

# Unlocking housing

## Invigorating local communities through placemaking

June 2018 [#UnlockingHousing](#)





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## Chief Executive's foreword

As public momentum and political will to address the country's housing crisis increases, the Association for Consultancy and Engineering (ACE) presents our latest report **Unlocking housing: invigorating local communities through placemaking**. ACE has long advocated that community consultation is the core element of any development; we believe that inclusive and intensive consultation is the key to producing places that people value and cherish.



Well-designed infrastructure and places can increase interactions between neighbours, leading to trust, shared understanding and common values. These outcomes naturally improve an individual's quality of life and community cohesion.

Central to our report's approach is the concept of 'placemaking' which acknowledges this connection in building a society and a community, and seeks to inspire people to maximise the benefits of them by collectively improving public spaces.

Placemaking inspires people to collectively reimagine and reinvent our public space as the heart of every community. Strengthening the connection between people and the places they share, placemaking refers to a collaborative process by which we can shape our public realm in order to maximise shared value. More than just promoting better urban design, placemaking facilitates creative patterns of use, paying particular attention to the physical, cultural, and social identities that define a place and support its ongoing evolution.

As a nation, many perceive we have lost the ambition to make our environment better suited to the needs of the people who use it. We are struggling to make "a new Jerusalem in this green and pleasant land". Rather many places in our country are seen to be on pathways to inevitable decline with all that remains for the Government to do is manage this. Not only are we incapable of offering communities a better life, we cannot even deal with the day-to-day challenges that confront us.

This is why the housing crisis has become so large and totemic of the society in which we live. This will continue to be the case unless we take decisive actions to address this challenge.

ACE believes that now is the time to rediscover the values that have underpinned our most successful communities in the past. We should look to create places that are based on delivering social benefits to a community, a more balanced approach to the distribution of land and profits that derive from increases in value, a more cooperative and participative decision making, and a more imaginative approach to delivering well-designed affordable housing in mixed communities.

Now is the time to stop focusing on just where we should live and how many buildings we need to meet our needs. Instead we should focus on how we live and what we can do to make our communities meet the needs of their residents.

I would like to take this opportunity to thank the extremely knowledgeable ACE Property Sector Interest Group for their input into this report which we at ACE are proud to present, on behalf of all of our members, to the wider industry and government stakeholders.

A handwritten signature in black ink, appearing to read 'Nelson Ogunshakin'.

**Dr Nelson Ogunshakin OBE**  
ACE President & Chief Executive



## Chair's introduction

**The ACE Property Sector Interest Group brings together world class expertise and understanding of the UK's property market and explores the many challenges facing those who design, build, operate and maintain housing and other building types across the UK.**

This report helps us understand how we can move from a distrustful, conflict driven system towards a respectful, collaborative approach to housebuilding in the UK. How to create the right processes to genuinely engage residents and build affordable, secure and safe housing that is actually welcomed by communities.



Far too often local consultations are spurious and too much of what we are building repeats the errors of the past with little local support. We have reached a point in the UK where people appreciate the need for more housing, especially in the face of unaffordable homes for younger generations and key workers. However, we need quality designs and collaborative consultation to translate this understanding into support for new developments around the country. We will only be able to build enough homes to ease the UK's current housing needs once communities feel their concerns will be heard, and new developments are ultimately beneficial, not detrimental, to where they live.

Delivery of key infrastructure to support new developments is vital to establishing community buy-in. Infrastructure is the fabric of our society that binds our community together. It strengthens the connection between people and the places we share, and through these connections we create a vibrant and sustainable community.

However, to achieve the goal of empowering communities to make decisions to improve their local area we must consider how we fund the infrastructure desperately needed as they grow. We believe there is scope for local authorities to be able to help raise the revenue it needs by taking a hands-on approach to delivering more housing. There is also a role for the UK Government to ensure there are appropriate revenue raising arrangements in place for local authorities to avoid an infrastructure gap or poor-quality infrastructure in our communities as they continue to grow.

Our society can be improved to become more cooperative and equal and ultimately more satisfying to the human spirit that drives us all. We can achieve this when we create places where people are living in well-designed homes, are surrounded by beauty, with easy access to the natural environment, are seeing the benefits of technological innovation, and where they are supported by the right level of social and economic infrastructure to meet their needs. Communities that meet these tests have shown that their residents are happier, more productive and who contribute to the greater prosperity of their community.

A handwritten signature in black ink, appearing to read 'T Smith', with a long horizontal flourish underneath.

**Tom Smith**

Chair of ACE's Property Sector Interest Group  
Global Director of Property & Buildings at WSP



A photograph of a woman with curly hair holding a baby, and a young girl standing next to her in a doorway. The image is overlaid with a semi-transparent blue filter. The woman is wearing a white t-shirt and dark pants, and the girl is wearing denim overalls. They are both smiling and looking at each other. The background shows a doorway leading to an outdoor area with greenery.

**Placemaking is a people-centred and holistic approach to the planning, design and management of public spaces.**



## Executive summary

The housing market in our country is broken. Everyone agrees that we have not built enough homes to keep up with demand. This has led to a social crisis as more and more people are locked out of home ownership.

The UK Government recognises this, and ACE welcomes the Government's focus on rectifying the situation in England.

ACE is concerned, however, that when confronted by a crisis of this magnitude a mindset of “build, build, build” can come to dominate policy decision making with little consideration for the quality of place we are creating. We feel that this would be the wrong approach as it would ultimately lead to greater public opposition to development, which will only exacerbate the current crisis.

All of our research points to the fact that improved community support is the key to unlocking the development that is needed to solve the housing crisis. This support will only be forthcoming if the community feels they are engaged in the decision-making process, have some control over the design of the development and that the necessary supporting infrastructure investment is made. While there are different policy solutions to increasing the volume of new homes and these rightly command attention, we shouldn't lose sight of the issue of what should be built, how it should be built, and how we go about getting community support for a development.

ACE believes the concept of placemaking can and should be implanted more centrally in the planning framework for England. This would hard-wire greater community engagement into the development process, leading to better social outcomes, and help ensure an integrated approach to housing, community development and infrastructure, providing a view on current and future needs of a community.

Placemaking is a people-centred and holistic approach to the planning, design and management of public spaces. Put simply, it involves looking at, listening to, and asking questions of the people who live, work and play in a particular space, to discover their needs and aspirations. This information is then used to create a common vision for that location, in a design responsive to community needs. The vision can evolve into an adaptable and flexible implementation strategy, beginning with small-scale, achievable improvements that can immediately bring benefits to public spaces and to the people who use them.

Unfortunately, the way our communities are currently built has become so institutionalised that community stakeholders seldom have a chance to voice ideas and aspirations about the places they live. This is leading to greater community opposition to local development which in turn makes it politically harder for planning permission to be granted. Development costs are rising and the planning process is taking longer. None of this is beneficial to local authorities, developers or residents, nor to politicians grappling with a housing crisis.

