sup>

While much of this foreign financing is legal, the London property market has also acted as a safe haven for money laundering. As Donald Toon, Head of the National Crime Agency, has remarked: “Prices are being artificially driven up by overseas criminals who want to sequester their assets here in the UK”.<sup>87</sup>

Again, it is worth emphasising that the overwhelming impact of these factors is not on the value of bricks and mortar, but on the value of the land beneath.

Labour has recognised the inadequacies of the UK’s system of property taxation, and has already proposed the introduction of a tax on second properties used as holiday homes, which it estimates will raise up to £560 million.<sup>88</sup> Labour also played a role in extending non-resident Capital Gains Tax to interests in UK commercial land and property held by non-UK-based individuals and companies.<sup>89</sup>

### Under-utilisation of stock

It may surprise readers to learn that the number of dwellings in the UK has been growing faster than the number of households, even as house prices have been rising,<sup>90</sup> and that we have more bedrooms per person than ever before.<sup>91</sup> The simultaneous rise in housing stock, overcrowding and homelessness might seem counterintuitive, but it reflects an increasingly unequal distribution.

Census data shows that between 2001 and 2011 there was a 21% increase in homes which sit empty for most of the year, often in the most desirable seaside and inner-city locations.<sup>92</sup> The data suggests that this demand among wealthy elites for rural getaways and pieds-à-terre in major cities has a significant impact on local house

83 Resolution Foundation, 2017. [21st Century Britain has seen a 30 per cent increase in second home ownership](#). Press Release, 19 August 2017.

84 ‘Investment’ in such cases, is, or should be, a contentious term. This word is used to mean two quite different things: the funding of productive and socially useful activities, and the purchase of existing assets to extract rent, interest, dividends and capital gains. Much of the foreign direct ‘investment’ in housing falls into the latter category.

85 A. Armstrong, 2016. [Commentary: UK Housing Market: Problems and Policies](#). National Institute Economic Review, 235 (1), F4–F8.

86 F. Sá, 2016. [The Effect of Foreign Investors on Local Housing Markets: Evidence from the UK](#). Centre for Macroeconomics Discussion Paper.

87 J. Evans, 2018. How laundered money shapes London’s property market. Financial Times, April 6, 2016.

88 M. Savage. [Radical Labour levy would double council tax on holiday homes](#). The Observer.

89 S. Creasy, 2017. [This egregious tax loophole costs the UK £8bn every year. Let’s close it](#). The Guardian, 30 Oct.

90 In 1991 there were 3.0% more dwellings than there were households in the UK according to government data. Today there appear to be 5.2% more places to live than there are households. We must be cautious about concluding from this that there is a no housing shortage of any type, in any area. Indeed, there is evidence that the rate of household formation has itself been constrained by high house prices. See N. McDonald & P. Williams, 2014. [Planning for housing in England: Understanding recent changes in household formation rates and their implications for planning for housing in England](#). Royal Town Planning Institute.

91 D. Dorling, 2014. [All that is Solid: The Great Housing Disaster](#). London: Penguin.

92 The overall number of properties in England and Wales recorded as having “no usual resident” increased by 21% between 2001 and 2011. Source: Census tables KS401EW and KS016.

prices,<sup>93,94</sup> further depriving less wealthy people of the opportunity to buy or rent in the communities in which they have grown up.

The DCLG's English Housing Survey 2014/5 reveals that more than half the owner-occupied homes in England have at least two bedrooms that are not regularly occupied. This represents a 31% increase in under-occupation since 1995/6.<sup>95</sup> Indeed, inequality measured by rooms per person is at its highest level since 1901: the richest tenth of households now have five times as many rooms per household member, compared to the worst-off tenth.<sup>96</sup> Rather than discouraging this inefficiency, our council tax system actually offers discounts for second homes and for single people occupying large homes, encouraging the over consumption of housing.<sup>97</sup>

Similarly, there are no taxes in the UK to discourage passive landowners from retaining vacant or derelict land. This has meant that, while land values rise rapidly, it can be profitable to acquire land and hold onto it rather than develop it.

## How did agricultural land prices get so high?

In 2003 a new European farm payments system was adopted, that decoupled state farm subsidies from production. Instead, it rewarded landowners on the basis of how much they owned, with no ceiling on the amounts received. This appears to have triggered a rapid acceleration in the rate of agricultural land price inflation (figure 1b, page 20).<sup>98</sup>

Weak commodity prices and uncertainties around subsidies caused by Brexit have led to a slight fall in agricultural land values over recent years. But estate agents Savills assure buyers that "GB farmland remains an attractive investment proposition, buoyant against inflation with realisable upside from a return to capital uplift and further enhancement from diversification and/or development windfall".<sup>99</sup>

The tax breaks extended to farmland are a crucial attraction. The most generous of these is the 100 per cent inheritance tax (IHT) relief on farmland and buildings, providing they were still being used for agricultural purposes when transferred on the owner's death, or gifted to a trust. This Agricultural Relief (costing the nation £515 million annually<sup>100</sup>) exists ostensibly to ensure that the viability of farms is not compromised when they are inherited. However, there are no stipulations about maintaining the integrity of the business after inheritance, which means a business could be sold for cash immediately after a death.<sup>101</sup>

93 Based on 2005 data, a study by Prof. Glen Bramley and colleagues concluded that second homes were responsible for raising prices by more than 10 per cent in 11 local authorities, and by more than 5 per cent in 28 local authorities. Brown, T., Lishman, R. and Oxley, M., Turkington, R., 2008. [Rapid evidence assessment of the research literature on the purchase and use of second homes](#). London: The National Housing and Planning Advice Unit.

94 Savills report that in the five parishes of Cornwall where second homes account for more than 35% of all housing, the average house price is 87% above the county average – a premium which falls to 46% where second home ownership is between 20% and 30% and further to 23% where it is between 10% to 20%. L. Cook, 2013. [Seconds out on second homes](#). Savills, Research article, 20 May 2013.

95 T. Murphy, 2018. [Why are so many of the UK's homes under occupied?](#) RSA.

96 B. Tunstall, 2015. [Relative housing space inequality in England and Wales, and its recent rapid resurgence](#). International Journal of Housing Policy, 15 (2), 105–126.

97 J. Mirrlees et al, 2011. [Tax by design](#), IFS.

98 RICS, 2018. Price Expectations deteriorate further. RICS/RAU, Rural Land Market Survey H1 2018.

99 I. Bailey and A. Lawson, 2018. [Spotlight: GB Agricultural Land 2018](#). Savills.

100 A. Corlett, 2018. Passing on. Options for reforming inheritance taxation. Resolution Foundation.

101 C. Roberts, G. Blakeley, and L. Murphy, 2018. A Wealth of Difference: reforming the taxation of wealth. IPPR, Discussion paper, 26.

Working farms can also qualify for an Entrepreneurs' Relief (ER) on capital gains tax, which reduces the normal rate to 10%. This tax break applies even when the farmland is being sold for development, which can result in eye-watering windfalls, since land for development can be worth 250 times more than farmland.<sup>102</sup> Rollover Relief is an alternative to Entrepreneurs Relief for avoiding taxation on development land profits and is available when the proceeds from the disposal of land are reinvested into the replacement asset.

It is no wonder, therefore, that estate agents promote farmland as a "safe shelter for wealth and a tax-efficient means of transferring wealth from one generation to the next".<sup>103</sup> In 2017 only 40% of farm purchases were by farmers.<sup>104</sup>

## Macroeconomic implications

The factors outlined above – a huge expansion in cheap, easy mortgage credit, the high levels of speculative demand from Buy-to-let landlords and domestic and foreign elites, the shrinking of our social housing stock and many people's desperation to escape the exploitation and insecurity of the private rented sector – have all conspired to push house prices to unprecedented heights. According to OECD data, the UK has seen a 56.6% jump in its house price-to-income ratio over the past thirty years, the second-biggest behind Canada.<sup>105</sup>

We have already noted that these trends have systematically undermined the vision of a society with equal opportunity for all. But there are several other pernicious effects.

By allowing people to make unprecedented windfall gains through speculative investments in land and property, we discourage them from making productive investments in the economy.

By squeezing the budgets of the poorest people through higher housing costs, we make aggregate demand in the economy more and more dependent on debt – both consumer credit, and home equity withdrawal. This leaves people more exposed, both to a change in interest rates and to a fall in house prices. Almost 80% of new mortgage lending in 2016 was either on a fixed rate for a period of less than five years or on a floating rate.<sup>106</sup> And, according to the Council for Mortgage Lenders, around a fifth of all residential mortgages in the UK are interest-only.<sup>107</sup>

By failing properly to regulate mortgage lending and to discourage the use of houses as financial assets, we make our economy vulnerable to a deep and sudden reversal in house prices. This is because the feedbacks between mortgage lending, land prices, and speculative behaviour, that push prices up during a boom, work just as powerfully in reverse. Faltering house prices tend to make both potential borrowers and mortgage lenders more cautious, which has the effect of sucking demand out of the housing market.<sup>108</sup> Bank lending thus adds an elasticity to demand, which, if not carefully

102 P. Hetherington, 2015. Britain's farmland has become a tax haven. Who dares reform it? The Guardian, 2 September.

103 I. Bailey and A. Lawson, 2016. Global Market Tips. Savills, Research Article, 24 February 2016

104 I. Bailey and A. Lawson, 2018. [Spotlight: GB Agricultural Land 2018](#). Savills.

105 G. Turner, P. Rice, S. Jones, M. Harris, E. Applebee, and C. Philip, 2018. Financing Investment: Final Report. GFC Economics Ltd & Clearpoint Advisors Limited.

106 Bank of England, 2017. Financial Stability Report June 2017, Bank of England, 4.

107 Tatch, J., 2017. Interest-only: coaxing the cat out of the bag. Council of Mortgage Lenders, 15 May.

108 C. Goodhart and B. Hofmann, 2008. House Prices, Money, Credit and the Macroeconomy, Working Paper Series, European Central Bank, April. J. Muellbauer and A. Murphy, Housing Markets and the Economy: The Assessment, Oxford Review of Economic Policy 24, no. 1 (2008): 1–33. Available from: <https://doi.org/10.1093/oxrep/grn011>.

managed, creates more dramatic booms and deeper slumps. Similarly, as the Bank of England has repeatedly warned, the behaviour of leveraged investors tends to amplify house price movements during a downturn (by withdrawing their demand suddenly), just as they do during the upswing.<sup>109</sup>

Finally, when housing bubbles burst, the presence of high levels of mortgage debt in the economy result in a deeper downturn in the wider (non-housing) economy. The more leveraged a household, the more likely it is to make deep cuts in spending following a downturn in house prices, sucking demand out of the whole economy.<sup>110 111</sup>

## Learning our lessons

Could the inequality and instability that we have experienced from our land system have been predicted? The power of landowners to enjoy flows of rents and asset price appreciation disproportionate to their efforts – indeed, to demand an ever increasing share of society's surplus – was a major preoccupation for political economists of the 19<sup>th</sup> century, from David Ricardo (1815), to John Stuart Mill (1848), to Henry George (1879).<sup>112</sup> And the problems we explore were explained by Hyman Minsky's financial instability hypothesis in 1986.<sup>113</sup> Indeed, before the financial crisis, there were predictions – notably from central bankers<sup>114 115 116</sup> as well as Minskians and other Post-Keynesian researchers<sup>117 118</sup> – that the deregulation of mortgage credit would lead to rapidly inflating land and house prices, and a likely housing bubble and/or debt crisis.

Fortunately, the 2008 financial crisis, and the widening gap between those who own property and those who do not, have prompted a reawakening in the economics profession, both to the role of bank credit and speculative demand in asset price instability, and the significance of land rent extraction as a powerful driver of inequality. It is time for these academic insights to influence policy making.

109 Bank of England, 2017. Financial Stability Report June 2017, 6-7.

110 Bunn, P. and Rostom, M., 2015. Household debt and spending in the United Kingdom. Bank of England, Staff Working Paper No. 554.

111 A. Mian and A. Sufi, 2014. House of Debt. University of Chicago Press.

112 B. Fried, 1998. The Progressive Assault on Laissez Faire: Robert Hale and the First Law and Economics Movement. New Edition. Cambridge: Harvard University Press.

113 H.Minsky, 1986. Stabilizing an unstable economy. Yale University Press.

114 R. Adalid, and C. Detken, 2007. Liquidity shocks and asset price boom/bust cycles. Frankfurt: European Central Bank.

115 C. Borio, and P. Lowe, 2004. Securing sustainable price stability: should credit come back from the wilderness? Basel: Bank for International Settlements.

116 C. Detken, and F. Smets, 2004. Asset price booms and monetary policy. Frankfurt: European Central Bank.

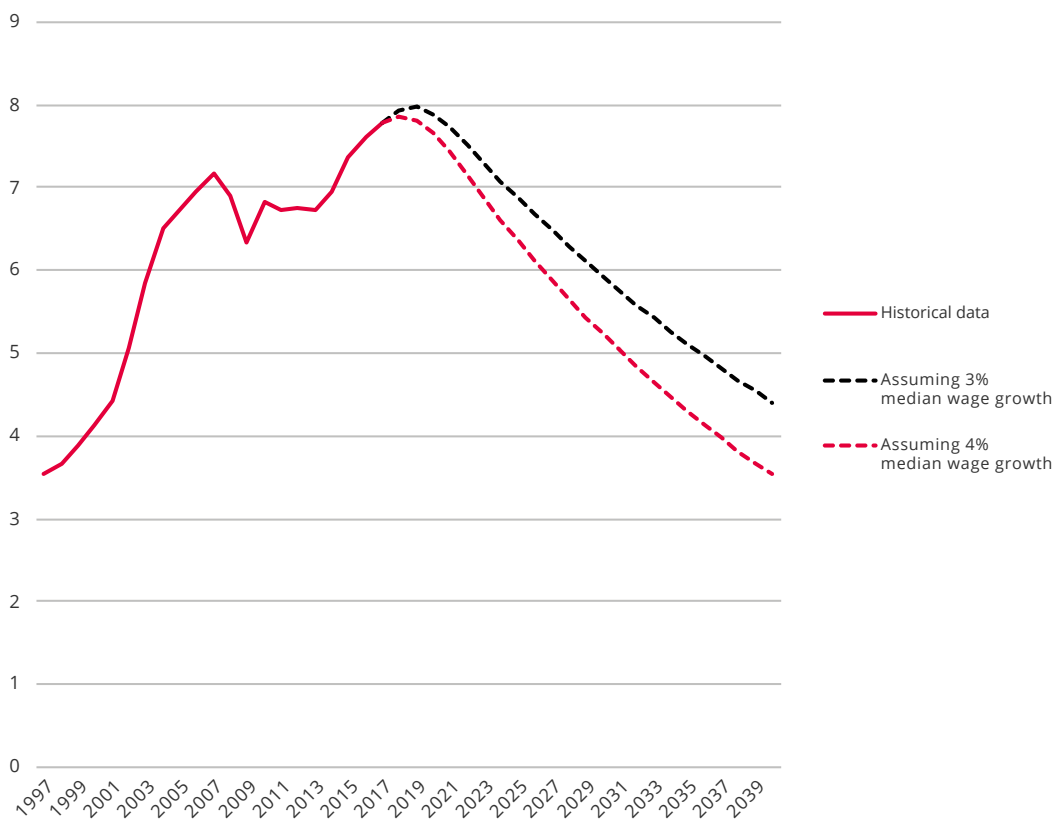
117 S. Keen, 2013. Predicting the 'Global Financial Crisis': Post-Keynesian Macroeconomics. Economic Record, 89.

