



INTERACT
INFORM
INFLUENCE

February 2025

Land value capture

Evidence submitted by The Housing Forum to the Communities and Local Government Committee

Submitted by:

Anna Clarke, Director of Policy and Public Affairs

On behalf of [The Housing Forum](https://www.housingforum.org.uk), 1 Minster Court, Mincing Lane, London EC3R 7AA

anna.clarke@housingforum.org.uk or info@housingforum.org.uk. 07442 405513.

info@
housingforum.org.uk

About The Housing Forum

The Housing Forum is the UK's cross-sector, industry-wide organisation that represents the entire housing supply chain. Our growing membership drawn from over 150 organisations across the public and private sectors and includes local authorities, housing associations, housebuilders, architects and manufacturers. All share our determination to drive quality in the design, construction and decarbonisation of UK homes. They have a commitment to partnership working and share in our vision of 'A Quality Home for All'.

The Housing Forum Ltd
6 Floor, 1 Minster Court
Mincing Lane
London EC3R 7AA

Registered Company
Number 03785174

Context

The Communities and Local Government Committee has an [inquiry into land value capture](#). They are examining the effectiveness of current land value capture methods and the need for new ways of capturing any uplift in the value of land associated with the granting of planning permission or nearby infrastructure improvements and other factors.

The Housing Forum welcomes the Committee's attention on land value capture and the different ways that this can work to ensuring that there is cross-subsidy available for infrastructure and affordable housing, rather than this forming windfall gains to landowners whose land is granted planning consent.

Most of our members work in partnership with one another to bring forward mixed tenure housing including affordable housing. Our cross-sector membership means that we are uniquely placed to bring together those who work within local authority planning departments (officers, and also local councillors), with those who put in planning applications – housebuilders, housing associations and architects to identify the challenges and opportunities of S106, CIL, CPOs and other forms of land value capture.

INTERACT
INFORM
INFLUENCE

info@
housingforum.org.uk

Response to questions

1. How effective and efficient are current mechanisms of land value capture in England?

The Housing Forum believes that the current system of CIL and S106, whilst not perfect, are effective means of capturing land value and ensuring that affordable housing is built without stifling land supply and housebuilding.

S106 has the advantage of ensuring that the provision of affordable housing and infrastructure is on-site, which helps the creation of mixed tenure communities and ensures that the infrastructure is visible to all.

CIL, in contrast, is particularly useful for smaller sites where it provides a simple and effective means of capturing some of the land value uplift for the provision of infrastructure.

There are other requirements on housebuilders, which could be considered a form of land value capture, as they add costs to building, and generate benefits to the community or the environment which are not felt only by the occupants of the new housing. Our recent report on [The Cost of Building a House](#) identified many of these, which include:

- Environmental obligations, including mitigation for water pollution, nutrient neutrality, and biodiversity net gain
- The building safety levy
- Preserving existing heritage and facilitating archaeological investigations.

The Housing Forum Ltd
6 Floor, 1 Minster Court
Mincing Lane
London EC3R 7AA

Registered Company
Number 03785174

- Local charges and levies such as those imposed by councils for building near Special Areas of Conservation.

In addition, CPOs are a tool available to local authorities to capture land value uplift that would otherwise occur with the granting of planning permission for the public good.

2. What alternative methods of land value capture might be most suitable for England?

a. Would alternative mechanisms of land value capture deliver more affordable housing and public infrastructure than the current section 106/Community Infrastructure Levy regime?

The previous government tried to establish a new system of land value capture via the infrastructure levy.

The Housing Forum represents organisations from across the housing sector – including local authorities, housebuilders and social landlords. **We saw very little enthusiasm for the levy from any of these groups**, which raised a lot of concern. We were part of the cross-sector group that came together to [raise these concerns publicly](#), and were pleased to see the new government confirm that it would not be taking forward the levy.

We do appreciate the **intention to help local authorities to capture more of the land value uplift** associated with planning permission, in order to provide the infrastructure and Affordable Housing that is needed for a growing population.

The Government also **rightly identified that there are problems with the current system** of funding infrastructure via S106 and the Community Infrastructure Levy (CIL).

Nevertheless, the overarching feeling across the housing sector is that **the current system does work**. Around half the Affordable Housing delivered in the country is via S106. We think there is more that could be done to tackle some of the problems in the current system incrementally – such as establishing why CIL is not yet in use in around half of local authorities, and better understanding (and potentially limiting) the circumstances when S106 commitments can be renegotiated on viability grounds. The use of **benchmark land values** may be effective here.

We are also very concerned about the **degree of complexity** that would have been involved with the proposed infrastructure levy. For a new system to move ahead, **cross-party support is essential**.

b. How could the benefits of alternative mechanisms of land value capture be realised across England, including regions with lower average land values?

There is no magic wand capable of capturing land value uplift that does not exist. In many parts of the country (including some complex brownfield sites in higher value areas) the cost of building housing - **excluding land** - is already close to (or even exceeds) the market value of the homes. Our report on [The Cost of Building a House](#) examines where these costs come from and also found that the average cost of

INTERACT
INFORM
INFLUENCE

info@
housingforum.org.uk

The Housing Forum Ltd
6 Floor, 1 Minster Court
Mincing Lane
London EC3R 7AA

Registered Company
Number 03785174

building a new house is higher than the average price of a newbuild house in 60 local authority areas across the UK.