ACE believes that we need to radically change our approach to development in England. We need to start with the community and their needs before we begin to look at individual development projects. It is only with a robust local plan, shaped by placemaking principles and supported by the local community that we will begin to build the villages, towns and cities that we all want to live in.

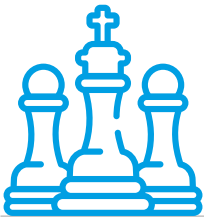
## To achieve this, ACE proposes the below recommendations.



The National Infrastructure Commission (NIC) create an England-wide **national spatial plan**.



Placemaking is included in the **National Planning Policy Framework**.



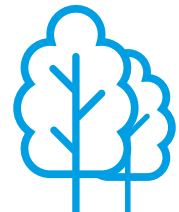
Local authorities should be required to **develop placemaking strategies** to inform local plans.

Design requirements should be tailored between different areas to **reflect the community's placemaking ambitions**.



Local authorities should outline a community engagement **approach that is bespoke to local needs and variable depending** on the type of development proposed.

The 'agent of change' should be responsible for ensuring **developments and the overall placemaking approach** are shaped through **true community engagement**.



The planning portfolio holder's role at the local authority **level should be expanded to include placemaking**.

More local authorities should be encouraged to **establish their own development companies**.



The UK Government should **devolve the ability to set planning fees to local authorities**.

The Community Infrastructure Levy (CIL) should be replaced with a **new Property Sales Levy over the medium-long term**.







**At least 300,000 homes a year need to be built for the foreseeable future if we are to see stability return to the housing market.**

## Context

In 2013, ACE launched a paper *The Housing Gap: The Growing Cost of Not Building Enough Homes* which highlighted that the UK was facing a potentially irrevocable housing gap with significant consequences for society. Basing its findings on the 2011 projection from the Office for National Statistics, the report stated that the UK would be facing a housing gap of 886,000 homes by 2021.<sup>1</sup> This equated to a housing deficit that was twice the size of Birmingham.

Five years have passed since that report was released and ACE decided the time was now right for us to assess how far the UK has got in addressing this pressing social need. The short answer is that far from getting better, the housing gap has continued to widen year-on-year.

A growing population combined with rising incomes has increased demand for housing across the UK while market failures have prevented the building of sufficient new homes to meet this demand. House prices and rents have steadily risen while the number of homes in the social sector has decreased leading to a higher proportion of people dependent on the private rented sector.

All of which has caused a decline in home ownership and rising levels of housing insecurity that is affecting more and more families. Despite this, the UK Government has continued its focus on building for home ownership, rather than on building for affordable and social rent.

### A history of under-delivery

In 2014, Dr Alan Holmans, a housing expert at the University of Cambridge, produced new estimates of the housing gap. They were based on 2011 data but took housing conversions, second homes and vacancies into account.

His analysis suggested that excluding any reductions in the housing stock, we needed to build an extra 240,000 to 250,000 houses each year – around 170,000 additional private sector houses and 75,000 social sector houses.<sup>2</sup>

It has, however, been more than ten years since 200,000 homes (the Government's implied annual target rate) were added to the housing stock in a single year.<sup>3</sup> In 2016/17 184,000 homes were built in England, which has been the best year so far, but still short of the target number.<sup>4</sup>

Taking a longer-term view, housebuilding has been mostly decreasing since the 1960s. The early years of this decade saw housebuilding at its lowest peacetime level since the 1920s.

As Figure 1 overleaf demonstrates, the private sector has not replaced the supply that was once provided by local authorities. ACE strongly supported the premise that the housing gap could only be resolved with the intervention of some form of state assisted housebuilding programme in our 2013 paper. We have not seen any new data that has made us change our mind but rather we are even more certain of this premise than we were five years ago.

Our research suggests this figure will no longer be sufficient to meet future demand and the backlog from previous years of undersupply. To meet that demand and have a moderating effect on house prices, at least 300,000 homes a year need to be built for the foreseeable future if we are to see stability return to the housing market.

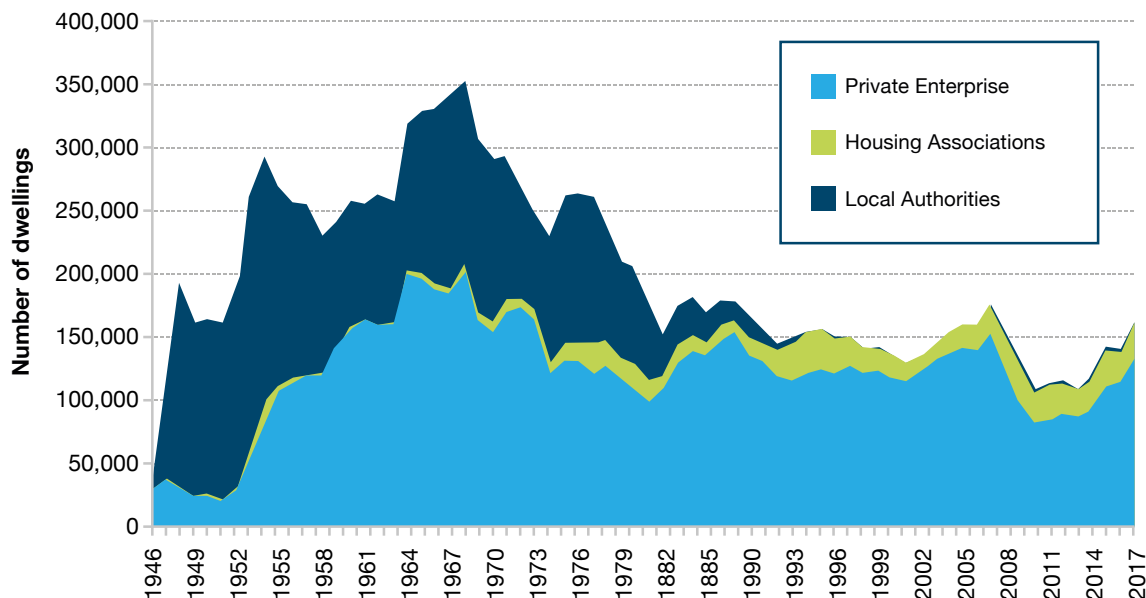


Figure 1: Permanent dwellings completed in England by tenure, 1946 to 2017<sup>5</sup>

To put this into perspective, ACE highlighted in 2013 that the UK needed to build enough homes to fill Halifax every year for ten years to meet the housing need.<sup>6</sup> Five years later this has risen to building more homes than Nottingham each year or building more homes than three Birmingham's in ten years.<sup>7</sup> The housing gap has widened by almost a million homes in five years.

In a functioning market, the private sector, housing associations and local authorities would all be building enough to collectively meet anticipated demand. But they are not. The business model of the large developers looks to profit margins rather than volume, housing associations are facing a loss of revenue due to the UK Government's policy on social rents and local authorities, despite some having the appetite, are not always in a position to finance large housebuilding programmes.