118 D. J. Bezemer, 2009. No one saw this coming. Understanding financial crisis through accounting models. University of Groningen, Research Institute SOM (Systems, Organisations and Management), Research Report No. 09002.

**Recommendations**

We recommend that a Labour government set an explicit goal of *stabilising land and house prices*, so that wages can catch up and the house price-to-income ratio gradually return to its historic norm (figure 2). To achieve this goal, we will need bold policies, particularly to bring rents under control, and rein in speculative, debt-fuelled demand.

**Figure 2: RATIO OF MEDIAN HOUSE PRICE TO MEDIAN WORKPLACE-BASED EARNINGS ASSUMING A STABILISATION OF MEDIAN HOUSE PRICES BY 2022**



Source: Office for National Statistics, House price to workplace-based earnings ratio, 26 April 2018

**Expand social housing**

There is clearly a need for an ambitious social house building programme, as set out in Labour’s Green Paper, *Housing for the Many*.<sup>119</sup> In Chapter 5 we offer additional detail on how changes to land compensation laws could support this goal.

Obviously an increase in the availability of social housing will be a lifeline to the 1.2 million people on the social housing waiting list in England. If sufficiently ambitious,

<sup>119</sup> Labour Party, 2018. *Housing for the Many*. Green Paper.

a social house building programme could also reduce pressure and improve tenant bargaining power in the private rented sector. Falling private sector rents would, in turn, feed through eventually into lower house prices. But we should not expect such an effect to be either significant or swift, partly because there are major skills shortages in the building sector,<sup>120</sup> partly because there is a huge backlog of housing need,<sup>121</sup> and partly because, as discussed above, there are a range of other more powerful forces, besides supply shortages, putting upward pressure on house prices.

### Reform of the private rented sector

Measures to end the insecurity and exploitation experienced by private renters make sense on their own terms, as the constant threat of rent hikes and evictions is affecting the health, relationships and life chances of millions of people.<sup>122 123</sup> They have the additional benefit of dampening demand from Buy-to-let buyers, and therefore removing one of the key drivers of residential land price inflation.<sup>124</sup>

In response to a sustained campaign by renters' rights organisations, and following in Corbyn's footsteps, both Theresa May and Mark Drayford, first minister of Wales, recently announced that they would bring an end to 'no fault evictions' in England and Wales. In practice this involves scrapping Section 21 of the 1988 Housing Act which gives landlords the power to evict a tenant without giving any reason. Scotland already abolished Section 21 and introduced a new system of open ended tenancies in December 2017. While these developments are a major step forward, we believe that more can and should be done to provide security and protection for private renters.

As Labour's Shadow Housing Secretary has pointed out,<sup>125</sup> without caps on rent increases, the scrapping of Section 21 will not be fully effective, since landlords will be able to use unaffordable rent hikes as an effective alternative to retaliatory eviction. At a minimum we recommend a **cap on annual permissible rent increases** within tenancies, at no more than the rate of wage inflation or consumer price inflation (whichever is lower). Mutually agreed rent increases would be permitted under such a cap: for example, to cover the costs of refurbishments beyond those required under law, and landlords would still be able to set the rent at any level when advertising the property for rent to new tenants. A cap on rent increases, when rents are already unaffordable in many areas, may sound of modest help to tenants, but in combination with the removal tenants' liability of council tax (see below), it should result in an overall reduction in housing costs for most private renters. Labour should also consider an end to mortgage interest tax relief for landlords who charge the most excessive rents.

120 T. Wallace, 2017. Skills shortage tightens around UK construction sector. The Telegraph, 16 Nov.

121 It is estimated, based on the Labour Force Survey, that the number of concealed households in the UK – that is, family units without their own home – rose by 50 percent in the past decade, from 1.6m in 1996, to 2.5m households in 2016. S. Aldridge, 2018. The housing market: challenges and policy responses, National Institute Economic Review, 245.

122 Evictions are the number one cause of homelessness. Shelter, 2017. Eviction from a Private Tenancy Accounts for 78% of the Rise in Homelessness since 2011. Press Release, March 23, 2017.

123 Even for those unlikely to be made homeless, the threat of eviction can mean constant anxiety and insecurity. Shelter, 2017. Unsettled and Insecure: The Toll Insecure Private Renting Is Taking on English Families.

124 J. Muellbauer, 2018. Housing, Debt and the Economy: A Tale of Two Countries, National Institute Economic Review 245, no. 1, August: R20–33.

125 Labour, 2019. John Healey responds to the government's pledge to protect tenants against unfair eviction. Monday 15 April 2019.

To provide a reasonable degree of stability for renters, particularly those with young children, we recommend that **the permitted grounds for eviction within the first three years of a tenancy should be more limited than they are under the reformed system in Scotland**,<sup>126</sup> excluding, for instance, a right to repossess the property in order to renovate or sell.<sup>127</sup> This extra protection would not prevent landlords selling to their tenants or to another landlord within the first three years of a tenancy. We recommend **increased eviction notice periods**. Two fifths of private tenants (41%) report that the current two-month notice period is too short to allow them to find a new place to live.<sup>128</sup> We also propose **compensation (equivalent to three months rent) for tenants who are forced to move through no fault of their own**. This would help to compensate tenants for the disruption and costs associated with moving and discourage landlords from evicting tenants unless absolutely necessary. It is paramount that such protections are in place before any broader housing market changes are enacted that could trigger landlords to sell.

We also support calls for a national register of landlords,<sup>129</sup> a 'property MoT' to ensure homes in the private rented sector are safe and decent,<sup>130</sup> and an end to landlords' exemption from meeting the Energy Performance Certificate of E if there are upfront costs of more than £3,500.<sup>131,132</sup>

These reforms would be electorally popular and bring the UK in line with the kind of protections that renters enjoy in many other European countries.<sup>133 134</sup> They would also discourage further demand from Buy-to-let landlords, which is essential to meet our goal of stabilising house prices.

### **Reform taxation of land and property**

The UK's current system of residential property taxation is regressive, arbitrary and economically inefficient. The following reforms, by contrast, are designed to:

- Discourage the use of homes for speculation and rent extraction, and thereby help to stabilise land prices;
- Reduce the amount of unearned windfall gains that are privately captured, and make those wealth increases available to cover the health and welfare costs of an aging society;
- Reduce the level of taxation on the majority of households, and boost disposable incomes for the bottom half of the income distribution;
- Prompt the more efficient use of the housing stock, by reducing the number of homes left vacant or empty, and encouraging people to downsize where possible.

126 Scottish government, 2017. Private residential tenancy: information for landlords.

127 As a recent IPPR report notes, 62 per cent of no fault evictions are served to enable landlords to sell their property or to use the property themselves. See D. Baxter and L. Murphy, 2019. Sign on the dotted line? A new rental contract. IPPR.

128 DCLG, 2016. English Housing Survey 2014-15: Private Rented Sector Report, Table 3.3

129 Generation Rent, 2014. The easy way to implement a national register of landlords.

130 D. Baxter and L. Murphy, 2019. Sign on the dotted line? A new rental contract. IPPR

131 This is still a very low level of energy efficiency. Responding to the threats of climate change and fuel poverty will require a much more ambitious programme of deep retrofits and refurbishment of our existing housing stock. Fuel Poverty Action, 2018. Minimum Energy Efficiency Standards (MEES) in private sector housing: FPA response to BEIS Consultation.

132 Contrary to the scaremongering of many landlord lobbyists, the evidence suggests that such measures will have no adverse impact on rents. D. Wilson Craw, 2018. Do measures that discourage buy-to-let investment increase rents? Generation Rent.

133 D. Baxter and L. Murphy, 2019. Sign on the dotted line? A new rental contract. IPPR.

134 Generation Rent, 2016. Secure tenancies, strong families, stable communities: reforming private renting.



## Replacing Council Tax with a Progressive Property Tax

We recommend that a Labour government replace the regressive and unpopular council tax with a progressive property tax based on contemporary property values. Unlike council tax, this tax would be payable by owners, not tenants. This would result in significant administrative savings, lower levels of arrears and less court action. Unlike council tax, the progressive property tax rate would be based on regularly updated property values,<sup>135</sup> and the rates would be set nationally, rather than locally determined. The level of redistribution between local authorities would need to increase substantially under this system, to ensure that the local authorities with high social needs and low land values are not left dependent on central government grants. However, there could be a **tax free allowance that varied regionally** so as to make, for example, the least valuable 10 per cent of properties in each region tax-free. Progressivity should be further improved by levying a progressively higher rate of taxation on each of the top 4 deciles of property by value.

In line with Labour's existing plans for council tax,<sup>136</sup> we recommend that the new progressive property tax be levied at a **significantly higher rate on second homes and empty homes**,<sup>137</sup> to encourage a more efficient use of the housing stock. Further, we recommend that **homes classed as 'main residences' but owned by people who are not domiciled in the UK for tax purposes ('non doms') should carry a similar surcharge**.<sup>138</sup> The Annual Tax on Enveloped Dwellings discussed below should discourage people from using corporate 'wrappers' to avoid such a surcharge.

**Vacant and derelict residential land (that the council tax currently exempts) would be brought into this system, to discourage land hoarding.**

Such a progressive property tax could generate more revenue, encourage the more efficient use of the housing stock, leave the large majority of households better off,<sup>139</sup> and boost average disposable incomes for the least wealthy half of population.<sup>140</sup> To further sweeten this tax change **we recommend that Stamp Duty Land Tax<sup>141</sup> be phased out for people buying homes to live in themselves**, since it unfairly penalises people who need to move house.<sup>142</sup> It should remain in place, however, for dwellings purchased by 'non doms', companies, and all second homes and investment properties. Special arrangements will need to be made for current landlords for whom cash flow problems may arise from the combination of higher tax liabilities and rent caps which prevent them passing the costs on to tenants. We propose that where the extra tax

135 Revaluations should not take account of improvements made by homeowners themselves, only changes in property values that arise from wider market conditions.

136 Michael Savage, 2018. "[Radical Labour Levy Would Double Council Tax on Holiday Homes](#)," The Observer, September 23, 2018.

137 This rate may need to be gradually raised to ensure that the house price to income ratio continues to fall back to its historical norm.

138 This is not 'anti-foreigner' because non-UK citizens who choose to make the UK their tax domicile, bringing their worldwide income and assets within the remit of UK taxation, would not be penalised. T. Greenham, 2016. [Why only UK taxpayers should own UK homes](#). RSA.

139 It is important to consider how households previously eligible for council tax exemptions can be supported when starting new tenancies at potentially higher rents.

140 A. Corlett and L. Gardiner, 2018. [Home Affairs: options for reforming property taxation](#). Resolution Foundation, March 2018.

141 In Scotland, Stamp Duty Land Tax (SDLT) was replaced by the Land and Buildings Transaction Tax (LBTT) in 2015. However, as the LBTT suffers from many of the same shortcomings as SDLT, we recommend that the Scottish Government abolishes LBTT for people buying homes to live in themselves.

142 The overnight scrapping of Stamp Duty Land Tax would lead to a sudden jump in house prices. It may be prudent to keep a portion of the up front payment in place, but have it gradually refunded to buyers, through tax relief on their annual progressive property tax.

liability would leave landlords unable to cover maintenance costs, landlords should be permitted to roll over a portion of their tax liabilities and pay upon sale out of their capital gains. The rolled over tax bill could be capped so that landlords are not forced to pay more in tax than they have gained in house price appreciation.

## **Taxing Offshore Ownership**

We support Labour's proposed Offshore Company Property Levy<sup>143</sup> but suggest it is extended beyond residential property. Thus we recommend a 15% tax on the price of any land or real estate when purchased by companies directly, or indirectly, owned in secrecy jurisdictions.<sup>144</sup> We also recommend an increase in the Annual Tax on Enveloped Dwellings (ATED) and a removal of the exemption for properties under £500,000.<sup>145</sup> It is important, however, that housing cooperatives, who share democratic ownership and control of their housing, are granted relief from ATED.<sup>146</sup> In Chapter 2 of this report, we also call for greatly increased transparency around land owned by corporate entities and trusts, including compulsory publication of the beneficial owners of such entities.

## **Sharing Unearned Capital Gains**

We recommend that the rate of capital gains tax for second homes and investment properties be increased so that it is at least in line with income tax rates (currently 20% for basic rate payers, 40% for higher rate taxpayers) to encourage people to seek more productive and socially beneficial ways to invest their money.<sup>147</sup> Taxing income derived from asset price appreciation, which requires no work to obtain, at a lower rate than income derived from labour, which requires significant exertion on the part of the worker, is intuitively unfair. The top rate of tax should also apply in case of property owned by 'non doms', companies, and non-residents.

Applying a capital gains tax to main residences too would allow us to limit the wealth inequality arising from the housing boom, but would be controversial and would make it difficult for some households to buy properties of equivalent value when moving house. The reforms to Inheritance Tax outlined below are designed to allow for the better sharing out of the unearned windfalls arising out of the housing boom.

143 Labour Party, 2018. McDonnell demands Hammond introduce almost £1bn "Oligarch Levy" to hit Russian tax dodgers. Press Release, 18th March 2018.

144 This would encompass a ban on land owned by UK companies whose beneficial owners are based in secrecy jurisdictions. It would be in addition to Stamp Duty Land Tax due.

145 We suggest this increase because ATED at its current levels has had little impact. In August 2015, 97,573 titles were registered at Land Registry as being owned by overseas companies. In October 2018, 96,882 titles remained registered to overseas companies, a fall of only 0.7%, despite a significant increase in the Annual Tax on Enveloped Dwellings over the period, suggesting that ATED to date has had little effect on overseas ownership. Source: Land Registry's Overseas Companies dataset.

146 Housing co-operatives have very good reasons for owning residential property via corporate structures that have nothing to do with the tax avoidance practice known as enveloping. Cooperatives UK have proposed a relief for housing cooperatives from this tax that would provide at least the same level of protection against tax avoidance that is found in the existing reliefs (e.g. for property rental businesses). See J. Wright, R. Morris and G. Guerin, 2018. ATED and Higher-Rate SDLT: creating reliefs for non-registered-provider housing co-operatives. Cooperatives UK.

147 The IPPR have proposed scrapping the entire capital gains system and incorporating income from asset price appreciation (as well as income from dividends) into the income tax schedule. In general we think this is a sensible proposal, but if the government went down this route, it would need to impose an even higher annual property tax premium for second homes/empty homes than we outline here, since the capital gains tax regime would no longer discourage investment in second homes relative to more productive forms of investment. Roberts, C., Blakeley, G., and Murphy, L., 2018. A Wealth of Difference: reforming the taxation of wealth. IPPR, Discussion paper, p. 2.

## Replacing Inheritance Tax with a Lifetime Gifts Tax

In the long term we recommend that **inheritance tax should be abolished, and replaced with a lifetime gifts tax levied on the recipient**, as has recently been proposed by the Resolution Foundation<sup>148</sup> and IPPR.<sup>149</sup> Under this system, tax would be levied on the gifts received above a lifetime allowance of £125,000. When this lifetime limit is reached, any income from gifts would be taxed annually at the same rate as income derived from labour under the income tax schedule. The Resolution Foundation estimate that taxing gifts through the income tax system would raise £15 billion in 2020/21, £9.2 billion more than the current inheritance tax system, and would do so more progressively.

Under IPPR's proposal there would be conditional exemptions for business and agricultural property, under which tax could be deferred until the asset is sold or until the business ceases to be a trading entity and becomes an investment entity. This would allow families to maintain the integrity of agricultural land or business assets, but would also prevent inheritees from gaining large tax-free windfall gains. We believe that the cost and benefits of such an exemption need to be considered as part of the post-Brexit redesign of agricultural subsidies. In Chapter 8 we make the case for an English Land Commission to review the tax and subsidy regime for agricultural land, and offer some guidance on the issues to be taken into consideration by such a commission.