There is still a high level of housing need in many of these areas, and an element of new infrastructure will be needed for any new development. The only way in which this housing need can be met, or the infrastructure provided is therefore through government investment and grant.

3. What are the economic and practical opportunities and challenges of pursuing land value capture policies in England?

The opportunities of land value capture are apparent in areas where the price of land with planning consent is very much higher than comparable land without consent.

The challenges are many and include:

- The long timescales over which land comes forward for development and risk of a “land strike” if landowners think that a future government would create a more attractive system for them. Cross party support is vital to avoid this, and the diminishing vote share of the two main parties in the UK, has created a more complex environment for this.
- The role of land banks, land promoters and the market for ‘options’ sold on land that may in the future gain planning consent.
- The legal and practical difficulties with using CPOs as a means of land assembly.

4. What mechanisms of land value capture have been effective internationally?

As a UK-based organisation we are not best placed to answer this question.

5. Should reforms to land value capture be pursued through changes to the current section 106/Community Infrastructure Levy regime, or by introducing a new mechanism?

The Housing Forum believes that the current system based around S106 and CIL should be retained and improved rather than introducing a new mechanism.

The system should be flexible and market sensitive. It should also:

- Provide early certainty for developers so the contributions can be factored into land prices, ensuring that the costs of infrastructure are ultimately borne out of land values.
- Provide as much funding as possible for infrastructure, and for Affordable Housing in areas where it is most needed.
- Ensure that schemes remain viable.
- Collect contributions at the right time to deliver the required infrastructure.
- Be transparent over what financial contributions are being spent on.

There are reforms that could be made to S106 to improve its ability to capture land value, without stifling development:

**INTERACT
INFORM
INFLUENCE**

info@
housingforum.org.uk

The Housing Forum Ltd
6 Floor, 1 Minster Court
Mincing Lane
London EC3R 7AA

Registered Company
Number 03785174

- Better resourcing of local authority planning departments would speed up the process of agreeing S106 agreements.
- Housebuilders would like to see hard deadlines imposed on LPAs, but local authorities are not keen on these – at least not until the wider issue of local authority under-resourcing issue has been addressed. Introducing some statutory time limits for elements of S106 that are required at different stages (start of works, etc), along similar lines to the existing rules for planning conditions would help.
- The use of standardised S106 templates may reduce the workload on local authorities and help focus negotiations on the site-specific factors rather than legal wordings. Alternatively, some councils engage early with a third party lawyer who can draw up the skeleton agreement, which then allows negotiations to move on faster.
- Local authorities should be clear on S106 requirements at the outset to reduce the risk of viability disputes and delays.
- The broad principles around what is required via S106 should be set out in Local Plans. This would mean the viability could be tested during examination, and allow LPAs to request Heads of Terms to be submitted with applications, reducing the risk of future viability disputes and delays.
- Phasing in the Threshold approach used in the London Plan across other parts of the country would help. This has been successful in speeding up agreement on the Affordable Housing contributions and removing the need for viability testing.
- The government should remove the 5-year limit on requests to reconsider planning obligations for sites where there have been significant changes to viability – for instance due to policy changes or housing market changes.

info@
housingforum.org.uk

6. What changes to planning law and guidance would be needed to introduce a new mechanism of land value capture?

Significant changes to planning policy would be needed to replace S106 and CIL with a new mechanism, which risks reducing the contribution of these well-established mechanisms on providing cross-subsidy for social housing and infrastructure.

7. Would new methods of land value capture be compatible with human rights legislation, regarding property rights?

This would depend on what they were.

8. How could different mechanisms of land value capture complement the Government's ongoing planning reform agenda, including delivery of New Towns and the release of 'grey belt' land for development?

What the housing sector needs most in terms of delivery at local authority level is certainty. The frequent changes of planning policy in the last few years have been counterproductive.

The government has already consulted on proposals for green-belt/grey-belt land release and indicated that it intends to apply a 15 percentage point uplift on the usual

The Housing Forum Ltd
6 Floor, 1 Minster Court
Mincing Lane
London EC3R 7AA

Registered Company
Number 03785174

rate of affordable housing sought. We think this is a sensible and realistic approach that should work as a good starting point to maximise the amount of affordable housing that is built. Proposing an alternative mechanism to capture land value uplift for green belt/grey belt would be more likely to be counter-productive, because of the increased uncertainty it would cause.

For new towns, there is more potential for new mechanisms to be established, because new towns already have long time horizons.

9. Overall, would reforming land value capture support or distract from the Government's target of delivering 1.5 million new homes by the end of this Parliament?

The current government is already proposing reforms to S106 requirements on greenbelt, CPO powers and benchmark land values. More radical reform to land value capture would be a distraction and would not support the ambition of delivering 1.5 million new homes by the end of this parliament. The government should learn the lessons of the previous government's efforts to introduce the infrastructure levy.

**INTERACT
INFORM
INFLUENCE**

info@
housingforum.org.uk