Large private builders operate a business model which makes commercial sense but does not deliver an increase in the supply of new homes on the scale required. The market has oligopolistic characteristics: the 10 largest builders build more than 60 per cent of new homes<sup>8</sup> and smaller builders find it difficult to compete and scale up their operations.

### Planning and construction not keeping pace

The planning system is slow, complex and costly to operate, particularly for smaller builders. This is exacerbated by planning departments that are under resourced. No new town has been successfully developed in the last 30 years and a third of homes that are granted planning permission do not go on to be built.



The UK Government has recognised the problem and proposed solutions on how it can be addressed in England in the housing white paper *Fixing our Broken Housing Market*.<sup>9</sup>

The paper's title makes clear that the housing market in this country is malfunctioning and confirms that we have not built enough homes. The fact we have, however, is not due to lack of land as only 11 per cent of the land in England is built on.<sup>10</sup> Rather the problem is threefold:

1. **Not enough local authorities are planning for the homes they need.**
2. **The housebuilding process is simply too slow.**
3. **The construction industry is too reliant on a small number of big players.**

The white paper highlights that over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.<sup>11</sup> Without an adequate plan, homes can end up being built on a speculative basis – with no co-ordination and limited buy-in from local people. The uncertainty this creates about when and where new homes will be built is both unpopular and affects the entire housebuilding process – slowing it right down.

Secondly, the pace of development is too slow. The Government's reforms have led to a large increase in the number of homes being given planning permission. But there is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built.<sup>12</sup>

Finally, the very structure of the housing market makes it harder to increase supply. Housing associations have been doing well – they're responsible for about a third of all new housing completed over the past five years<sup>13</sup> – but the commercial developers still dominate the market.

## Recent housing reforms by the UK Government

Over the past decade, successive governments have announced a number of measures to meet the challenge outlined. These have included ensuring local authorities have an appropriate development plan in place, making further funding available for delivery of housing through the Housing Infrastructure Fund, city deals, and reforms to the planning system.

More recently, housing was the core focus of the UK Government's Autumn Budget in November 2017. The Chancellor, Phillip Hammond, announced a package of new policies aiming to increase the supply of housing in the next five years to be the highest level since 1970 by:

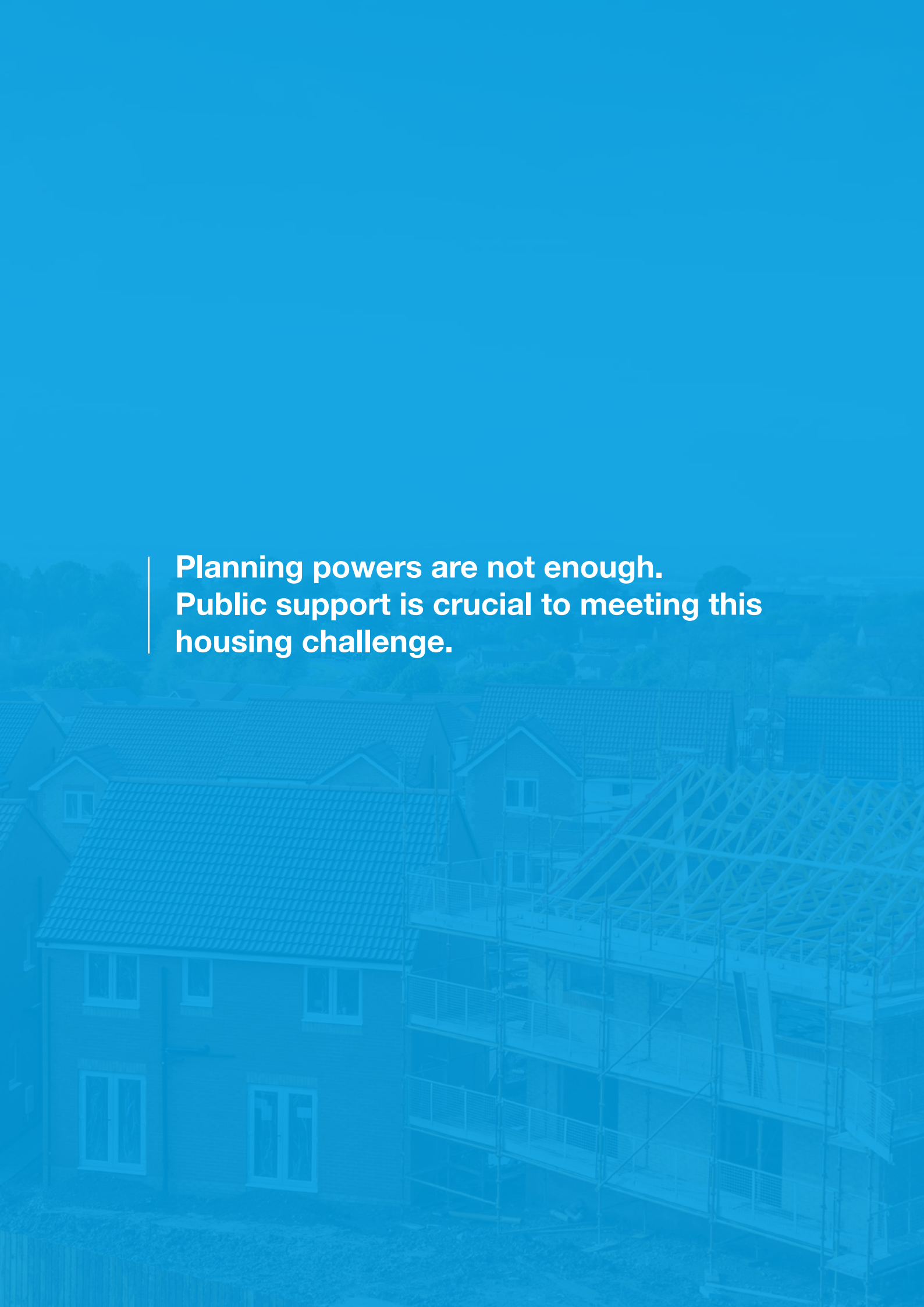
- Making available £15.3 billion of new financial support for housing over this five-year period, bringing total support for housing to at least £44 billion over this period.
- Strengthening the ability of the Homes and Communities Agency, renamed Homes England, to intervene more actively in the land market.
- Lifting borrowing caps for local authorities in areas with high affordability pressure.
- Committing to bring together public and private capital to build five new garden towns, including in areas of high demand in the South East.
- Funding incentives to build homes on small, stalled sites through on-site infrastructure and land remediation.<sup>14</sup>

The Prime Minister, Theresa May, has also committed to increasing the profile of housing through her own personal action and through supporting administrative changes. Of note, the Department for Communities and Local Government (DCLG) was symbolically changed to the Ministry of Housing, Communities and Local Government (MHCLG) to emphasise the UK Government's new focus on the issue.