Since implementing a lifetime gifts tax may take time, Labour's plans to reverse the Conservative government's recent inheritance tax break for main residences is an important interim step.<sup>150</sup> **Further, we recommend that a tax be introduced for equity withdrawals**, which is a key means of avoiding inheritance tax.

## Replacing business rates with a Land Value Tax

Finally, we recommend that **business rates be replaced with a Land Value Tax**. This policy is already under consideration by Labour,<sup>151</sup> and has been embraced by numerous recent reviews.<sup>152 153 154 155 156</sup> We suggest that this tax be calculated on the basis of the rental value,<sup>157</sup> and that **vacant and derelict land be brought into this regime, to discourage hoarding** (once residential planning permission had been granted, the property tax would apply). Taxing land is recognised to be one of the most economically efficient way of raising taxes, not distorting but rather supporting investment and productive activity.<sup>158</sup> It also provides a means for recovering the

148 A. Corlett A, 2018. Passing on: options for reforming inheritance taxation, Resolution Foundation.

149 C. Roberts, G. Blakeley, and L. Murphy, 2018. A Wealth of Difference: reforming the taxation of wealth. IPPR, Discussion paper.

150 Labour Party, 2017. Funding Britain's Future.

151 A. Perkins, A., 2018. Labour says land value tax would boost local government budgets. The Guardian, 22 Feb.

152 Mirrlees Review, 2011. Reforming the tax system for the 21st century. Institute for Fiscal Studies.

153 A. Corlett, A. Dixon, D. Humphrey, and von M. Thun, 2018. Replacing business rates: taxing land, not investment.

154 T. Aubrey, 2016. Bridging the infrastructure gap, Centre for Progressive Capitalism.

155 D. Adler, 2017. Home Truths: A Progressive Vision of Housing Policy in the 21st Century. Tony Blair Institute for Global Change.

156 C. Roberts, G. Blakeley, and L. Murphy, 2018. A Wealth of Difference: reforming the taxation of wealth. IPPR, Discussion paper.

157 If taxes are based on sales values, and sales values have reflected speculative hopes of gaining planning permission, then people will be taxed almost as much as if their land has had development permitted. In that case it would be arguably be unjustified for local authorities to undertake Compulsory Purchase at existing use value, as we propose in Chapter 5.

158 Having said this, supplementary taxes may be required to ensure that some highly successful businesses situated in low land value areas (such as Amazon's distribution centres) are not given an unfair advantage

unearned windfalls from collective development for the state and wider community, and encourages efficient land use by creating less incentive for developers to hoard undeveloped land. For the sake of simplicity and progressivity, and to reduce opportunities for tax avoidance, there may be a case for this Land Value Tax being extended to agricultural land too. The entire system of taxes and subsidies for agriculture needs to be considered as a whole, as we propose in Chapter 8.

## Holiday home restrictions

**We recommend that two new categories of Use Class under the Town and Country Planning (Use Classes) Order 1987 (as amended) are introduced for second homes and furnished holiday lettings.** Residential dwellings are currently categorised as C3 or C4. We propose the following categories:

- C5 – Second Homes in which there is no permanent resident (a number of tests including entries on the electoral register, and the type of insurance cover, could be devised to police this);
- C6 – Furnished Holiday Lettings. These are already defined in detail under income tax rules.

Use of a building as C5 or C6 would require planning permission. Local authorities should be required to set out a strategy for the proportion and location of C5 and C6 properties in their area in order to give some guidance to individual case decisions. Factors to be considered would be the need to balance the requirements of the tourist and leisure industries with the housing needs of local residents, and to maintain sufficient density of permanent residents to support vital infrastructure such as schools, shops, pubs and post offices.

C5 and C6 permissions should be time-limited to 5 years to allow the proportion of C5 and C6 properties to be varied over time to adapt to changing circumstances.

We recommend that all existing second homes and Furnished Holiday Lettings properties will need to gain planning permission, with no exemptions based on current use. However, this could be phased in over an extended period to allow for orderly sales of second homes and Furnished Holiday Lettings properties that fail to gain C5 or C6 permissions. It may be possible to design the system for allocating permissions so that it raises revenue too.<sup>159</sup>

## Better macroprudential supervision of bank lending

**We propose that the Bank of England's mandate be expanded, to include a target to stabilise house prices.**<sup>160</sup> Alterations to the Bank of England's base rate – the Bank's conventional approach for influencing aggregate borrowing – will be unsuitable for achieving this goal. Pushing interest rates higher may slow the pace of mortgage borrowing, but it can also deter investment in productive sectors.<sup>161 162</sup> Rather than

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relative to high street businesses. One way Labour are thinking about addressing this is through an online transaction tax; another option might be a monopoly tax.

159 For example, there could be a sealed bid auction of C5 permissions, with the proceeds ring-fenced for building new social housing.

160 The IPPR Commission on Economic Justice also recommended that the government investigate whether the Bank of England's Financial Policy Committee should be given an explicit house price inflation target.

161 G. Turner et al., 2018. Financing Investment: Final Report. GFC Economics Ltd & Clearpoint Advisors Limited, June 20, 13.

162 Bank of England, 2009. The role of macroprudential policy: A Discussion Paper, London: Bank of England.

price-based disincentives for borrowers, we therefore recommend that **the Bank of England make positive use of quantitative measures such as credit guidance and other macroprudential tools to encourage a shift in bank lending away from real estate and other inflationary and non-productive forms of lending, and toward more strategically useful sectors of the economy.** As discussed in GFC and Clearpoint's recent report for the Shadow Chancellor, banks currently have a strong incentive to lend against housing collateral, since capital requirements for mortgage loans are lower than for other types of lending, including loans to small business, collateralised by commercial property.<sup>163</sup> This bias could be reversed by, for example, raising the risk-weightings for mortgage lending, and lowering the risk weightings for productive forms of lending, or by enforcing a maximum ratio of mortgage lending to productive lending. Reducing the house-price-to-income ratio will have strong distributional benefits by widening access to housing. However, additional measures may be needed to prevent tightening mortgage access disproportionately impacting on poorer households.

Once house prices are stabilised, and the house-price-to-income ratio starts to fall, we recommend that the maximum loan-to-income and loan-to-value ratios should be correspondingly tightened, to prevent any future debt-fuelled re-inflation of house prices. Relaxed borrowing requirements are popular among aspiring home owners, since – on a micro level – they appear to increase the opportunities for poorer households to benefit from home ownership. However, at a macro level, easy access to housing finance adds to aggregate purchasing power, and exerts upward pressure on prices. If everybody is standing on tiptoes, nobody gets a better view.

If, in spite of the improvements to tenants' rights and property tax outlined above, first time buyers continue to be outbid by prospective landlords, Labour should more heavily regulate or reduce the availability of Buy-to-let mortgages, by requiring that borrowers would need to show their existing income was sufficient to cover monthly mortgage costs. Arguably, it is unfair for first time buyers to have to compete against purchasers able to rely on projected rental income. Regulating or reducing Buy-to-let mortgages would dampen speculation-driven house price increases.

## Preventing a destabilising fall in house prices

The recommendations above will curtail the feedbacks that put upward pressure on residential and agricultural land prices. Achieving the goal of land price stabilisation, however, will require attention not only to the feedbacks pushing prices up, but also the potential feedback loops that could push prices down.

Any reform that makes residential land and property less attractive as financial assets could prompt investor flight, which would exert downward pressure on prices. Although many aspiring homeowners would welcome this, the risks associated with falling prices must be avoided. In particular, a big decrease in residential land prices would be punishing for households who bought for the first time at the height of the boom, and could push some into negative equity, making it difficult either to move house or to re-mortgage.

A lack of preparedness for dealing with these risks is a major barrier to reform. In the next chapter we offer one possible way to overcome this barrier.

163 G. Turner et al., 2018. Financing Investment: Final Report, GFC Economics Ltd & Clearpoint Advisors Limited, June 20, 14.

## 4. Stabilising the System: The Common Ground Trust

### A conundrum standing in the way of reform

The Common Ground Trust is not proposed as a stand-alone policy, but as a potential scheme to introduce alongside the suite of reforms recommended in the last chapter. In part, it is a response to the limitations and challenges associated with those recommendations.

In the last chapter, we discussed the urgent need to end the exploitation and insecurity facing private renters, by introducing caps on rent increases and improvements in security of tenure, alongside a mass social house building programme. We also discussed the case for tax reforms, to share out the windfall gains and unearned land rents which, in the current model, are captured by financiers and landowners. And we pointed to the need for better macroprudential supervision by the Bank of England. Such reforms would encourage both households and banks to seek out more productive and socially beneficial ways to invest their money, rather than simply driving up the price of land.

The challenge is that these recommendations will inevitably reduce the attraction of Buy-to-let and Buy-to-leave (thereby removing demand from the housing market), and potentially prompt some owners to sell (thereby increasing the supply of homes to the second hand market). If new buyers do not emerge quickly to plug the gap left by landlords and speculators in the market, the result could be rapidly falling house prices.

A fall in prices would of course be welcomed by some people, currently locked out of home ownership. In the 1990s, the average working family needed to save for three years to afford a deposit. Today, it needs to save for 19 years.<sup>164</sup> But, as noted, falling house prices also carry political, social and macroeconomic risks, among which are households stuck in negative equity and economic contraction.

The challenge we face is this: how can we address the urgent concerns of renters, discourage debt-fuelled speculation in the housing market and reduce the scale of rent extraction by banks and landlords, without triggering a destabilising fall in house prices? And if we succeed in stabilising house prices, how do we respond to the legitimate complaint that it would still take a couple of decades to regain a 'normal' house price-to-income ratio (figure 2, p.30).

The Common Ground Trust may not be the complete or final answer, but it is floated here as one possible way out of this conundrum.

<sup>164</sup> A. Corlett and L. Judge, 2017. *Home affront: housing across the generations*, London, Resolution Foundation.

## Separating the ownership of land and housing

The Common Ground Trust (Trust hereafter) is proposed as a publicly-backed but independent non-profit institution which would buy the land beneath houses and lease it to members.<sup>165</sup> The Trust would take the form of a commons, where the land is controlled by a community of members, working within a constitutional framework. People (including housing co-ops) could approach the Trust when they had found a house they wanted to buy and ask the Trust to purchase the land. They would then purchase only the bricks and mortar. Since bricks and mortar account for 30% of the price of a property on average,<sup>166</sup> this would allow people to put down much lower deposits and take on much lower mortgage debt than is currently the case, particularly in high land value areas. The new buyers would sign a lease that would make them members of the Trust, and entitle them to exclusive use of the land in return for paying a land rent.

When moving house, members would sell their bricks and mortar, while the Common Ground Trust would retain the title to the land.

Although the Trust would be non-profit, it would aim to accrue a surplus which would be pooled and used to fund a Rainy Days and Retirement Discount for members. This would help to improve the attractiveness of the scheme, compared to both renting and the mainstream model of mortgaged home ownership, as it would improve security of tenure for members who had fallen on hard times, or were unable to work any longer.

The Trust does not replace the need for social housing. It serves an entirely distinct purpose.

The Trust is a vehicle for bringing land into common ownership, with three goals in mind:

- To expand the number of people ready and able to buy a house, offsetting the reduced demand from landlords and speculators. This would make it safe to introduce the necessary reforms to the private rented sector, the tax system and the mortgage market discussed in the previous chapter, so that land and house prices can be stabilised.
- To reduce the scale of land rents that are extracted by financiers and landlords, and to use those rents instead to provide a safety net for members who have hit hard times.
- To give more people the opportunity to enjoy a form of private or mutual home ownership. Even with improved conditions in the private rented sector, many people will have an understandable desire for a home they can substantially renovate and invest in, and the assurance that they will never receive an eviction notice.

<sup>165</sup> The model is designed for freehold properties but could theoretically be made to work in a more limited form for leasehold properties. We do not discuss this potential model extension here.

<sup>166</sup> Office for National Statistics, 2017. [The UK national balance sheet estimates: 2017](#).

## Example

The Smith family find a house they want to buy for £300,000. They have £30,000 in savings – a 10% deposit. If they had a higher household income they could qualify for a mortgage to cover the remaining £270,000. In this case, if they borrowed at 3% interest over 25 years, they would face a monthly bill of **£1280** (figure 3a). But the Smith's mortgage lender explains that – based on their income and credit record – the maximum they can borrow is £150,000.

So the Smiths contact the Trust, and discover the land accounts for half the total value of the property: £150,000. The Trust agrees to purchase the land, and the Smiths sign a lease that entitles them to exclusive use of the land in return for paying a land rent at, say, 4.5%<sup>167</sup> of the sales value of the land, or £563 per month. The Smiths then pursue mortgage finance to cover the cost of the bricks and mortar.

With the land rent as committed monthly spending, the amount the Smiths can borrow drops to £120,000. Let us assume, conservatively<sup>168</sup>, that the interest rate also rises slightly to 3.5% to take account of the fact that this is a novel mortgage arrangement and ownership model. But with this loan, and their deposit of £30,000, they have enough to purchase the bricks and mortar.

Their monthly mortgage repayment costs are £601, bringing total monthly housing costs to **£1163**. Once they have paid off their mortgage, and assuming stable land values, the Smiths can expect monthly costs of **£500**, until they reach retirement (figure 5b). For comparison, if they were to rent a house like this it would cost around **£1100** per month indefinitely (figure 3c).