Speaking at the National Planning Conference on 5 March 2018, the Prime Minister stated that the Government was “rewriting the rules on planning” to help developers and local authorities build more properties with a focus on increasing home ownership. The new rules will build on the proposal made in the Housing White Paper and will include using land more efficiently, fast tracking planning permissions into homes, giving greater certainty to local authorities and putting local plans in place to give communities more control.<sup>15</sup>

Alongside this speech, proposed changes to the National Planning Policy Framework were launched to provide a comprehensive approach for planners, developers and local authorities so they can build the homes the country needs. On 25 April 2018, the then Housing Secretary, Sajid Javid, also made calls for closer links between the Government and industry to deliver well-designed homes and stronger communities.<sup>16</sup>

While there will be a continued need for new measures to help address the housing crisis, the true test for the Government now is turning its recent actions into real results. The onus will be on how these reforms and significant funding increases are implemented to deliver the real change the country needs. A failure to focus on the best approach to delivering these changes runs the risk of maintaining the severity of the current housing crisis in years to come.

An aerial photograph of a residential development. In the foreground, several houses with dark tiled roofs and light-colored walls are visible. To the right, a larger building is under construction, with its wooden roof trusses exposed and surrounded by scaffolding. The background shows more houses and trees, all under a clear blue sky. The entire image has a blue color overlay.

**Planning powers are not enough.  
Public support is crucial to meeting this  
housing challenge.**



## What is placemaking?

Placemaking is both a process and a philosophy. It is a people-centred approach to the planning, design and management of public spaces. Put simply, it involves looking at, listening to, and asking questions of the people who live, work and play in an area, to discover needs and aspirations for that place and the community as a whole. This information is then used to create a common shared vision for the local area. Their vision can evolve quickly into an implementation strategy, beginning with small-scale, achievable improvements that can immediately bring benefits to public spaces and the people who use them.

As both an overarching idea and a hands-on approach for improving a neighbourhood, city, or region, placemaking inspires people to collectively reimagine and reinvent public spaces as the heart of every community. More than just promoting better urban design, placemaking facilitates creative patterns of use, paying particular attention to the physical, cultural, and social identities that define a place and support its ongoing evolution. Strengthening the connection between people and the places they share, placemaking refers to a collaborative process by which we can shape our public realm in order to maximise shared value.

With community-based participation at its centre, an effective placemaking process capitalises on a local community's assets, inspiration, and potential, resulting in the creation of quality public spaces that contribute to people's health, happiness, and wellbeing. The process can also help build the willpower needed to address important issues grappling our communities that are sometimes overlooked by other interests or fixed views, such as the need to construct more zero carbon buildings to reduce our national carbon footprint.

A prime example of successful placemaking is the King's Cross mixed-use redevelopment project.

ACE would list the attributes of successful placemaking as:

1. The local character of a place is respected in proposed designs to encourage a sense of belonging.
2. Development should be assessable and well connected to other important places in the area.
3. Designs that are attractive and inviting.
4. Places that are designed to adapt and evolve over time.
5. Developments are designed to cope with a verity of uses during their lifetime.
6. Places that are designed and built to a human scale.

As more rigid planning processes have become institutionalised, community stakeholders have less of a chance to voice their own ideas and aspirations about the places they inhabit. Placemaking can break down these silos by showing planners, designers, and engineers the broad value of moving beyond the narrow focus of their own professions, disciplines and agendas.

The process of meaningful engagement with the community and local authority and a true understanding of place early on also opens up a much more sophisticated understanding of the area's socio-economic profile. For instance, this enables local authorities and developers to provide the right kind of employment space at affordable rents, helping to not only boost the local economy, but also add value to local housing.

ACE member experience has shown that when developers and planners welcome this kind of grassroots involvement, they spare themselves a lot of future headaches. Common problems like traffic-dominated streets, under-used parks, and isolated or underperforming development projects can be addressed – or altogether avoided – by embracing a model of placemaking that views a place in its entirety, rather than focusing on isolated components.



## Current challenges facing communities

Planning powers are not enough, however, as public support is crucial to meeting this housing challenge.

We have seen one of the most remarkable shifts in public opinion in the past eight years. According to the British Social Attitudes survey, 56 per cent of English adults supported the building of new homes locally in 2014, double the proportion in 2010.<sup>17</sup> This support has continued to grow as the scale of the challenge has affected more and more people.

During the general elections in 2015 Ipsos MORI survey findings showed that 69 per cent of Britons agreed that, “unless we build many more new, affordable homes we will never be able to tackle the country’s housing problems.”<sup>18</sup>

ACE has identified four challenges that need to be addressed in order to unlock more housing opportunities across the country. These are:

1. **Poor quality developments without community support.**
2. **A disconnect between development and infrastructure.**
3. **A limited focus on placemaking and quality design at the national and local level.**
4. **A funding gap for local amenities as communities grow.**

Further details on these challenges are below, in addition to example case studies where they have been successfully addressed.

### Poor quality developments without community support

ACE research shows that the increased level of public support for development is likely to be conditional. A survey for the homebuilder Berkeley in 2013 found that Londoners were unwilling to trade off quality for quantity as they had significant concerns over the type and standards of proposed new housing schemes.<sup>19</sup>

More recently polling for Create Streets found that unpopular types of housing can sharply decrease support for building new homes – reducing this by 64 per cent – while the most popular housing would appear to be the most conventional in form, style and building materials. The research also highlights differences in tastes; for example, those living in London, and renters, are relatively more favourable towards the less traditional-looking developments.<sup>20</sup>

There is a reason for this attitude as residents have seen how previous developments in the last 50 years have left communities with homes totally unsuitable for their area. Survey after survey shows the British public are dissatisfied with the design and build quality of new homes. 81 per cent are unenthusiastic about living in new-build housing developments. Older properties in traditional streetscapes emerged as far more popular.

The main reason often cited for ‘NIMBY-ism’ in the UK is that communities associate new development with something that is poorly designed and alien to their surroundings, and that they are rarely meaningfully engaged in the development process.

We will never build the necessary support for new homes whilst people associate new housing with poor design. But it doesn't have to be this way.

Research for MHCLG shows over half of households would be less opposed to new housebuilding if they had more say over the design and layout of developments.<sup>21</sup> Further to that, the poll for Create Streets shows designs in traditional form and style commanded 75 per cent support from local people – far higher than generic housing styles or developments that do not blend into the surrounding area.