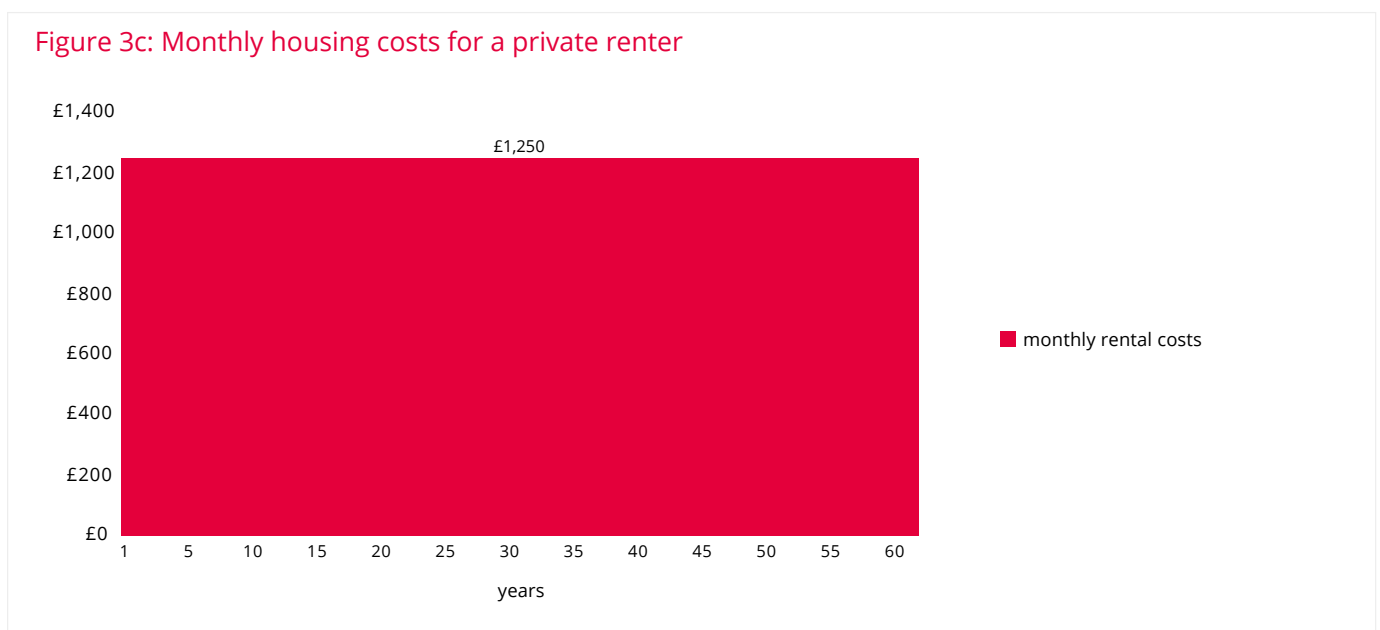
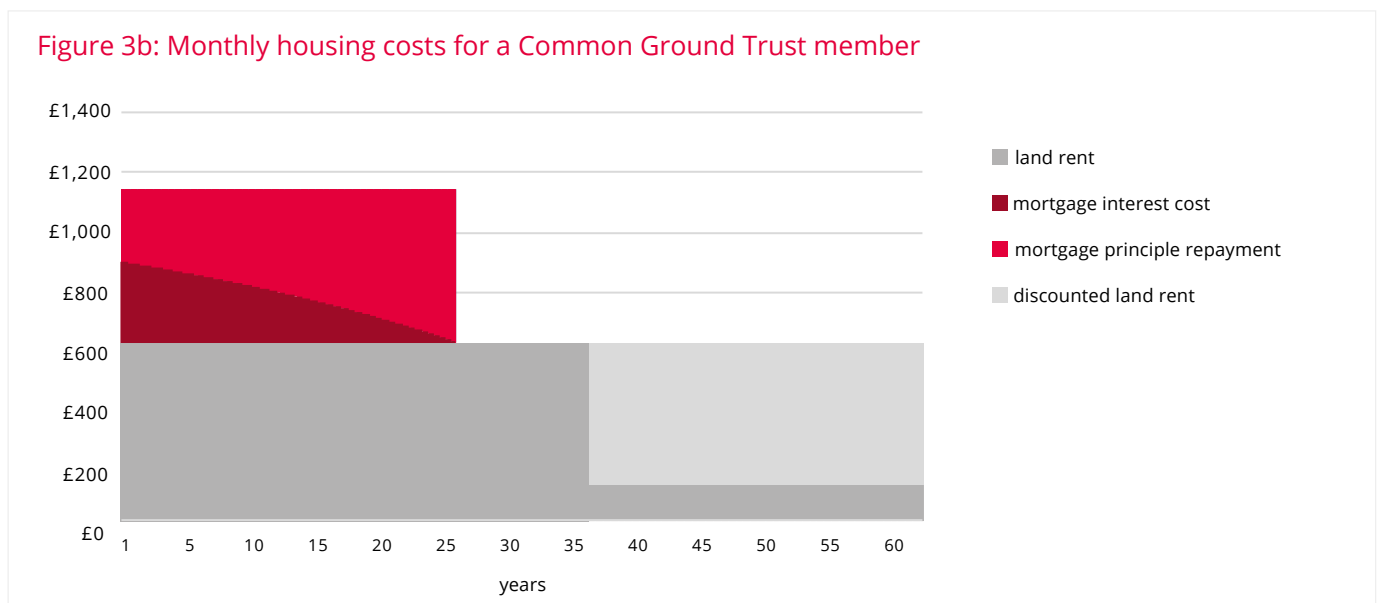
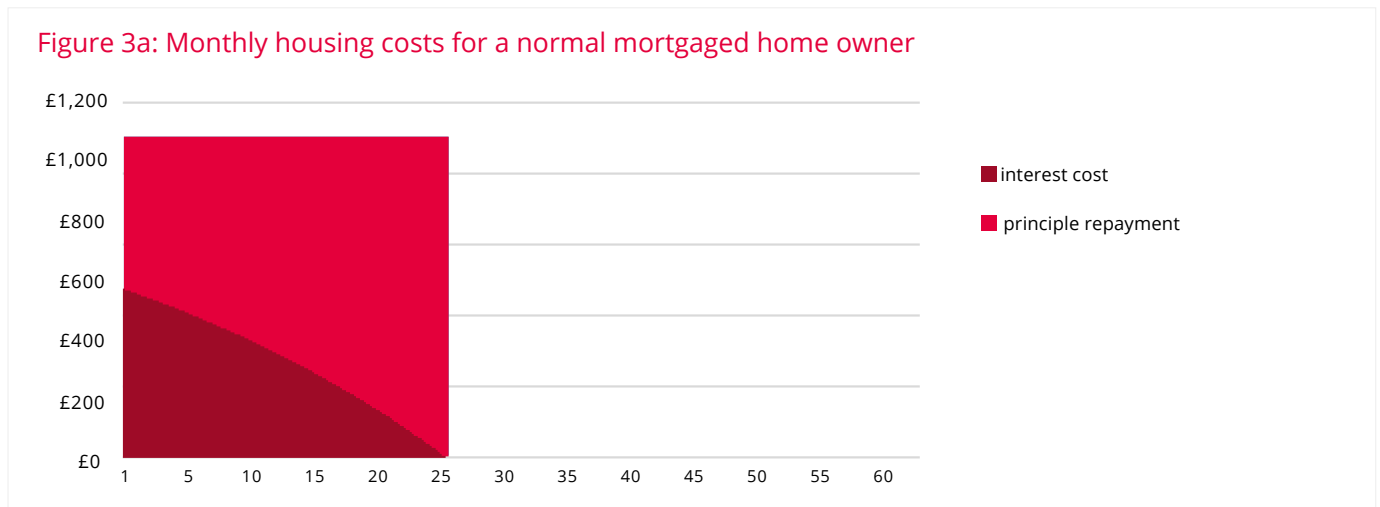
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167 The precise ratio between sales values and rental values varies by region. This figure is based on the average gross rental yield for England and Wales in June 2018. Your Move, 2018. England and Wales Rental Tracker. July 2018

168 The bricks and mortar could actually be considered a safe form of collateral since the Common Ground Trust could guarantee to repurchase the bricks and mortar at rebuild cost. The rebuild cost of a house is far more stable than land values, and could be made even more so if the maintenance of the bricks and mortar were enforced by a covenant. This would reassure the mortgage lender that if the borrower defaulted on their mortgage, their bricks and mortar would have a guaranteed buyer, allowing the borrower to repay any outstanding debt to the mortgage lender.



Figure 3a, 3b, 3c: COMPARISON OF HOUSING COSTS OVER 60 YEAR PERIOD



## How would land rents and house prices be set?

Land valuations could be produced as part of the regular valuation process required for the progressive property tax recommended in Chapter 3. Land valuations are routinely undertaken for the purpose of taxation in places like Denmark,<sup>169</sup> and in recent years the OECD and Eurostat have been working with national governments to improve land valuation practice and incorporate land into national accounting frameworks.<sup>170</sup> A typical approach to land valuation would start with an estimate for the overall property price, based on sales data, and subtract the rebuild costs, to arrive at a residual land value. New computational techniques and big data (revealing, for instance, the price premium arising from proximity to public transport) should make the land and property valuation processes far less painstaking than they might have been in the past.<sup>171</sup>

There is a case for land rents to be regularly updated, to ensure that they stay in line with market values.<sup>172</sup><sup>173</sup> However, limits to this variation could be built in to ensure both security of tenure for the homeowner, and solvency for Trust. For example, households paying the basic rate of income tax could have their land rent increases capped at the rate of median wage growth.

When a house already held within the Trust system is resold, the resale could happen under one of two models. The Common Ground Trust could fix the land rent, and allow the house to be sold through a normal process of competitive bidding.<sup>174</sup> Alternatively, the Trust could fix the price of the bricks and mortar, based on the rebuild cost, and allow the land rent to be determined by a process of competitive bidding by the prospective homeowners. In either case, the land rent would subsequently track a published land value index (within the aforementioned limits).

In the short to medium-term, land rents would be used to recover the cost of purchasing the land. After these costs had been repaid, land rents in excess of operational costs could be pooled and used to fund a discount for members who had fallen on hard times, or were entering retirement. The retirement discount would be available only to members who had been paying in for a minimum period, such as 25 years. It would reduce but not eliminate the land rent, partly to encourage downsizing where this is possible.

169 A. Muller, 2000. *Property taxes and valuation in Denmark*. Presentation at OECD Seminar about Property Tax Reforms and Valuation, Vienna 19-21 September 2000.

170 Eurostat and OECD, 2015. Eurostat-OECD Compilation guide on land estimations.

171 D. Adler, 2017. *Home Truths: A Progressive Vision of Housing Policy in the 21st Century*, Tony Blair Institute for Global Change.

172 If land rents for existing members systematically diverge from the market rates available on new leases, then people may be discouraged from moving house or encouraged to sublet to capture the difference. The further prices and values diverge, the more politically challenging it will be to make a revaluation, and ensure that unearned land rents are properly shared.

173 It is of course important to ensure that the Common Ground Trust is exempt from any ban on leasehold and ground rents, and any leasehold enfranchisement legislation.

174 A risk with taking this approach is that if the Common Ground Trust were to underestimate the market rental value of the land, the seller could walk away with unearned windfall gains from an inflated house price. If the Trust were to overestimate the market value of the land, the seller could find it difficult to fetch a fair price.

## Who is the Common Ground Trust designed for?

Membership of the Trust would be most obviously attractive for people who want to enjoy a form of home ownership, to gain greater security and agency over their own living space, but who cannot meet the mortgage deposit requirements.

Membership of the Trust would also be open to housing co-ops which are fully mutual (only controlled by people living in the property) with an asset lock, so that nobody can profit from or speculate with the assets.<sup>175</sup> This co-operative model allows people without any savings at all<sup>176</sup> to escape the private rented sector and gain collective control over their housing. Rising land prices have increasingly acted as a barrier to the establishment of new housing co-ops at affordable rents. By removing the upfront cost of land, the Trust would support the rapid scaling-up and long-term sustainability of this sector.<sup>177</sup>

People wishing to release equity from their homes (e.g. in retirement) may also be interested in selling the land beneath their homes to the Trust, especially in cases where interest rates on home equity withdrawal products were more expensive than the land-rent. Membership would not be available for speculators, landlords or second home owners.

## Supporting community led development and agricultural dwellings

In the longer term, the Common Ground Trust model could potentially be extended to agricultural land and used to facilitate the development of housing for landworkers (see Chapter 8). Similarly, the model could be used to facilitate self-build and community-led development. The Trust could purchase the land, and let the self-builders and/or community groups focus on raising the finance for the actual build cost (see Chapter 6).

## Governance and financing

The initial capitalisation of the Common Ground Trust would ideally be financed by government. The tax reforms outlined in the last chapter will improve public finances and help to make this possible. Options for the ongoing financing of land acquisitions include government-backed borrowing and bond issue. The Trust would require an executive that is answerable to the members, and a statutory asset lock to ensure that it is insulated from the whims of future governments. The constitution would ensure that the interests of future members and society in general are not overridden by the immediate interests of current members.

## Why not use other demand-side supports in the housing market?

There are of course other ways that the government can reduce the risk of a damaging house price fall. For instance, keeping interest rates very low, loosening mortgage loan-to-income ratios, and extending the Conservative Party's Help-to-Buy policy are all levers for fuelling demand in the housing market and thus propping up prices.

175 Currently co-operatives can obtain only a rule-based assets lock and would benefit from a change in legislation to create a statutory asset lock for such corporate bodies.

176 It is usual for such co-ops to raise capital through issuing loan stock to friendly investors. It is possible for members to invest in their own co-op (through loans or shares) but it is not usually a requirement.

177 Resilience of the cooperative housing sector would be further increased with a mechanism for ensuring that surplus rents within each housing coop are used for the establishment of new co-ops.

The drawback of such approaches is that they push households deeper into debt and increase the fragility of the macroeconomy, for the reasons set out at the end of Chapter 3. The Common Ground Trust offers a more sustainable and progressive approach.

### Common ownership as a non-reformist reform<sup>178</sup>

The Common Ground Trust creates a mechanism for the gradual, voluntary, but potentially large scale, transfer of land – our single most valuable asset – into a form of shared ownership, so that the associated land rents can be pooled and distributed according to need (in the form of discounts), rather than captured by private landowners and banks at society's expense. It helps to establish in the popular imagination the idea that unearned rents arising from the control of a scarce natural resource should be socialised. And, if the Trust proved popular and expanded its membership, the proportion of land remaining in private ownership would shrink. Thus it would gradually become more feasible to raise land taxes and advance the broader land reform agenda. But even for those uninterested in such objectives, the scheme would offer tangible benefits:

- **Aspiring home owners:** the Trust would enable individuals, families and cooperatives with relatively small deposits to enjoy a form of home ownership, and with that, a degree of security and autonomy over their living space that cannot be provided even in a reformed private rented sector. This group would otherwise be waiting a long time for home ownership to become affordable;
- **Existing home owners:** the Trust can help to ensure house price stability, by giving the government a lever for supporting demand in the housing market, even while would-be real estate speculators are encouraged to find more productive ways to use their wealth;
- **Private renters:** through these means, the Trust makes it more politically feasible to bring in rent caps, improvements to security of tenure and decent home standards in the private rented sector, and to clamp down on the speculative behaviour that can lead to rapid and ruthless gentrification.<sup>179</sup>

178 'Non-reformist reform' is a term borrowed from French writer Andre Gorz, who sought to distinguish between 'reformist reforms', which subordinate themselves to the need to preserve the functioning of the existing system, and non-reformist reforms 'which advance toward a radical transformation of society'. A. Gorz, 1968. *Strategy for Labor: a radical proposal*, Boston: Beacon Press.

179 Chapters 3 and 4 of this report have drawn heavily on the unpublished PhD research of Beth Stratford, University of Leeds.

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## 5. Place Before Profit: taking back control of land development

The system for delivering new development does not meet our needs. It makes the rich richer while failing to deliver the housing and other land uses the majority require, or the infrastructure to support them. Instead of being guided by communities, development is led by a rapacious market responding to socially-harmful incentives. This section introduces some of the issues: incentives that favour speculators over public need, a concentrated housebuilding sector that fails to deliver quality, speed or affordability, and the inability of local authorities and communities to take control.

Many of the problems with the British housing system can be traced to a reliance on private developers operating on a speculative model of development. The duty of these companies is to their shareholders, and they shape the built environment in ways that maximise shareholder value. In many cases, the result is buildings, tenures and amenities that bear little resemblance to those that communities need.

Taking back control means creating a new model, in which development is led by democratically-accountable bodies with a duty to serve the public interest, working in partnership with local people, landowners and others. It also means empowering residents to help design their homes and surrounding infrastructure, putting people at the heart of development.

This involves a shift from a system dominated by developers to a more dynamic system, characterised by constructive tension between democratically-elected bodies and direct community engagement. Local authorities will be forced to engage communities as early as possible to avoid later disputes. Communities will need to recognise that the more influence they wield, the greater their responsibilities to meet future needs, even where these needs threaten existing land uses. There will be disagreements, which will not always be easy to resolve, but this is the essence of democracy.

### The driving force of development is profit rather than places

New development should be based on recognising communities' goals, identifying suitable land to meet them, and ensuring sites are prepared with the necessary infrastructure. At present, however, it is dominated by the pursuit of huge windfall gains by landowners. This means that the wrong sites are often selected, with inadequate provision for infrastructure, and often at great environmental cost, while landowners and land promoters capture fantastic profits at the public expense. The interests of wealthy landowners overwhelm communities and local government.

#### Private windfalls, public squalor

In modern economies, the value of a plot of land depends on what can legally be built on it, and the infrastructure and amenities in the surrounding area. Development rights in the UK are nationalised, meaning that government controls development on behalf of the public. The granting of planning permission typically generates a large increase in the value of the land (known as 'planning gain'). So do new transport links and other infrastructure. The question of who gains the benefit from rising land values, and how this is used, has sat at the centre of land debates for centuries.

Early classical economists, such as Adam Smith and John Stuart Mill, objected to the ability of landowners to make windfall gains at the expense of wider society. They considered returns earned from the ownership of land to be unjust and inefficient – referring to these windfalls as ‘economic rent’. In the UK, various mechanisms have attempted to recover increases in land value arising from the granting of planning permission.

In 1947, the Labour government introduced a development charge, stipulating that 100% of the increase in value arising from the granting of planning permission should be paid to the state. The charge was widely criticized for discouraging new building, and many landowners withheld their sites from development in the hope that a future government would repeal the charge, which the incoming Conservative government swiftly did in 1952. Over the following decades, governments made further attempts to use taxation to recover land value uplift – including the Betterment Levy in 1967, the Development Gains Tax in 1973 and the Development Land Tax in 1976. But none persisted.<sup>180</sup>

Today the main tools for securing uplift for the public sector are ‘developer contributions’ through Section 106 agreements (Section 75 agreements in Scotland), and the Community Infrastructure Levy (CIL).<sup>181</sup> While these are essential tools for local authorities, they fail to recover the majority of land value created by the granting of planning permission and development, in particular because developer contributions are agreed case-by-case, and local authorities lack the resources and powers to drive a hard bargain. Landowners can delay development in the hope of smaller obligations in future. A recent study by the Centre for Progressive Policy suggested landowners made a post-tax windfall profit of £10.7bn in 2016-17 compared to £5bn secured for the public. These figures suggest that an extra £214bn could be recovered for the public over the next 20 years.<sup>182</sup> These are only estimates, as the data required to produce a definitive answer are still not available, as discussed in Chapter 2.

This means the majority of uplifts go into private hands. Not only does the public lose, but this system ensures that the market is dominated by speculation, not building. To take back control of development, we need to give democratic bodies and communities powers to drive development and recover increases in land values for public benefit.

## Development should be led by the public interest

Development is currently dominated by a small number of companies, and a land purchasing model that drives prices up. We need a public interest-led system, in which public bodies determine what land is developed, and insist on development that respects ecological limits, while delivering quality, affordable housing. This section first outlines the problem with the current system, then makes the case for Public Development Corporations with new powers to assemble sites.

<sup>180</sup> For an assessment of historic attempts at recovering land value in the UK see: C. Jones et al, 2018. [An assessment of historic attempts to capture land value uplift in the UK](#), The Urban Institute, Heriot-Watt University.

<sup>181</sup> For more information on these tools, see Chapter 2 of: [Housing, Communities and Local Government Committee, 2018. Land Value Capture](#).

<sup>182</sup> T. Aubrey, 2018. [Gathering the windfall: how changing land law can unlock England's housing supply potential](#), Centre for Progressive Policy.

## **Speculation drives up land values and drives down quality**

The failure to secure land value uplift for the public combines with the problems explained in Chapter 3 to create huge incentives for speculation on land. This situation arises not from individual failures, but from a policy environment that creates a profit model based on privatising the maximum amount of uplift.

The process by which developers and land promoters purchase land drives up land values. Developers typically employ a 'residual valuation methodology' to arrive at an offer price for a parcel of land. This involves estimating the final sales value the developer expects to receive from the new homes, then subtracting the expected costs of building them, to leave a residual amount. The price offered for the land must come from this residual value. The developer with the most bullish expectations of house prices and their own ability to drive down Section 106 contributions will offer most, and secure the site.<sup>183</sup> This model causes higher development costs for the supply of new homes.

Paying such high prices for the land forces developers to cut costs in other areas. Seeking cuts means paying lawyers and planning consultants to outmuscle local authorities, to drive down their Section 106 contributions towards infrastructure or affordable housing. Though recent attempts have been made to tackle this issue, the problem will persist while policy and resources favour developers over the public sector.

This system of buying land creates a strong incentive to cut costs when designing and building new homes, resulting in poor quality housing. More money spent on land means less money spent on design and building.

## **Developers are under structural pressure to constrain overall production**

Once land has been secured, developers cannot risk releasing too many homes at once. Doing so might reduce house prices in the area, lowering the value of the land the developer has bought. The incentive to keep house prices high by releasing new homes slowly impedes the necessary step change in the number of homes being built.<sup>184</sup>

This system also ensures that development is highly cyclical. When house prices fall, developers suspend land acquisition and cut build-out rates swiftly to reduce costs and avoid selling into a falling market. When house prices are rising, developers must compete to secure suitable land, causing greater volatility in land prices.

## **This is compounded by, and causes, a lack of diversity in the building sector**

Small-and medium-sized (SME) housebuilders delivered nearly 40% of new homes in 1988, but only 12% in 2016.<sup>185</sup> The financial crisis hit them hard, but they have also

183 Where developers are confident that they can wriggle out of their contributions to affordable housing and infrastructure, and/or are willing or able to cut corners on build quality, this will also lead to inflated land bids.

184 A similar conclusion was reached in the Conservative's own recent review of build out: O. Letwin, 9th March 2018. [RE: Independent review of build out: preliminary update, MHCLG and the Treasury, letter to P. Hammond and S. Javid.](#)

185 Home Builders Federation, 2017. [Reversing the decline of small housebuilders.](#)

been forced out by several centralising tendencies in the market. The improved access to finance and lower costs associated with economies of scale, the scale of the land banks held by the leaders and lack of transparency around land holdings all make it difficult for new entrants and SME housebuilders to compete. This lack of competition helps the major house builders to limit the supply of homes to keep prices high.

The lack of small builders limits self-building, which could make a significant contribution to overall output.<sup>186</sup> Some estimates suggest self-build accounts for over half of all new builds in France, Austria, Belgium and Germany.<sup>187</sup> In the UK, by contrast, it accounts for around 7-10%. This is not through lack of demand: around half the population expresses an interest in building their own homes. Self-build can have major environmental and social benefits, and ensure that housing meets the needs of those who will use it.<sup>188</sup>

### Preparing new sites using Public Development Corporations

Purchasing land and preparing it for development can be a complex, risky and time-consuming process. To ensure that enough land is made available and assembled for new development, new public and democratically-accountable Development Corporations should be established with the power to purchase, develop and sell land in the public interest.

These Development Corporations would not replace private developers altogether, but would act as the prime mover in the land market, working with planning authorities, Homes England and landowners to prepare sites for new housing developments, new towns, garden cities and urban regeneration projects. Once land has been assembled, the Development Corporations would contract out construction to housebuilders, prioritising local small and medium-sized firms, who would compete with each other on the basis of quality and design of house building. This means that the success or failure of private developers would be determined by construction quality rather than by their ability to navigate the speculative land market.

When combined with reforms to compulsory purchase laws (see below), such public bodies can also ensure that land value uplift is retained by society. This is how the New Towns programme, which began in 1946, operated. For each New Town, a public development corporation was established which purchased land compulsorily at agricultural prices, drew up a comprehensive masterplan for the town, then built the necessary infrastructure using money borrowed from the Treasury. They granted planning permission on the sites they owned and sold them to private house builders or local authorities, using the uplift in the value of the land to repay their loans. This system was crushed in the 1960s through legislative changes demanded by landowners lobbying the Conservative Government.

The new Development Corporations must also be able to borrow at low cost. **We propose that the Regional Development Banks that Labour has promised to establish should provide long-term, patient finance to the Development Corporations, to enable the purchase of land at low cost.**

186 P. Jefferys et al., 2014. Building the Homes We Need, KPMG & Shelter.

187 Ministry of Housing, Communities & Local Government, 2011. A Housing Strategy for England.

188 Various research cited in: W. Wilson, 2017. [Self-build and custom build housing \(England\)](#), House of Commons Library.



## Compulsory purchase reform

Reform of land compensation law will help strengthen democratic control over development. In most rich nations, including the UK, the state has the power to acquire rights over land without the owner's consent, in return for compensation, under compulsory purchase powers. In the UK these powers emerged in the nineteenth century to prevent landowners from blocking the construction of new railways. They have also played an important role in the past in ensuring an adequate supply of affordable housing, in particular by enabling the state to retain more of the land value uplift arising from new development. This method is currently used to great effect in other countries.

For example, in Hong Kong, the Mass Transit Railway (MTR) has become one of the world's leading railway operators through its 'Railway + Property model'. The Mass Transit Railway Corporation (MTRC) buys land at existing use value, builds rail infrastructure and accompanying developments, then leases the surrounding land to businesses at prices that reflect the presence of the railway and adjacent developments. Though ticket prices are low by world standards, it is one of the most profitable railway systems in the world. Rather than requiring public subsidy, the MTRC contributes significantly to the public purse.

Under the current legal framework, public authorities in the UK are prevented from purchasing land at close to existing use value. Lobbying by landowners resulted in The Land Compensation Act 1961 (in Scotland, the Land Compensation Act 1963).<sup>189</sup> This reinstated the principle that landowners are entitled to 'hope value' on any land compulsorily purchased. In practice, this means that where public authorities wish to purchase land for development, landowners are compensated not on the basis of what the land is worth at the time, but on the basis of what it one day might be worth if it acquires residential planning permission.

Because the difference between existing use value and hope value is usually massive, these changes significantly increased the cost of land for development, and ended the ability of public authorities to deliver cheap land for new housing. In other words, the changes meant that the benefits from rising land values flowed to landowners rather than the general public.

Reinstating the ability of public authorities to acquire land at near use value could potentially transform the land market. This would mean that public authorities, rather than the landowner, would retain the uplift in the value of land, unlocking significant funds for infrastructure and other public goods.

- **A Labour Government should reform land compensation law.** This would require making relatively small amendments to Sections 14-16 of the Land Compensation Act 1961 so that no account is taken of prospective planning permissions when compensating owners for land designated for housing and infrastructure.

Although this relates to compulsory purchase orders (CPOs), in reality few CPOs would need to be issued. Evidence from the UK's past and from equivalent countries shows

<sup>189</sup> For more on the history of compensation reforms, see: D. Bentley, 2018. [Land of Make Believe: Compensating landowners for what might have been](#), Civitas.

that the very existence of strong compulsory purchase powers can be sufficient to shift the balance of incentives in the land market. Aware that the land could be purchased by the state at near use value, landowners would be encouraged to part with land at a low but fair price. This could have the powerful dual effect of increasing the supply of land and lowering the market price by reducing landowners' ability to profit from hope value.

An analysis by Daniel Bentley for Civitas estimates that such a change could reduce the cost of building affordable housing by 50% on greenfield sites in the South East, or by 33% in the case of a high-density apartment blocks in London.<sup>190</sup>

### Empowering local government to take back control

Public development corporations have an important role to play, but development must ultimately be controlled by elected local government. We need to give local authorities the resources and powers to regain control of land use.

#### Why local authorities cannot control development

Years of funding cuts and a deregulatory environment have left many local planning authorities without sufficient capacity and power to ensure that land meets our needs, and to stand up to deep-pocketed developers. Planning authorities have been hit even harder by austerity than other public bodies. The National Audit Office reported a 53% reduction in funding for planning and development services in local authorities between 2010-11 and 2016-17.<sup>191</sup>

The ability of local authorities to control development has been further diminished by housing targets and permitted development rights. Successive ministers have blamed planning delays and 'red tape' for a failure to deliver new housing, but the corresponding reforms have removed power from local areas.

- Ambitious targets for identifying land for housing have made it difficult for local authorities to reject inappropriate housing developments. At the moment, local authorities are forced to adopt a presumption in favour of development where they have not met targets. This obliges them to bypass the wishes of communities expressed in local plans, and accept developments even where there is insufficient provision for housing standards or infrastructure.<sup>192</sup> Moreover, these targets are based on housing demand rather than identified local needs, such as for affordable or special needs housing;
- Permitted development rights take certain decisions out of councils' hands entirely by ensuring certain types of development do not need normal planning permission. This lack of control stops local planning authorities being able to maintain housing standards. It also means they cannot collect developer contributions or secure affordable housing quotas. And they challenge both local authorities' and communities' ability to control local development.<sup>193</sup>

190 D. Bentley, 2018. [Reform of the land compensation rules: How much could it save on the cost of a public-sector house building programme?](#), Civitas.

191 National Audit Office, 2018. [Financial Sustainability of Local Authorities](#).

192 Local Government Association, 2018. [Local Government Association response to the MHCLG consultation on the 'Draft revised National Planning Policy Framework'](#).

193 Clifford et al., 2018. [Assessing the impacts of extending permitted development rights to office-to-residential change of use in England](#), RICS Research Trust.

To make matters worse, developers have been granted asymmetric powers. They use their right to re-submit planning applications and their rights of appeal (which objectors do not possess) to grind down local people's resistance.

A lack of funding from central government, combined with a refusal to allow local authorities to set their own planning fees, council tax rates and levels of borrowing, has forced local authorities into an unhealthy reliance on developer contributions to meet key objectives, especially the delivery of affordable housing. By 2016/17, 68% of all developer contributions in England were for affordable housing, with a decreasing proportion going to other assets like transport and open spaces.<sup>194</sup> This emphasis ensures that the infrastructure required to serve new developments is often underfunded and the contributions still aren't sufficient to meet the need for genuinely affordable housing.

### How to return power to local authorities

Local authorities should lead local development both by using public land and by purchasing and assembling new sites.<sup>195</sup> Many local authorities are already resuming this role, either directly or through vehicles like wholly-owned housing companies and joint ventures.<sup>196</sup> These and other approaches must progress rapidly if development is to work for the many.

Local authorities should play a key role not just in new housing development, but also in providing the other assets communities need. This means setting aside land for parks, wildlife refuges and public amenities demanded by communities, as discussed in Chapter 7. It means protecting or restoring rich living systems, while providing space for recreation and exercise and reducing carbon emissions. It means helping to provide social infrastructure, like schools, hospitals and playgrounds that glue communities together.

To deliver all this, local authorities need new powers and resources to engage in placemaking and active co-creation of policy and development with communities. They need the power to stand up to developers and retain the maximum amount of land value uplift through Section 106 agreements.

The capacity of planning authorities is partly dependent on a new funding settlement for local authority finances. Planning is a public service. It should be funded as such, rather than relying on income from developers. In particular, the proposal for council tax reform in Chapter 3 should leave local authorities in a far stronger position to support effective planning. To further enable local authorities to reclaim control of development, we propose the following additional policies:

- **Each local authority should be able to set its own planning application fees above a national minimum.** This should include the ability to vary fees. For example, fees could be increased where applications are submitted more than once, particularly where advice has been not been followed, or policy has been ignored. This would not only help raise crucial income to improve planning, but

194 Lord et al., 2018. [The Incidence, Value and Delivery of Planning Obligations and Community Infrastructure Levy in England in 2016-17](#), MHCLG.

195 There is broad support for such a shift, with local authority-led land assembly prominent in the recommendations of the Letwin and Raynsford Reviews in the latter half of 2019.

196 See for example, Morphet and Clifford, 2017. [Local authority direct provision of housing](#), Royal Town Planning Institute.