In London, where the housing crisis is most acute, ACE has found evidence people do not like what they see by way of proposed new development. In five outer London boroughs residents stated a distaste for flats which are perceived as either small and not fit-for-purpose or grand and unaffordable. These proposed developments are seen to be marketed at groups outside of the community in which they are built leading to local alienation.<sup>22</sup>

Community support for development can increase when they benefit the wider community. MHCLG research from 2017 in figure 3 highlights that clear economic benefits and improvements to infrastructure will increase support for development.<sup>23</sup>

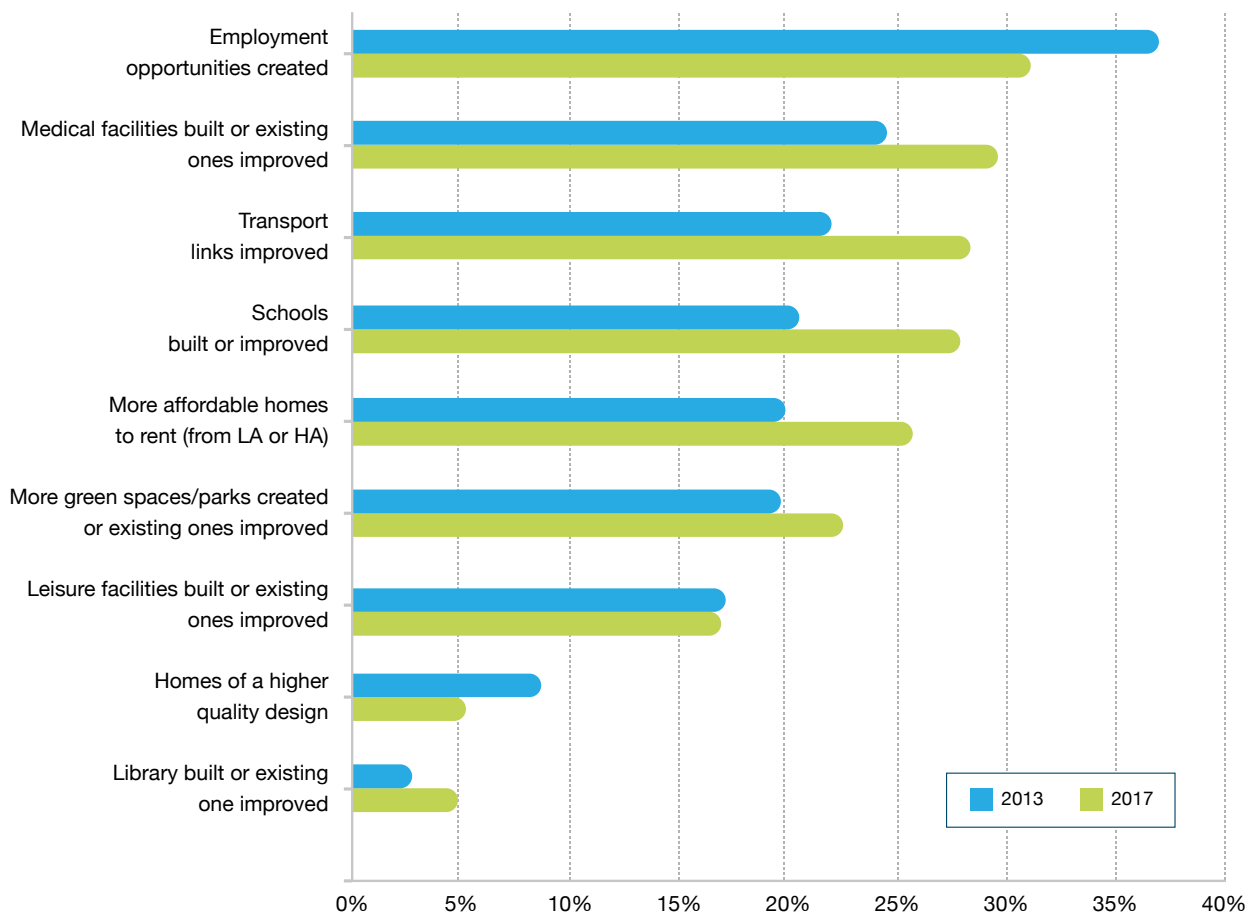


Figure 2: Potential benefits that would increase support for new homes



Landowners who are able to show that thoughtful, high-quality development, with a good sense of local identity, is deliverable are likely to be respected by the local community for leaving a legacy for future generations and showing that not all new development has to be unpopular.<sup>24</sup>

The message is clear. People want and are happy to accept new housing with the right design. We will never build popular support for new homes if the build-quality and design finish is reducing year-on-year. If we make the mistake of erecting millions of poor quality homes in the next decade, the general public will not forgive nor forget these errors.

### Where has a major development been well supported by the community because of its design?

#### Derwenthorpe development, North Yorkshire

The Derwenthorpe development site just outside of York was the centre of much attention as the homes on the site were applauded for the quality of their design.

Delays to the start of the project, owing to a protracted public consultation period and concerns over the development's environmental impacts to the site, saw the plan significantly improved. In particular, the environmental credentials were noted as having much improved leading to the site being praised as an example of excellent sustainable development.



Derwenthorpe Phase 1

The result is a development that has delivered a significant amount of mixed tenure homes, and designed with the concerns of the community taken to heart. As a result, the development has won multiple awards and, the properties being in high demand, have sold quickly.

### A disconnect between development and infrastructure

Added to concerns over design is the issue of infrastructure investment within an area that has seen increased development and density. People are sceptical about whether we are building the necessary social and economic infrastructure to support expansion in both housing supply and population growth.

Too often in the past, social and economic infrastructure investment has not kept pace with local development with the result that residents are suffering from increasingly squeezed local services. This leads to greater resentment of development in general and outright opposition to new development proposals that seek planning permission.

This failure of investment is often the result of a lack of stable, long-term visions by both central and local governments. As the Urban Land Institute Europe points out, cities like Copenhagen, Amsterdam,

Berlin and Dublin punch above their weight in attracting institutional investment in infrastructure and real estate because they have a clear vision and strategic plan.<sup>25</sup> These plans are also backed up with the financial resources to meet their community's needs.

Investment in infrastructure is critical to supporting the ambition for increasing housing supply by building community support for new developments, as well as ensuring sites are commercially viable and do not constrain existing services and facilities.

Renegotiation can ensure that a development remains viable. However, this can lead to a lack of trust with local communities who feel they are unable to hold developers to account.<sup>26</sup> In some instances, a lack of faith in an authority's ability to deliver the necessary supporting infrastructure has led to outright opposition to new development projects.

### Where has a major development been supported through proper consideration of infrastructure needs from the outset?

#### Salford Quays, Greater Manchester

The development of Metrolink in Manchester is an excellent example of how transport infrastructure can support development opportunities. In this case, the growth of Metrolink was instrumental to the success of Salford Quays by opening up a new area for workers to commute to and also generating new living spaces in central Manchester. In fact, the development strategy review for Salford Quays outlined that the quality of infrastructure and the Metrolink line were major factors in the feasibility of development proposals and the marketing approach



Salford Quays

for developers.<sup>31</sup> Greater Manchester has identified its sector strengths and designed a transport network around this to connect strategically important industries and making these locations attractive to employers, investors and workers.

### A limited focus on placemaking and quality design at the national and local level

Our research points to the fact that improved community support is the key to unlocking the development needed to solve the housing crisis. This support will only be forthcoming if the community feels they are engaged in the decision-making process, have some control over the design of the development and that the necessary infrastructure investment is made.

The early engagement of senior local authority members, councillors and community representatives is critical to communicating the fundamental difference between good development and the existing standard model.

There is a great deal of mistrust in the current development model, which promises the earth but delivers much less, and so it is important that local planning and politics recognises the difference between these development models and their ability to deliver.

When confidence is built with the local community, housing allocations can potentially grow and be seen as a more popular and attractive option than other competing housing sites that are deploying a less popular standardised model.

The tools to enable this engagement already exists and are encapsulated in the idea of placemaking.

The benefits of placemaking have been recognised by other parts of the UK and the principles have been incorporated into government policy. In Scotland, the Scottish Planning Policy highlights the importance of placemaking to new development. The policy states that good quality places and buildings are central to community life and are the difference between the success and failure of a community.<sup>27</sup>

Similarly, the Strategic Planning Policy Statement for Northern Ireland also makes provisions for good design and placemaking to be at the heart of any new development. The policy requires that planning authorities also ensure that, where relevant, the planning process takes account of the 10 qualities of urban stewardship and design set out in the Living Places Urban Stewardship and Design Guide for Northern Ireland, and planning guidance contained within Building on Tradition: a Sustainable Design Guide for the Northern Ireland Countryside.<sup>28</sup>

Some authorities in England have also started to recognise the importance of placemaking and have modified their planning frameworks to reflect this. For instance, Plymouth Council has developed the Plymouth Plan that seeks to assess the needs of the authority to 2034. It sets a shared direction of travel for the long-term future of the city bringing together, for the first time locally, a number of strategic planning processes into one place.

### **A funding gap for local amenities as communities grow**

Local authorities in England are almost entirely dependent on UK Government funding to meet their ambitions. The only tools available to them are CIL and Section 106 contributions.

A recent review of CIL found they were not raising as much money as originally envisaged, creating a significant shortfall in revenue. Figures showed that CILs were only yielding between 5 and 20 per cent of the funding required for new infrastructure in an area leaving the balance to be found by local authorities.<sup>29</sup>

Added to this are concerns that Section 106 contributions can be costly for developers consequently pricing smaller companies out of the market. Developers will often be asked to make a lump-sum payment to the local authority without any clear indication on how the money will be spent and some agreements can reach up to £10 million or more.

Planning obligations are also frequently renegotiated: 65 per cent of planning authorities renegotiated a planning agreement in 2016/17. Changes to the type or amount of affordable housing agreed is one of the most common reasons for renegotiations recorded. Unfortunately, social and economic infrastructure is often sacrificed in these renegotiations increasing collocal community frustration with the system.

Local authorities are also struggling to recoup costs related to their planning departments, often resulting in a poorer service and unnecessary delays. The main problem behind this is that planning fees are set nationally by the UK Government. This restricts local authorities to charge a rate that reflects the service provided and to ensure the fee is proportionate to the development envisaged.

To address the funding gap that local authorities are facing and the housing supply shortage in many communities, some local authorities have started their own development companies. These local authorities have taken a hands-on role to build more homes in their area, particularly for projects such as affordable housing where there is a market failure and created an alternate revenue source to help pay for improvements to local amenities. A key limitation for these development companies is a lack of access to the public funding and private financing needed to deliver more projects at a greater scale. Recent examples of housing projects delivered under a public-private partnership, such as with the London Borough of Haringey and the developer Lendlease, have also been fraught with political challenges and demonstrate the need for greater trust between the public and private sector for this approach to help address housing shortages in local areas.

Commentators have argued that more should be done to capture increases in land and property values from infrastructure, which in turn could help address the funding gap faced by local authorities in comparison to current CIL and Section 106 arrangements. A research report from Savills estimates Transport for London's £36 billion prospective pipeline of projects could directly produce land value uplifts of up to an estimated £87 billion. Savills argue, if applied sensitively, the land value uplift from infrastructure investments could be used to generate additional revenue to facilitate further economic growth without hindering development.<sup>30</sup>

### A sustainable solution to funding local amenity improvements

#### Real Property Transfer Tax in New York

This tax is applied to sales, grants, assignments, transfers or surrenders of all real estate in New York. The tax is also applied for the sale or transfer of at least 50% of ownership in a corporation, partnership, trust or other entity that owns or leases property and transfers of cooperative housing stock shares.

The Real Property Transfer Tax (RPTT) is a 1 per cent tax on the sale or transfer of a property if the value is less than \$500,000 and 1.425 per cent if the value is worth more. The revenue raised from RPTT is used to help pay for local improvements.

ACE estimates a similar tax could raise an additional £2.16 billion per annum on the sale of



High Line, New York City

housing across England, based on the average house price of regions in 2017 and the using the same threshold as New York.<sup>32</sup> This calculation does not include the other elements that the RPTT is applied to in New York State (such as commercial property) and a potential tax on all property sales and transfers would raise significantly more than this figure.





**There is a great deal of mistrust in the current development model, which promises the earth but delivers much less.**

# How can the UK Government and local authorities address these challenges?

## 1. Create an England-wide national spatial plan

*ACE recommends the National Infrastructure Commission (NIC) creates an England-wide national spatial plan.*

As infrastructure and housing go hand-in-hand, ACE believes the remit of the NIC should be expanded to include housing. In conjunction with this, the NIC should be tasked to produce a England-wide national spatial plan to provide a more informed view on how growth can be incorporated across the country.

The recommendation for an England-wide national spatial plan is based on the success of similar approaches in Scotland and Wales.

ACE also believes local authorities should develop placemaking strategies and local plans in response to the England-wide national spatial plan, potentially aligning the timelines for all placemaking strategies and local plans across the country. Further detail on ACE's proposal for placemaking strategies is included in recommendation three.

## 2. Include placemaking in the National Planning Policy Framework

*ACE recommends placemaking is included in the National Planning Policy Framework.*

Local authorities across the country need some consistency to how they are approaching placemaking. To this end, placemaking should be incorporated into NPPF to help ensure MHCLG is providing sufficient guidance on how placemaking objectives can be met through the local plan process.

ACE's recommended placemaking strategies for local authorities would then respond to the guidance provided in the NPPF by MHCLG and the NIC's England-wide national spatial plan, ensuring a coherent and coordinated approach to placemaking across the country.

## 3. New local authority placemaking strategies

*ACE recommends local authorities are required to develop placemaking strategies to inform local plans.*

Local authorities are not sufficiently considering placemaking in local plans. An area of concern is the lack of focus on the look and feel of a place and the interaction of buildings and how they sit within a spatial framework.

To address these shortcomings, local authorities should be required to develop placemaking strategies that shape how local plans are designed and delivered. Placemaking need to be seen as the overarching approach to planning by local authorities and not just another annex to local plans.

Within these strategies, there should be an integrated approach to housing, community development and infrastructure needs that provides a view on current and future needs of a community, related costs and other environmental considerations. Provision should also be made for the framework to be flexible and adaptable to change.

A key focus of placemaking strategies will also need to be about creating the right processes to achieve placemaking objectives. In our view, placemaking is an iterative and organic process that has no destination. Therefore, placemaking strategies should focus on establishing a framework that works on a development-by-development basis and be adaptable over time as communities' change.