- could also shift the balance of power away from deep-pocketed developers.
- **Local authorities should be required to set housing targets based on identified local housing needs**, rather than simply responding to national targets based on demand. This should consider the type, size and tenure that local people need and can afford as well as national targets for new social housing;<sup>197</sup>
- **Local planning authorities should be supported to assemble and prepare sites for development**. These could be provided on land already owned by the authority, land purchased by the authority, or through partnership with landowners. If purchasing the land, compensation reforms such as those described above would help. Local authorities would prepare the site, delivering the required infrastructure, then either develop the site or sell it and acquire the uplift;
- **Government should remove permitted development rights that allow office and agricultural buildings to be turned into housing without the need to apply for permission**. These often lead to poor quality housing<sup>198</sup> without an affordable component, and restrict the ability of communities and their representatives to shape development. They also lead to the uncontrolled loss of workspace and therefore remove control over planning from councils.<sup>199</sup>

### Ending the sale of public land

While the measures described above should help public bodies assemble new sites for development, they should also make the best use of sites we already own. A recent study suggests that 10% of the land in Britain has been sold by the public sector since Margaret Thatcher came to power.<sup>200</sup> Local authorities have often been selling land to plug budget deficits, rather than using it to meet social needs. Only 20% of new homes planned for public land that has been sold recently will be affordable.<sup>201</sup> As the IPPR Commission on Economic Justice recently proposed,<sup>202</sup> we need to end this scandal.

- **The sale of public land should end**. Local authorities and other arms of Government should use the land they own to deliver high-quality affordable housing and meet other key social, environmental and economic needs. Where appropriate, public land could be leased to others who can help meet these needs.

### Real power for communities to guide development

Our goal is not just to transfer power from the market to the state. We also we need to grant local people and communities genuine powers and resources to shape the land around them.

The nationalisation of development rights should mean that communities have a stake in controlling development. This means granting communities influence over both individual developments and planning policy: for example through neighbourhood and local plans. Indeed, of all areas of government, the land use planning system provides perhaps the greatest opportunities for participation in decision-making.

197 See Raynsford Review Task Force, 2018. *Planning 2020: Raynsford review of planning in England*, final report, TCPA, for more information on how this might be implemented.

198 B. Clifford, 2018. *Assessing the impacts of extending permitted development rights to office-to-residential change of use in England*, RICS Research Trust.

199 C. Roberts, 2016. *Start me up: The value of workspaces for small businesses, entrepreneurs and artists in London*. IPPR.

200 B. Christophers, 2018. *The biggest privatisation you've never heard of: land*, The Guardian.

201 W. Brett, 2018. *Selling public land is making the housing crisis worse*, New Economics Foundation.

202 IPPR, 2018. *Prosperity and Justice: a plan for the new economy*, Final report of the IPPR Commission on Economic Justice. See also: Luke Murphy, 2018. *The Invisible Land*, IPPR Discussion Paper, IPPR.

Many planners already work very hard to engage communities, despite serious financial challenges. But most people perceive that they have little influence. They have far less time and resources than the builders and landowners, who stand to make immense profits from rising land prices and development. Democratic deficits can particularly afflict decision-making on national infrastructure. Major roads can be proposed – and championed by bodies such as Highways England and the National Infrastructure Commission – before meaningful public consultation occurs.<sup>203</sup>

To energise community participation in decisions about land use we suggest the following five steps:

1. **A formal review of community participation in planning, with a mandate to move away from tick-box exercises towards genuine co-creation of policy and developments;**
2. **Establish an independent body, the Community Participation Agency, with a mandate to involve communities and under-represented groups in planning at every level;**
3. **Introduce jury service for planning to ensure a wide range of people can influence plan-making;**
4. **Make information on land use and planning accessible to everyone.**
5. **Introduce a new Future Generations Champion or Team in each local authority.**

## **A review of public participation in planning**

50 years after the publication of the Skeffington Committee report on public participation in planning, we need a system that reflects its findings and permits real co-creation. Therefore the first step we recommend is a **formal review to explore what needs to happen to energise community participation in planning**. This review could build on the work of Labour's existing Planning Commission led by Roberta Blackman-Woods MP, which is already "Examining how local communities can better provide the building blocks of our planning system, and take ownership of planning policies that will affect them."<sup>204</sup> It could also be added to the mandate of the Land Commissions proposed in Chapter 2.

Such a review should consider how to enable a genuine transfer of power to local people, identifying ways to facilitate early engagement using modern methods. It should identify how to guarantee regular and transparent communication, with a particular emphasis on how to build public trust, for example by clearly explaining why any suggestions or complaints from the public are not upheld.

The review should examine historical attempts to improve community participation as well as international examples. Examples in England include the previous Labour Government's Local Strategic Partnerships and Sustainable Community Strategies and more recent reviews such as the TCPA's Raynsford Review of Planning in England.<sup>205</sup> It could also learn from the recent protocol for 'Community Engagement in Decisions Relating to Land'<sup>206</sup>

203 G. Monbiot, 2018. [This disastrous new project will change the face of Britain, yet no debate is allowed](#). The Guardian, August 2018.

204 Labour Planning Commission, 2018. [Terms of Reference](#).

205 Raynsford Review Task Force, 2018. Planning 2020: Raynsford review of planning in England, final report, TCPA.

206 Scottish Land Commission, 2019, Community Engagement in Decisions Relating to Land, Land Rights and Responsibilities Protocol Series.

developed by the Scottish Land Commission. This protocol sets out general principles for community engagement and specific requirements for everyone involved in decision-making about land use. Finally, it could consider international examples such as the participation-centred planning framework in the National Resources Act in New Zealand<sup>207</sup> and digital participation tools used in Reykjavík, Iceland<sup>208</sup>.

## The Community Participation Agency

The second step we recommend is to **establish a new agency with a mandate to give all sectors of the local community influence over local planning**. This could be an independent national body, with a federated structure to ensure it can promote participation at a local level.<sup>209</sup> This would make it clear that community participation is a priority, and something worth resourcing. It could be partly funded by drawing on land value uplift recovered from developments in the area – especially since areas with more development would need more engagement.

**The Community Participation Agency should also find ways to help future tenants participate in the design of new housing.** Rather than just blocking development they perceive to be unsuitable, communities could have a positive role in shaping new places. Where the development is led by the public sector, the relevant body should endeavour to give future communities a stake in its design.<sup>210</sup> This would include new social housing development. The Chairman of the Local Government Association recently argued that future tenants could play a major role in designing new social housing.<sup>211</sup> We would go further, proposing that future tenants should have input not only into the housing they might occupy, but also on the layout and amenities of the development.

**The Community Participation Agency should also secure the participation of citizens in major infrastructure planning.** As recommended in the Institute for Government's 2017 report,<sup>212</sup> it could be modelled on the French Commission Nationale du Débat Public, with a mandate to facilitate community participation and debate. In line with the Aarhus Convention<sup>213</sup>, this should take place at the earliest possible stage.

## Jury service for planning to broaden participation

Any attempts to increase community participation in planning must also recognise that there is seldom, if ever, a homogenous local community. Loud voices can dominate, especially those of the most privileged. Many voices – in particular those who lack social power – typically go unheard. The planning system should seek to take everyone's interests into account, especially those who have not been involved before.

207 New Zealand Ministry for the Environment, [Getting involved in council plans and plan preparation processes](#), RMA processes and how to get involved, (Resource Management Act website).

208 Information on digital participation in Reykjavík and other international examples of participation can be found in Simon et al, 2017. [Digital Democracy: the tools transforming political engagement](#), Nesta.

209 For more information on the issues involved in setting up such a body, see G. Parker and E. Street, 2018, *Enabling Participatory Planning: Planning aid and advocacy in neoliberal times*, Bristol: Bristol University Press.

210 An interesting model for one way this might work was recently proposed in: A. Parvain and A. Reeve, 2018, *Affordable Land. The Self-Build and Custom Housebuilding Act 2015 and the Right to Build Taskforce*, provide other opportunities which could be expanded.

211 R. Booth, 2018. 'Self-built' houses next step for council housing, says LGA chief. *The Guardian*.

212 D. Slade and N. Davies, 2017. *How to design an infrastructure strategy for the UK*. Institute for Government.

213 The United Nations Economic Commission for Europe (UNECE), 1998. [UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters \(Aarhus Convention\)](#).

Therefore we recommend **introducing jury service for planning as a third step towards energising and diversifying engagement in planning**. Just as we believe it is important for criminal juries to be socially representative, the way we use our land should have input from all parts of society. Juries for plan-making would be comprised of local people selected at random. They would participate in designing local and neighbourhood plans at the earliest possible stage.

### **Making information on the planning process accessible to everyone**

Public participation in planning is also challenged by the difficulty of finding and understanding information on planning policy and decisions. Quality data is essential to proper community participation in land use planning, but there is currently an imbalance between what developers and communities can see.

This is why the fourth step we recommend is **requiring that planning applications and development plan policy data should be published in a simple, consistent way, with geospatial boundaries under open licensing**. As discussed in Chapter 2, this must also come with better data on ownership, options and developers' records.

### **Securing the needs of children and future generations**

Future generations will live with the consequences of development, good or bad. However, neither children nor future generations are able to represent themselves in the planning process. This leads to the routine neglect of their interests. Issues like air pollution and climate breakdown will have huge impacts on communities of the future, yet they are given insufficient attention today.

Therefore, the fifth and final step we recommend is to **introduce a Future Generations Champion or Team in each local authority (or regional authority where appropriate)**. This Champion would represent the interests of children and future generations in planning decisions and plan making. The champion would bring to the fore potential impacts of development that might not be felt immediately, such as climate breakdown and the loss of ecological function and integrity. The Champion would also ensure that children's voices are heard in the planning process, and are able to shape decisions affecting their wellbeing, such as the use of public space.

The mandate of the Future Generations Champions could be agreed in national and local planning policy. It could draw on:

- The Wellbeing of Future Generations (Wales) Act 2015, which requires public bodies to "act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs";<sup>214</sup>
- UNICEF's Children's Rights and Urban Planning Principles – 10 principles which support children's development and protect future generations.<sup>215</sup>

The Champion would be a statutory consultee on local plans and major developments. It could include local citizens and experts on long-term need.

214 National Assembly for Wales, 2015. Well-being of Future Generations (Wales) Act 2015, Part 2, Sec 5.

215 UNICEF (2019), Shaping urbanisation for children: a handbook on child-responsive urban planning.

## 6. Ground Control: Community-led development and ownership of land

Current discussions around development tend to assume a dichotomy between state-led and market-led approaches. Community-led development offers an additional option, taking inspiration from the commons and historic movements such as the Garden Cities and Plotlands, empowering communities to create their own homes and places.

Although their legal forms and activities differ, community-led developments share these common principles:

- meaningful community participation and consent occurs throughout the development and design process, although communities do not necessarily have to initiate the conversation, or build homes themselves;
- there is a presumption that the community group or organisation will take a long-term formal role in the ownership, stewardship, or management of the homes;
- the benefits of the scheme to the local area and/or specified community group are clearly defined and legally protected in perpetuity.

We do not expect community-led development to replace the need for the state to deliver mass social housing. But we do believe it could play an important role. Community-owned housing now accounts for 15% of the total in Norway and 8% in Austria.<sup>216</sup>

The governance and ownership structures that facilitate such development are extremely varied. Community-led developments need not happen on community-owned land. They can be based on land leased from local authorities, or the Common Ground Trust, for example. However, for those groups able to raise the necessary finance, the attraction of taking land into direct community ownership is clear: more direct control over managing their housing collectively; an additional driver for change to our currently dysfunctional housing system, particularly where council capacity is absorbed by providing social housing to those most in need.

Community-Led-Housing (CLH) is a term that incorporates Community Land Trusts (CLTs), co-housing projects, co-operatives, self-build groups and tenant management organisations (TMOs). Projects often incorporate a combination of the above models, for example a CLT may have a cohousing cooperative and/or self-build plots on its land. Proposals have also been made for large scale Community Land Trusts, inspired by Ebenezer Howard and Letchworth Garden City.<sup>217</sup>

CLH provides a means of taking land into permanent community ownership. For example, CLTs might acquire land in perpetuity, then provide for its private use through rented homes and long-term ground lease agreements. The leaseholders may own their homes or other improvements, but resale restrictions apply to protect affordability. CLTs hold land and other assets for the wellbeing of the community, controlled by a membership open to anybody who lives and works in their area.

<sup>216</sup> Cooperative Housing International, [Housing Co-operatives Worldwide](#).

<sup>217</sup> P. Conaty and M. Large. 2013. 'Commons Sense: Co-operative place making and the capturing of land value for 21st century Garden Cities'. <https://www.uk.coop/resources/commons-sense>



## Case studies

There are already inspiring examples of community development in England. Locations vary from high-value markets in coastal villages and national parks, to deprived areas afflicted by poor quality private rented housing and empty homes.

- Granby 4 Streets CLT in Liverpool saved nearly 100 homes in a multicultural neighbourhood from controversial demolition plans, rejuvenating a once-thriving area that had fallen on hard times;
- LILAC is a mutual home ownership and co-housing scheme of 20 households in Leeds. Members pay a monthly amount set at 35% of their income into the cooperative which owns the property. This payment becomes equity in the cooperative after deductions for management of the building;
- Lyme Regis CLT built 15 affordable homes outside the town boundary, because sites inside were too expensive for affordable housing. Permission was approved against officer advice, due to overwhelming community support;
- Sanford, in Lewisham, is the oldest purpose-built housing co-op in the UK. Founded in 1973, there are around 125 tenant-members living in 14 houses and a block of flats;
- East London CLT has 23 of the 252 flats built on the former site of St Clements Hospital. Property prices are pegged in perpetuity to local earnings rather than market rates, initially selling for around one-third of the price of similar flats.

Scotland has recently taken bold steps towards wider community-led development and ownership. Isle Of Eigg residents famously completed a buyout in 1997. This was followed by post-devolution land reform bills with ambitious government targets and funding. Community Development Trusts have been the main vehicle. They are similar to Community Land Trusts, but have a slightly different statutory footing. There are now 227,526 hectares in community ownership in Scotland,<sup>218</sup> including large former MOD sites and entire islands. Many increase housing provision, but there is a broad range of uses, including land for energy generation, forestry, industry, business, tourism, agriculture and education.

In the USA, CLTs originated in the civil rights movement. There are now at least 225 CLTs in the USA, owning around 25,000 rental and 12,000 home ownership units.<sup>219</sup> Founded in 1984, the Champlain Housing Trust in Vermont is the largest CLT, with 2,600 permanently affordable dwellings, ranging from one-bedroom flats to family homes with a mix of rental and shared equity ownership. As mayor of Burlington, Bernie Sanders played a significant part in Champlain Housing Trust's creation. It has won a UN award for its work, and demonstrates that CLTs can thrive at scale.

## Tools for bringing more land into community ownership

A key challenge communities face is the difficulty of identifying and purchasing land. We need new mechanisms to help scale up community ownership of land.

218 Scottish Government, 2017. [Estimate of community owned land in Scotland 2017](#).

219 National CLT Network press release, 2018. [Citi Community Development and Grounded Solutions Network Announce the Creation of the National Community Land Trust Accelerator](#), Business Wire.

## Community Right to Buy and Compulsory Sale Orders

In Scotland, the Land Reform (Scotland) Act 2003 introduced a Community Right to Buy<sup>220</sup>, which empowered rural communities with the first option to buy land offered for sale. This was accompanied by the establishment of the Scottish Land Fund, to support community organisations purchasing and developing land.

Initially, this was aimed at helping rural communities buy large estates typically owned by absentee landowners. Landowners were not compelled to sell – the right to buy was only activated when the owner volunteered land for sale. However, more recently the right has been expanded to urban areas, and community groups are now able to purchase land without a willing seller under certain circumstances, such as where land has been abandoned or neglected.