We believe these strategies across the country will result in 'proactive placemaking'. Communities will have a better upfront say about the ambitions of their local area, local authorities will have an informed view about what they would like to see around developments before projects begin, and developers will have a better understanding of placemaking goals from the outset to inform their proposals. A proactive approach can help create a sense of pride for people in their local area and in turn create further wealth through a multiplier effect from investments. The end result will be a planning process viewed as a partnership between communities, developers and local authorities.

#### **4. Local design requirements to reflect the desired 'look and feel' of a community**

*ACE recommends design requirements are tailored between different areas to reflect the community's placemaking ambitions.*

So often the success and desirability of a local area is from its distinctiveness and differences. We believe this diversity must continue to be encouraged or we run the risk of creating bland, boring and uniform communities.

We see a clear link between the diversity of communities and building designs that are unique to a local area. We therefore believe design requirements should be tailored for local areas and developed through a local authority's placemaking strategy. This would allow for locally responsive design to respond to the needs and aspirations of the area, such as the desired 'look and feel' and how new developments sit within a wider concept.

Ensuring local design requirements reflect the local area and the community's aspirations for their local area is no small task. We therefore believe local authorities should harness the expertise of the design community to develop placemaking strategies and to translate these goals into tangible local design requirements.

#### **5. Improve community engagement in placemaking and development proposals**

*ACE recommends local authorities outline a community engagement approach that is bespoke to local needs and variable depending on the type of development proposed.*

The design of placemaking strategies also provides an opportunity for local authorities to seek views from the community, on how they would like to be directly engaged when a local plan is being developed, and for individual development proposals.

A clear upfront community engagement process that cascades into other planning documents will help increase community input into placemaking and for individual development proposals and provide tools for developers to ensure their proposals truly reflect community needs.

## 6. Ensuring community engagement

*ACE recommends the 'agent of change' should be responsible for ensuring developments and the overall placemaking approach are shaped through true community engagement.*

People are not having enough of a say about the characteristics of their local community. On the whole, the approach to developing local plans and the planning application process is not getting sufficient buy-in from communities because they are seen as complicated and unresponsive to feedback. Policies should move away from 'box-ticking' and untargeted consultations by making the 'agent of change' responsible for ensuring meaningful engagement with local communities.

The delivery of local plans and development proposals naturally result in a change for a community that is hopefully for the better. However, it is the designers of local plans and development proposals that are creating this change and the onus should be on them to ensure their approach is overwhelmingly supported and viewed as positive, as opposed to their approach not being opposed with limited input received from the community.

## 7. Create a formal responsibility for placemaking at the local authority level

*ACE recommends the planning portfolio holder's role at the local authority level should be expanded to include placemaking.*

Currently, the planning portfolio holder at a local authority is responsible for the delivery of a local plan. Reflecting our recommendation for the development of placemaking strategies, we believe the role of the planning portfolio holder should be expanded to be the custodian of the local authority's placemaking strategy. Their expanded role should focus on ensuring the local plan reflects and is delivered in accordance with the placemaking strategy.

## 8. Promote local authority owned development companies

*ACE recommends more local authorities are encouraged to establish their own development companies.*

Local authority owned development companies have been very successful at making unviable developments viable in areas where there is currently a market failure or a strategic need to take a hands-on lead on developments to set the example and 'prime the pump' for the private sector. These include affordable housing projects or communities in need of regeneration.

Local authority owned development companies also provide a vehicle for achieving social outcomes by stimulating the local economy and improving the quality of life for community members. These companies also allow local authorities to take a 'hands on' role in creating the 'look and feel' of their community.

We recommend more local authorities take this approach. An area of focus could be buying up underperforming high streets and unused land and delivering on placemaking objectives. To support this approach, the UK Government should investigate how it can support local authorities to use public-private partnerships for housing projects that represent good value for the community and help to provide an additional revenue stream for local authorities by capturing the increased land value of developments.



## 9. Devolve the ability to set planning fees to local authorities

*ACE recommends the UK Government devolve the ability to set planning fees to local authorities.*

Many local authority planning departments across the country are underfunded. This results in a poorer service and unnecessary delays. Many local authorities do not have the skills or resources to be able to ensure high quality design. To address this problem, ACE recommends that local authorities are allowed to charge a rate that reflects the services provided and have an opportunity to ensure planning fees are proportionate to the project envisaged. This will ensure planning departments have the resources and authority to deliver on their mandate.

Lastly, ACE believes planning fees should be linked to annual increases indexed to inflation to avoid unviable fees in the future.

## 10. Replace CIL with a Property Sales Levy

*ACE recommends CIL should be replaced with a new Property Sales Levy over the medium-long term.*

Discussions on 'land value uplift' largely focus on the need to find new opportunities and innovations to harness some of the extra value delivered from developments to fund additional infrastructure needs. However, we believe there is already a prime opportunity to collect revenue from 'land value uplift' at the point a house is sold and to ringfence this funding for the delivery of infrastructure.

We see a number of issues with the CIL regime – primarily the inability to collect sufficient revenue to fund infrastructure needs and its failure to deal with an 'infrastructure deficit' in an area that the whole community should be responsible for addressing.