Community Right to Buy does not currently exist in other parts of the UK. In England, the Localism Act 2011 introduced a tokenistic 'Community Right to Bid'<sup>221</sup> which has proved to be of little practical value: It allows communities and parish councils to nominate buildings or land to be included on a list of 'assets of community value' managed by the local authority. If the assets comes up for sale, the community can 'pause' the sale and take up to six months to find the funding required to buy the asset. The 'Right to Bid' only applies when an asset's owner decides to dispose of it; there is no compulsion on the owner to sell it. Significantly, the scheme does not give first refusal to the community group, as with Community Right to Buy in Scotland. It only provides communities with a right to bid – not to buy. This means that the local community bid may not be the successful one.

### Compulsory Sale Orders and Compulsory Purchase Orders

Compulsory Sale Orders (CSOs) and Compulsory Purchase Orders (CPOs) are other potential mechanisms for bringing land into community ownership. CPOs are discussed in Chapter 5. CSOs are a proposed new statutory power, giving public authorities the power to require land that meets certain criteria – for example, left vacant or derelict for a defined period – to be sold by public auction to the highest bidder, with community groups offered the right of first refusal. This proposal is explored in detail in a recent Scottish Land Commission report.<sup>222</sup>

Unlike CPOs, CSOs have the advantage of not requiring up-front public investment, as public authorities would manage the auction process but not take ownership of land. If coupled with financial support, this could offer an efficient way to transfer land into community ownership.

### Benefits and current barriers

Community-led development offers a compelling alternative to current approaches. With sufficient support to scale up, it could become a powerful tool to transform the position of people who are currently excluded and marginalised. Outside Scotland, it has largely focused on increasing housing provision, but a broader scope is possible, as explored in Chapter 8.

220 Scottish Government, 2016. [Community right to buy: guidance for applications](#)

221 UK Government, 2012. [Community Right to Bid: non-statutory advice note for local authorities](#)

222 Scottish Land Commission, 2018. [Compulsory Sales Orders: A Proposal from the Scottish Land Commission.](#)

Benefits include: securing land value increases locally, higher standards in design,<sup>223</sup> improved health and wellbeing,<sup>224</sup> strong local support, providing genuinely affordable homes to rent or buy and preventing new houses from becoming holiday homes or buy-to-let investments.

Principal current barriers are access to and the price of land (particularly in competitive urban land markets), the cost of finance, the need for expert support throughout the process, lack of transparency around land ownership, a lack of understanding among councils' leadership, property and planning departments and pressures to sell council land to the highest bidder, using outdated RICS valuation guidance.

The recently-launched Community Housing Fund<sup>225</sup> is designed to address financing and expert support. Systemic obstacles such as high land prices and lack of transparency are discussed elsewhere in this report. Below are specific recommendations for tackling the remaining structural, legislative and cultural obstacles.

### Recommendations for supporting community development and ownership of land

In the recent *Housing for the Many* Green Paper, Labour has already committed to:

- remove the threat of right-to-buy from CLH
- produce new definitions of affordable housing, not connected to market rates
- provide long-term support through the Community Housing Fund

In addition we recommend that Labour:

1. **Introduce a new Community Right to Buy, like Scotland's, and develop UK-wide Compulsory Sale Orders;**
2. **Give the new Development Corporations (Chapter 5) a remit to support community-led development and ownership, including using compulsory purchase powers where appropriate;**
3. **Local authorities should be encouraged to introduce local planning policy that will allocate a portion of strategic sites for community-led development.**
4. **Ensure CLHs are exempt from laws which might stifle the growth of this emerging sector. Potential issues include: bans on leasehold and ground rents, leasehold enfranchisement, and taxes on rental income;**
5. **Provide consistent investment and support to the growing network of Enabling Hubs;**
6. **Work with the industry body UK Finance to encourage their members to increase consumer choice for CLH mortgages with the goal of more lenders with more bespoke community led mortgage products to choose from;**
7. **Explore CLH as a covenanted or planning use category that can be slotted into plans and strategic planning documents. Strategic Housing Market Assessments, for example, should include a quota of community ownership;**
8. **Create powers to assign sites of potential community value to a Community Ownership use class, with accompanying development rights.**

223 S. Gulliver and S. Tolson, 2013. *Delivering Great Places to Live*, page 42, Landscape Institute.

224 J. Rosenberg, 2011. *Social housing, community empowerment and wellbeing: part one – empowerment practice in social housing*, Housing, Care and Support, Vol. 14 Issue: 4, pp.113-122, Emerald Insight.

225 UK Government Press Release, 2018. *New fund launched to increase community-led affordable housing*.

## 7. The Fortifying Commons: access and recreation

Access to space for recreation and nature – both in the countryside and in towns and cities – is vital. There is now a large volume of research showing that connections with green space are crucial to both mental and physical health. Physical access to the land that surrounds us enhances our sense of belonging, allowing us to feel that we are no longer trespassers in our own nation, but active citizens with a stake in the national project.

The Right to Roam in the countryside, won after 70 years of hard campaigning, applies to only about 10% of England and Wales.<sup>226</sup> Much open access land is located in remote upland areas, far from large population centres. Vast swathes of the country remain off-limits, where walkers, bird watchers and children picking blackberries face menacing Keep Out signs or risk being chased off by gamekeepers.

Landowners also use managed neglect to ensure that public rights of way fall into disuse. The process for registering further rights of way comes to an abrupt end in 2026, after which no more historic footpaths can be registered.<sup>227</sup>

### Privately-owned public spaces

In our cities, public space is being eroded. Our public parks are entering a period of austerity-induced decline, despite their rising popularity.<sup>228</sup> Through the spread of privately-owned public spaces (POPS), the public realm is being steadily privatised. Our city and town centres are increasingly the property of multinational property companies, such as 42 acres of central Liverpool (in Liverpool One), or 36 acres of central Bristol (in Cabot Circus). Companies might call such places ‘public realm’ in their brochures, but they are patrolled by private security guards charged with preventing people from walking a dog, playing a guitar, taking photographs and other activities. In many POPS, bylaws also restrict public protest. People deemed ‘undesirable’ can be served with notices revoking their implied permission to enter, which amount to privately-issued ‘spatial ASBOs’. The role of public space is reduced to shopping, eroding civic life, turning citizens into consumers and impoverishing our conception of society.

### Learning from the past

In trying to resolve the land question today, we can learn from the largely forgotten history of land reform in the UK. Previous movements to resist the enclosure of the commons, secure land for communities to grow their own food, and open access to the countryside provide inspiration for a 21st-century land reform movement.

226 Marion Shoard, ‘Into the Woods’, *The Land Magazine*, Issue 22, January 2018.

227 Ramblers website, ‘[Don’t Lose Your Way – 2026](#)’.

228 Heritage Lottery Fund, 2016, ‘State of UK Public Parks 2016’; original report no longer online, but results summarised in Alison Benjamin, ‘UK’s public parks face “decline and neglect”’, *The Guardian*, 7 September 2016.

## The enclosure of the commons

Common land was where the majority of the population once lived and worked, exercising collective rights to farm and forage for food and fuel. Between 1600 and 1914, common land covering a fifth of England was enclosed by members of the aristocracy and gentry, dispossessing many.<sup>229</sup>

This process was halted in Victorian London, when groups like the Commons Preservation Society successfully fought to keep Epping Forest and Berkhamsted Common open to the public.<sup>230</sup> A wider registration and protection of remaining commons followed, including recent legislation that gives some measure of protection to Town and Village Greens. Despite these successes, however, just 3% of England remains common land today.<sup>231</sup>

## Victorian land reform and the birth of allotments and County Farms

The 1873 Return of Owners of Land, the long-forgotten 'Victorian Domesday', revealed that just 4,000 aristocrats and gentry owned half of England and Wales.<sup>232</sup> This prompted widespread calls for land reform. Some MPs stood for election on the promise of 'three acres and a cow' for landless labourers.<sup>233</sup>

The movement against enclosure also sought to reclaim land for the public, taking action through the newly-created County Councils. This system of local government, created in 1888, eroded the power of landowning country squires.

With England trapped in a deep agricultural depression, councils were given the power to purchase land for County Farms, and rent them at below-market rates to young and poor farmers. The Smallholdings Acts of 1892 and 1908 ensured that they became a vital first rung on the farming ladder for newcomers to a sector with high capital costs.

Another legacy from this period is the allotment, provided by local authorities from 1878, in response to demands by working class city-dwellers for land to grow fresh fruit and vegetables. Allotment provision expanded dramatically during both world wars and was vital to ensuring domestic food production at times of shortage and economic insecurity.<sup>234</sup>

## The struggle for rights of access and engagement

The Kinder Scout trespass of 1932 drew attention to the lack of public access to land for recreation: a lack felt most keenly by urban labourers packed into crowded and dirty cities. The post-war Labour government responded by creating the first National Parks in 1949. In 2000, Labour extended public access to land with the Countryside and Rights of Way (CROW) Act, which created a Right to Roam across about 10% of the land in England and Wales.

229 Parliament website, '[Enclosing the land](#)'.

230 Open Spaces Society (modern name for the Commons Preservation Society) website, '[About us](#)'.

231 Foundation for Common Land website, '[About Commons](#)'.

232 Kevin Cahill, *Who Owns Britain*, 2001.

233 Roy Douglas, *Land, People & Politics: A History of the Land Question in the United Kingdom, 1878-1952*, 1976.

234 David Crouch and Colin Ward, *The Allotment: Its Landscape and Culture*, 1988.

The Town and Country Planning Act 1947 empowered communities to help determine how the land around them is used for the first time, by creating the modern, democratic planning system. Large landowners successfully lobbied to exempt farmland and forestry. Today the biggest driver of species decline and natural habitat loss in Britain is industrialised agriculture.<sup>235</sup> We believe it is time to re-open the debate about owners' freedom to use and abuse the land as they wish.

Inspired by the efforts and ideas of previous land reform movements, we propose a number of changes that would greatly improve public access to and enjoyment of the countryside, and bolster small and family farms.

### A new right to roam on urban, suburban and rural land

Despite progress under successive Labour governments, some 90% of England and Wales remains off-limits to the public. Our rivers and lakes are also mostly inaccessible: according to the British Canoeing Society, a mere 4% of England's inland waterways can be paddled uncontested.<sup>236</sup> This lack of access is a legacy of centuries of land concentration in the hands of a wealthy few.

On public access to the countryside, the rest of the UK lags far behind Scotland. The Land Reform (Scotland) Act 2003 granted a legal right of access to almost all land and water. People must of course behave responsibly in exercising this right ("leave nothing but footprints, take nothing but photos"). Certain types of land are exempted, such as gardens, sports grounds and fields on which crops are growing.

Similar rights of access also exist in other northern and central European countries, such as Norway, Sweden, Austria and Switzerland. Despite dire warnings from Scottish landowners that Right to Roam would create havoc, the Scottish Rural Affairs and Environment Committee reported in 2011 that the access provisions appeared "to be working well and there is little desire amongst stakeholders for any significant change".<sup>237</sup>

Labour should:

- **Extend the CRoW Act 2000 to grant a Right to Roam across all uncultivated land and waterways, excluding gardens and other limited exceptions;**
- **Repeal the legislation in the CRoW Act 2000 which states that "all unrecorded footpaths and bridleways created before 1949 cannot be recorded after 1 January 2026". This would end the arbitrary cut-off point for registering further rights of way.**

To counter the enclosure of public urban space, the following right should be enshrined in legislation:

- **Add a new Schedule 17 to the CRoW Act 2000 providing an urban and suburban right to roam, codifying a citizen's right to come onto land for civic and cultural purposes.**

<sup>235</sup> RSPB et al., [State of Nature Report](#), 2016.

<sup>236</sup> British Canoeing website, [Access to Water](#).

<sup>237</sup> Rural Affairs, Climate Change and Environment Committee, Scottish Government, 2011. [Meeting Papers](#) Annex B, 9.

## A legal definition of public space

To halt and reverse the privatisation of urban space through the proliferation of POPS, we need a legal definition of what 'public space' really is. This would involve a change to the planning system:

- **Create a new D3 Public Realm use class in the Town and Country Planning (Use Classes) Order 1987. Define this as space (whether publicly or privately owned) where citizens have the right to come onto land for civic and cultural purposes. Require councils to ensure that all new developments with any open space include this provision as a requirement for planning permission and that this provision is also required as or when established developments seek future use class changes.**

## Defending and creating new parks and urban green spaces

Parks and urban green spaces are currently threatened by austerity. We hope Labour's wider public spending plans will end the squeeze on council budgets. We further recommend that Labour:

- **Make the provision of parks a statutory service for councils;**
- **Make it easier for councils to create new parks and urban green spaces by reforming the Land Compensation Act 1961, as detailed in earlier chapters.**

## Allotments for all who want them

Allotments remain highly popular: waiting lists are at an all-time high.<sup>238</sup> They enable people to exercise, relax, eat fresh food and connect with nature. Everyone has a right to one. The 1908 Allotments Act states that, where there is demand from local residents, "the council shall provide a sufficient number of allotments". Councils are empowered to meet this need by compulsorily purchasing land. But the 1908 Act sets no time limit for provision, which means that people often sit on waiting lists for years. The National Allotment Society says there are 90,000 people currently sitting on waiting lists.<sup>239</sup> Yet today England devotes ten times as much land to golf courses as it does to allotments, many of them in the Green Belt surrounding our cities.<sup>240</sup>

Community food growing projects allow people to grow their own food without the commitment required in taking on an allotment. They are particularly useful for people with long term health problems, students and refugees seeking asylum.

A Labour government should ensure that land is available for everyone who wants to grow food:

- **Amend the Allotments Act 1908 to introduce a time limit of one year for the mandatory provision of land for allotments and ensure that this must be situated within reasonable distance of allotment holders' homes.<sup>241</sup>**

As discussed in Chapter 5, by reforming land compensation rules to allow councils to purchase land more cheaply, local authorities will more easily acquire land for allotments and community food growing projects (as well as for social housing).

238 National Allotments Society website, [Brief history of allotments](#). (Information on waiting lists at bottom of webpage).

239 National Allotments Society, op cit.

240 I. Johnston, 2017. [Golf courses cover 10 times more land than allotments – and get £550,000 in farming subsidies](#). The Independent.

241 [The 1908 Smallholdings and Allotments Act](#).

The mandatory provision of allotments does not apply in London, thanks to the Local Government Act 1963.<sup>242</sup> To answer unmet needs in this city, a more creative solution might be explored. Green Belt legislation is being attacked in some quarters for restricting house building. But rather than dismantling it, which would merely increase urban sprawl and deliver a windfall for landowners, a better option is to prioritise it for community food growing and access to land.

**Amend National Planning Policy Guidance to make allotment provision and land for community food growing projects a key function of Green Belts, particularly near railway stations connecting to city centres.**<sup>243</sup>

Many London councils own significant quantities of land in the Green Belt. They could be obliged to make this available for food-growing, perhaps in partnership with inner London boroughs, or through future revisions of the London Plan.

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242 National Allotments Society, [How to get an allotment](#).

243 National Planning Policy Framework, 2012. [Protecting Green Belt Land](#).



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## 8. Growing Together: Farming and forestry for the many

Land in rural areas is afflicted by many of the forces that disempower and disadvantage urban communities. It is hoarded for financial speculation, used as a tax shelter, managed for short-term gain at the expense of surrounding communities and nature, and owned as a status symbol. Current policies, tax breaks and subsidies encourage consolidation of land holdings, whilst ownership is surrounded in secrecy. Small and mixed family farms are being replaced by commodity factories.

The price of farmland in England bears little relation to its productive value, pushing it out of reach of most new entrants, unless they are millionaire hobby farmers. Otherwise, the best way to acquire land – often the only way – is to inherit it. The resulting consolidation of economic and political power reinforces an almost feudal atmosphere in some rural areas, characterised by a culture of deference and a reluctance to challenge practices that cause immense social and environmental harm. Sometimes there can be a strong public desire for change, but the very small percentage of the population with significant landholdings can frustrate it. Those who seek to work the land in less damaging ways face a hostile financial and institutional environment.

### Subsidies and Brexit

The European farm subsidy system has interacted disastrously with our high concentration of rural land ownership. Because the EU's Common Agricultural Policy (CAP) pays farmers by the hectare, some landowners are able to harvest millions of pounds of public money. Many smallholders, by contrast, are cut out of the payments system altogether. Holdings below 5 hectares are ruled ineligible by the UK government. Subsidies have helped inflate the speculative value of rural land, which in turn stimulates the further concentration of ownership. CPRE's Uncertain Harvest report<sup>244</sup> reveals that a fifth of English farms have disappeared in the past 10 years. The rate is fastest amongst the smallest farms: almost a third of those under 50 hectares disappeared between 2005 and 2015.

Brexit provides an opportunity to replace our dysfunctional system of farm subsidies with a fairer and more rational programme. At the time of writing, the Agriculture Bill is making its way through Parliament. As a result, we do not address subsidy reform in detail in this report, though we do make one significant recommendation. But there are many other ways in which small-scale, low-impact farming can be better supported, and rural communities given greater powers to take back control over local land.

County Farms – a traditional gateway for new entrants to farming – are being sold off in large numbers. Protections on housing for agricultural workers have been removed. If you buy land with a view to establishing a smallholding, planning laws make it prohibitively difficult to live there unless you buy a house attached to the property, whose mortgage repayments are unlikely to be met by earnings from the land.

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244 Campaign to protect Rural England, 2017. [Uncertain Harvest: does the loss of farms matter?](#)

## Reviving County Farms

County Farms have provided crucial rural employment at times of agricultural downturns, but since the late 1970s, the County Farms Estate has halved: falling from over 426,000 acres in 1977 to 215,000 acres today.<sup>245</sup> Few people are now aware of County Farms, yet they remain a vital way for new entrants to start farming, and have an important role to play making our food system more sustainable.

**Labour should halt the sale of County Farms and legislate for a ministerial lock on their disposal.**

Of course, this would not stop a future Secretary of State from allowing sale if they were so minded, but it would be a useful first step – readily achieved by amending section 8 of the 1925 Allotments Act so that County Farms are made subject to the same protections as statutory allotments.<sup>246</sup>

To support employment and public health while shortening supply chains and freight journeys, we should increase the amount of horticulture around cities. One step towards doing so would be to **require councils to consider subdivision of County Farms near cities into smaller units, for leasing to market gardeners and horticulturalists.**

Councils should also be encouraged to **create new County Farms.** An end to austerity and the lifting of some borrowing constraints would give councils greater leeway to invest in new farms. This should be bolstered by an allocation of grant money from central government which would be **available to councils only if they spent it on acquiring new land for County Farms.**

**County Farms should also be offered to some tenants at below-market rates,** to encourage capital-poor first time farmers and young people into farming. This applies in some cases already. All counties should offer such help.

### **Housing provision for land workers**

Supporting a new generation of people to work in food, farming and forestry should include improving housing provision for landworkers in rural areas.

We recommend that **agricultural ties<sup>247</sup> on dwellings should be protected** to guarantee accommodation for land workers. As discussed in Chapter 5, we also recommend **removing Class Q permitted development rights<sup>248</sup>** that currently allow ‘redundant’ farm buildings to be converted into a mini estate of up to five market homes.

245 G. Shrubsole, 2018. How the extent of County Farms has halved in 40 years, Who Owns England.

246 The Allotments Act 1925, section 8.

247 This means that “the occupation of the property is limited to a person solely or mainly employed, or last employed, in the locality in agriculture as defined in Section 290(i) of the Town and Country Planning Act 1971, or in forestry (including any dependents of such a person residing with him) or a widow or widower of such a person”.

248 General Permitted Development (England) Order 2015.

There should be a **clear policy route for low-impact farming operations to provide residential accommodation**. This could be a One Planet Development Policy, as is currently in force in Wales.

We feel it would be appropriate for the Common Ground Trust model (described in Chapter 4) to take on agricultural holdings as well as residential ones and develop new farms.

## A new role for Community Land Trusts

Community Land Trusts in England have been largely focused on increasing housing provision. Drawing on the Scottish model, however, they could do much more to expand community land ownership: protecting and rewilding local habitats, addressing climate change, encouraging tourism and supporting a new generation of farmers and foresters.<sup>249</sup> CLTs working in partnership with councils could help take on ailing County Farms and set up new allotment societies.

Community groups could also take back control of local land where existing landowners are mismanaging it to the detriment of local people. Hebden Bridge in West Yorkshire, for example, has become increasingly prone to flooding. For years, residents have suspected that a causal factor is the treatment of moorland by a large landowner upstream, who has turned it into an intensively managed grouse shoot.<sup>250</sup> Rainfall flashes off the burnt, denuded slopes of the moor and pours into the valley below. A local tree-planting charity has tried to improve the management of watershed land around Hebden for over two decades<sup>251</sup>, but is powerless to challenge the activities of the big private landowners. With climate change leading to increased rainfall and worsening flooding, this is likely only to get worse in future.

With new powers like Community Right to Buy, however (as discussed in Chapter 6), a CLT could bid to buy land upstream to manage it better and protect the community from flooding. The community could reasonably argue that such land serves a more important public purpose as a natural flood defence than as a grouse shoot. The Environment Agency has started to take a more catchment-based approach to natural flood management in recent years, better aligning governance structures with natural bioregions, but this would take things to the next level, by better aligning catchments with community ownership.

CLTs wishing to make such bids, however, would also need access to funds. The Community Housing Fund does what its name suggests. Expanding its brief would be divisive, in view of its cross-party support and warm reception by practitioners. So we propose setting up a sibling fund:

**Create a Community Land Fund with a target of £200m of land in community ownership by 2030, funded by some of the £530m surplus accumulated by the Land Registry.**<sup>252</sup>

249 Community Land Scotland [website](#); Highlands and Islands Enterprise, [map of community land ownership in the Highlands and Islands](#), 2017.

250 Mark Avery, 'Flood risk at Hebden Bridge', 5 Oct 2016.

251 [Treesponsibility](#), a Hebden-based charity, has planted 250,000 trees since it was founded.

252 HM Land Registry, 2018. [Statement of comprehensive income for the year ended 31 March 2018](#)

## Extending the planning system to farmland and forestry

The planning system was created at a time when agriculture's impact on nature was seen as largely benign, with urban development the main threat to the countryside. Yet since the 1950s, farming has become mechanised and industrialised, powered by petrochemicals and armed with an array of artificial fertilisers and pesticides. As the State of Nature Report 2016 made plain, the main threat to nature in Britain today comes from industrialised agriculture.<sup>253</sup> Farmland birds have plummeted by 56% since 1970;<sup>254</sup> hedgehogs have declined by half since 2000 and perhaps as much as 80% since the 1950s.<sup>255</sup>

Agriculture and land use policy also have major impacts on climate change. In the UK, agriculture is responsible for around 46m tonnes of greenhouse gas emissions annually<sup>256</sup> – some 10% of the UK's total – yet binding policies to address this are scant. The Committee on Climate Change has recently pointed to the need for transformative changes in how we use our land if the UK is to reach net zero emissions: reducing livestock production to free up land, restoring peat bogs, and greatly increasing woodland cover to draw down and sequester more carbon from the atmosphere.<sup>257</sup>

There are many ways of transforming our use of land to benefit wildlife, ecosystems and the climate: from strengthening regulations on pesticides, to sparing more land for nature and rewilding our national parks. One approach, however, has been overlooked for too long: extending the planning system to cover major farming and forestry decisions. Constructing a housing development in a field rightly requires planning permission; but ploughing up a flower meadow, cutting down a wood or grubbing up a hedgerow requires no such permission.

The last time extending the planning system to cover farming and forestry was given serious consideration was in the 1980s, when land rights activist Marion Shoard proposed it as a partial solution to the destruction of Sites of Special Scientific Interest by landowners. It is time to re-open that debate. We propose:

- **Requiring a new English Land Commission to investigate an extension of the planning system to cover major farming and forestry decisions.** We fully acknowledge that doing so would be complex and contentious, and requires thorough consideration and consultation. However, it is also clear that industrial agriculture is driving Britain's remaining wildlife and habitats over a cliff edge. If planning is not the answer, far tougher environmental regulations and taxes will be required instead to right the balance.

253 RSPB et al., 'State of Nature report 2016' – see p.12 especially re the impact of intensive agriculture.

254 Claire Marshall, 'Farmland birds show rapid decline', BBC News, 23 Oct 2014.

255 Damian Carrington, 'Hedgehog numbers plummet by half in UK countryside since 2000', The Guardian, 7 February 2018.

256 BEIS, '2016 UK Greenhouse Gas Emissions – Final Figures', 6 February 2018, p.27.

257 Committee on Climate Change, 2018. 'Land use: Reducing emissions and preparing for climate change.'

## Reforming tax privileges and subsidies on farmland and forestry

In the 1980s, Margaret Thatcher's Chancellor, Nigel Lawson, exempted agricultural land from inheritance tax. This policy was billed at the time as preventing family farms and smallholdings from being broken up and sold off to avoid death duties. But, along with other tax exemptions, it has been abused: farmland is now advertised as a tax shelter for the super-rich.<sup>258</sup>

This is a complex area, requiring careful modelling of the social impacts of altering the inheritance tax and other tax privileges, and we do not wish to put small farms out of business. We recommend therefore that Labour charges a future English Land Commission with reviewing the tax regime for both farmland and forestry, with a view to preventing the use of farmland as a tax shelter for land speculators, while protecting genuine small farms. Defra's farm statistics show that there are currently 105,000 farms left in England. Only 25,000 of these are bigger than 100 hectares (250 acres), but they cover the majority of English farmland.<sup>259</sup> The Land Commission could explore, for example, whether farm holdings above 100 hectares should lose their tax shelter status, or whether a monetary value threshold would be more appropriate.

### Subsidies

An alien observer contemplating our current farm subsidy system would assume we had taken leave of our senses. Under the EU's Common Agricultural Policy, payments are made by the hectare: the more land you own or rent, the more public money you are given. This system represents the most regressive transfer of public wealth in the modern era.

It is also ecologically destructive. Under the current incarnation, you do not have to produce food to obtain this money. You merely need to keep your land in 'agricultural condition', which means that it looks as if agriculture is or could be practised there. You cannot claim subsidies for what the rules call 'permanent ineligible features' – ponds, wide hedgerows, meandering rivers, regenerating woodland and other such refuges. This perverse incentive has led to the destruction of a great deal of prime wildlife habitat, which is burnt, ploughed, drained and canalised to increase the eligible area for farm payments. Such destruction has been only partially ameliorated by the comparatively small amounts of money made available under the system's agri-environment schemes.

Brexit has created an opportunity for a radical rethink of farm subsidies. The Conservative Environment Secretary, Michael Gove, has promised to end area-based direct subsidies and base future payments on the principle of public money for public goods. Unfortunately, his Agriculture Bill contains major flaws.<sup>260</sup> It creates only powers for the Secretary of State to introduce new schemes, rather than placing duties upon him or her. Information about payments remains opaque and hard for the public to access (see our discussion in Chapter 2). Its definitions of public goods are extremely

258 Peter Hetherington, 2015. *Whose land is our land? The use and abuse of Britain's forgotten acres*, Bristol: Policy Press.

259 DEFRA, '[Structure of the agricultural industry in England and the UK at June](#)', 2018 – Excel spreadsheet for England > Results by size of farm.

260 Parliament website, [Agriculture Bill documents](#).

vague. And it proposes a very slow transition from the old system to the new. The speed of ecological collapse in the countryside requires a much faster response.

Given that, at the time of writing, the Agriculture Bill is moving through Parliament, we reluctantly acknowledge that this opportunity radically to reform farm subsidies has been lost. But the issues will not go away, and the specifics of the new Environmental Land Management Schemes could still be influenced. We propose that a Labour Government **charge an English Land Commission with reviewing farm payments**, and make recommendations for improvements that would diversify ownership and tenure, restore wildlife and ecosystems and safeguard the production of good food.

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## 9. Promised Land: Future Projects and Challenges

This report covers only some of the necessary ground. There is plenty more work to be done to ensure that land in the United Kingdom serves the many, not just the few. Here is a selection of the issues we have not attempted to resolve, but that will require further work and discussion:

- Strengthening the planning system to ensure it delivers zero-carbon development;
- Changing land use practices to enhance biological diversity and abundance;
- Changing land use practices to enhance the potential for natural carbon storage;
- Changing land use practices to enhance flood prevention;
- Improving the rights and security of tenant farmers;
- Reviewing the new farm payments system, to diversify ownership and tenure and restore wildlife and ecosystems;
- Further exploring the interaction between the ownership and use of land and the UK's food security;
- Extending transparency regulations to give citizens more oversight of sales of public land and housing assets;
- Investigating the issue of mineral rights and other covenants on land, held by outside parties;
- Reversing the criminalisation of trespass and squatting, which were formerly civil offences;
- Investigating the best means of mitigating and managing the risk of negative equity, given the vulnerability of land prices to sudden change;
- A detailed legal report into the necessary overhaul of land law, in order to enable the changes we envisage, without destroying the integrity or coherence of the rest of English and Welsh land law.

The authors of this report, separately or together, intend to continue work on these topics in other forums. We are not alone. The last few years have seen an explosion of interest in the political economy of land in the UK. The Scottish land reform movement is one of many influences, inspiring a rapidly growing awareness of the importance of issues of the kind we cover here. If, as we recommend, Land Commissions are established in the three nations of the United Kingdom that do not yet possess them (England, Wales and Northern Ireland), we hope that they will continue to expand the scope of these investigations, and fill some of the gaps we have left.

By addressing the crucial yet neglected issues we have identified in this report, we can help to build a nation whose wealth is used for the good of all. By recognising the underlying causes of inequality, exclusion and environmental destruction, and answering them with the positive measures we have proposed, we can attend to some of Britain's perennial dysfunctions. Land is the platform on which all prosperity and wellbeing is built. It should be used for the many, not just the few.

## Acknowledgements

Many thanks to the following people, whose advice and expertise have been invaluable in reviewing and improving this report:

Sara Mahmoud, Joe Beswick, Duncan McCann, Gemma Jerome, Tony Greenham, Anna Minton, Robert Abbey, Dan Wilson Craw, Marion Shoard, Michael Jacobs, Matt Thompson, Danny Dorling, Tom Chance, Gauthier Guerin, Kennedy Walker, Kate Swade, Carys Roberts, Antonia Layard, Simon Fairlie, Claire Carter, Neil Sinden, Kate Gordon, Michael Edwards, Daniel Bentley, Josh Ryan Collins, Richard Pope, Daniel Fitzpatrick, Ian Fitzpatrick, Kate Huggett, Duncan Bowie, David Hammerstein, Will Jeffwitz, Dave Smith, Dee Butterly, Stephen Stretton, Hugh McNeill, Sarah Arnold, Will Rundle, Gavin Parker, Oli Rodker, Richard Hawkins, Andy Wightman, Sylvia Kay, Charlie Fisher, Elise Wach, Kennedy Walker, Ruth London.





NOTES

Lined writing area consisting of 25 horizontal lines for notes.