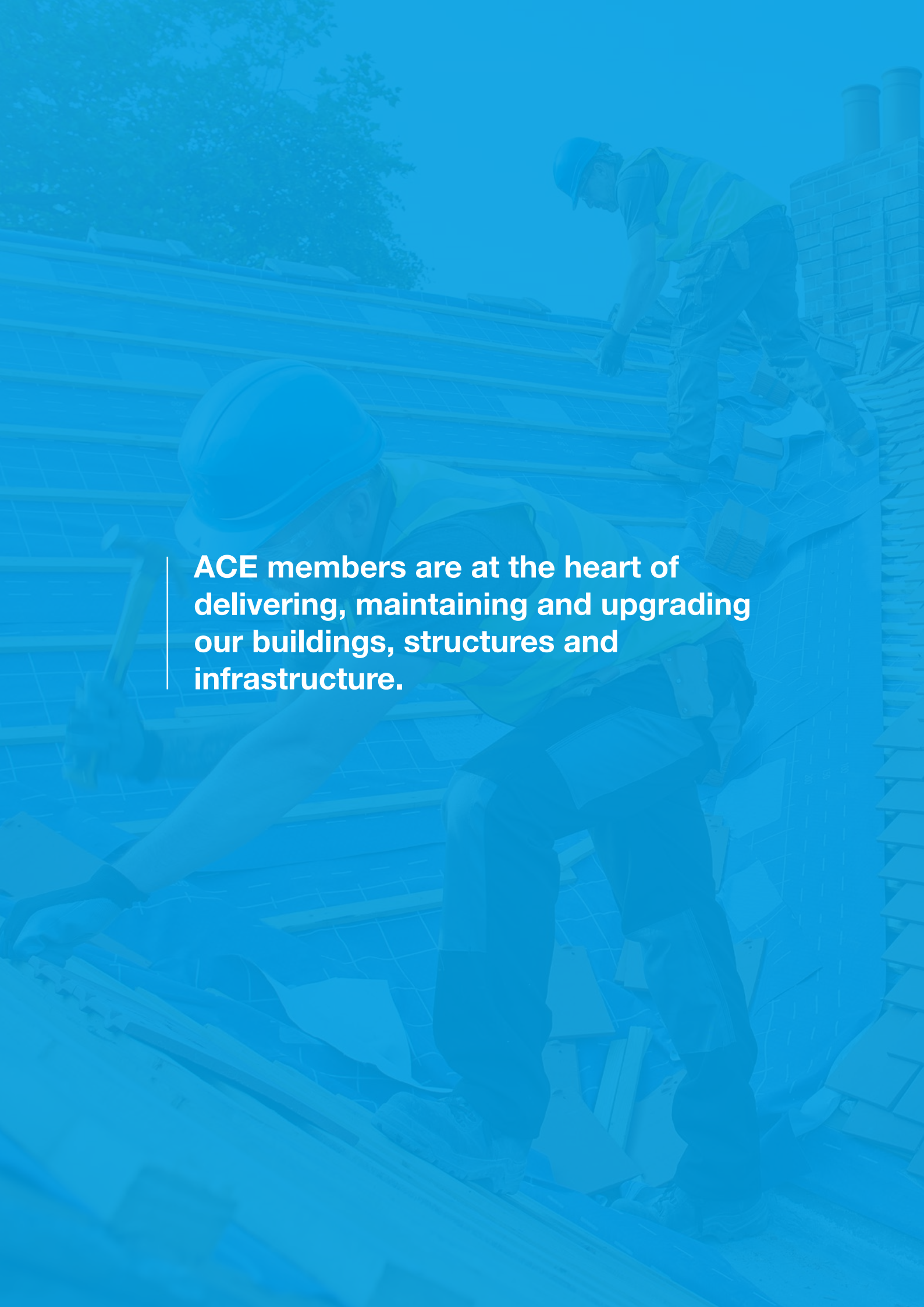
Property owners also benefit the most from infrastructure investments in their local area through increased property value. We believe there should be a civil obligation for the chief beneficiaries to help pay for these improvements, particularly with the scale of funding that comes from taxpayers.

There is an existing international example of a property sales levy in New York state with the Real Property Transfer Tax, which is a 1 per cent tax on the sale or transfer of a property if the value is less than \$500,000 and 1.425 per cent if the value is more.

A Property Sales Levy could vary based on different bandings (by value, location or proximity to important infrastructure). As infrastructure costs do not have a direct correlation with land value, it is our view that revenue from a Property Sales Levy should be collected by HMRC and distributed equitably (for example based on population, area and/or the 'relativity' of an area) or by local authorities with a proportion redistributed based on similar factors. The latter method would provide an ongoing revenue source for local authorities to borrow against, which in England alone could yield up to £62 billion in long-term bonds based on our estimate for ongoing revenue from this levy. This figure would cover the cost estimates for Crossrail and HS2 combined.

Lastly, our recommendation for a new Property Sales Levy over the medium-long term does not replace Section 106 agreements under the Town and County Planning Act 1990, which we believe remains vital in areas where there is a major and immediate impact from a development.

We also believe the levy would need to include protections for circumstances where properties have declined in value compared to the purchase price.

A blue-tinted photograph of two construction workers on a roof. One worker in the foreground is wearing a hard hat and safety vest, leaning over a wooden beam. Another worker is visible in the background, also in safety gear, working on the roof. The scene is filled with wooden planks and structural elements.

**ACE members are at the heart of delivering, maintaining and upgrading our buildings, structures and infrastructure.**

## About ACE

As the leading business association in the sector, ACE promotes the interests of UK consultancy and engineering companies both large and small, who deliver services in the natural and built environment. Many of our members companies have gained international recognition and acclaim, and together they employ over 250,000 staff worldwide.

The professional services that ACE member companies deliver cover a wide range of sectors including transport, water, property and energy.

The ACE membership acts as the bridge between consultants, engineers and the wider construction sector who make an estimated contribution of £15bn to the nation's economy with the wider construction market contributing a further £90bn.

ACE's powerful representation and lobbying to governments, major clients, the media and other key stakeholders, enables it to promote the critical contribution that engineers and consultants make to the nation's developing infrastructure.

Through our publications, market intelligence, events and networking, business guidance and personal contact, we provide a cohesive approach and direction for our members and the wider industry. In recognising the dynamics of our industry, we support and encourage our members in all aspects of their business, helping them to optimise performance and embrace opportunity.

Our fundamental purposes are to promote the worth of our industry and to give voice to our members. We do so with passion and vision, support and commitment, integrity and professionalism.

### Further information

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# ACE economic and policy papers

This paper forms part of a growing portfolio of research by ACE into the key issues involving financing and upgrading the UK's infrastructure and the effects on the wider economy, as Reports and Policy Briefings on a wide range of key issues.

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This paper looks at EU employment law and how our industry will be affected by Brexit

## **Cities and Infrastructure**

A joint paper with WSP that explores the infrastructure needs of our cities, how investment can improve growth and the importance of political and fiscal devolution.

## **Delivering our Strategic Networks: A Department for Infrastructure**

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## **The Effect of EU Migration on the UK**

Consultancy and Engineering Sector Post-Brexit.

This paper was written with Pennington Manches and explores in detail the contribution made to the UK consulting and engineering sector by EU migrants.

## **Electricity Market Reform: Generating Results**

This paper explores the role of the current energy companies in the retail and generation sectors and suggests reforms to EMR.

## **Funding Roads for the Future**

This paper explores issues facing our road network and how they will impact the current funding model.

## **The Housing Gap**

This paper is the first in ACE's housing paper series and explores in detail the conditions within the UK housing market.

## **Pensions and infrastructure**

This paper is the fourth in ACE's infrastructure investment series and explores in more detail the current conditions within the market, and the implications they have on pension funds' investment potential into infrastructure.

## **Performance of PFI**

This paper is the first in ACE's latest infrastructure series and reviews the performance of historical PFI data to learn lessons for the development of new financing models.

## **Procurement in PPFM**

This paper is the third in ACE's infrastructure series and examines how to improve procurement in Public Private Finance Models (PPFM).

## **Public Private Finance Models**

This is the second in ACE's infrastructure series and explores in more detail the rationale, performance and conditions that surround Public Private Finance Models (PPFM).

## **Revolutionising Housing**

This paper is the second in ACE's housing paper series and explores in detail a new model to rebalance the incentives for development

## **State Investment Bank**

This paper is the final paper in ACE's infrastructure investment series and explores in more detail the rationale and practicalities of establishing a State Investment Bank.

## **Triggering Article 50**

This paper explores the complexities and realities facing the UK and the industry from Brexit.



# Endnotes

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Please note that this is an updated version of the report which corrects spreadsheet errors in the previous draft.



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