

# Building Beautiful Places

How planning policy can incentivise the  
building of places not just homes

Jack Airey

Foreword by Rt Hon James Brokenshire MP





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## About the Author

**Jack Airey** leads Policy Exchange's work on housing. His research has included work on building more beautiful homes and places, improving the planning system; and, new town development on the edge of London. In particular his work on raising housebuilding standards has attracted cross-party support and led to the Government creating the *Building Better, Building Beautiful* Commission. An article in *The Economist* welcomed Policy Exchange's work on this subject as pioneering "the biggest idea in housing policy since the sale of council houses under Margaret Thatcher." Before joining Policy Exchange, Jack was Head of Research at the think tank Localis where he wrote extensively on the role of place in politics and policy, while managing and supporting the development of their research output.

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# Foreword

by Rt Hon James Brokenshire MP  
Secretary of State for Housing, Communities and Local Government

In the time I have had the privilege to serve as Communities Secretary, one of the most rewarding opportunities has been to start a policy conversation about beauty in the built environment. To unlock the building of homes at the scale and rate where they are required, we need to overcome public opposition to new development. The promise of beautiful homes and places that add value and character to the area they are built, rather than take away from it, is an essential part of that.

To advise the government on how to go about this, last year we set up the *Building Better, Building Beautiful* Commission. The Commission is set to publish its interim report soon and a final report later in the year. I look forward to reading their ideas.

Over the past year the Government has made a number of changes to public policy that provide a platform for more beautiful building. First, the National Planning Policy Framework now emphasises the need for good design. And second, viability rules have been tightened so that developers price in any cost of meeting policy obligations. We are also due to publish updated planning guidance on design and, following Rt Hon Sir Oliver Letwin's Review of Build Out, new planning guidance on scheme diversity.

Yet as this welcome report by Policy Exchange makes clear, there is still much more we can do to demand better and more beautiful building across the country. Not enough local planning authorities have legally compliant policies on the design of new building in their area - and the policy requirements of those that do are often too imprecise. This gives developers little direction on what they should build to achieve planning consent and there is often very little incentive to propose and build beautiful schemes. No one intends to build soulless developments, but public policy makes it all too easy to do so.

Engendering an industry of 'place makers' rather than just 'house builders', as Policy Exchange recommend, will take time and coordinated effort. There is much that the Government can do but we also need landowners, planners and developers to play their part in the years ahead.

I commend Policy Exchange for this report as we seek to get the right policies in place and for all they have done to put beauty and place making at the top of the political agenda.

## Executive summary

- This report considers the reasons why new residential developments often feel like a collection of houses rather than a real place. It puts forward a new policy approach that incentivises developers to propose and build housing schemes that are beautiful and diverse.
- In particular, the report argues that the Government should more precisely define what is meant by ‘good design’, as required by Chapter 12 of the revised National Planning Policy Framework 2019 (NPPF). It argues that such a definition will incentivise the building of beautiful places that bring new and long-lasting value to the local area, rather than relying on existing economic and social infrastructure in the local area.
- The report’s focus on building beautiful places does not belie the challenge of building beautiful homes that have greater resonance with public preference and the places they are built. Beautiful homes are a subset of ingredients to achieve beautiful places.
- Nor does the need to build beautiful places belie the challenge of building at a pace the housing shortage demands. In fact, national evidence and the day-to-day experience of local planning committees and development sites shows that building in ways that consumers and the local public find beautiful will help to quicken the rate of development.

### Government’s focus on building better, building beautiful

- The Government has made improving the beauty and quality of new residential developments a key part of its plan to increase the number of new homes built each year to its target of 300,000. There is a desire for new developments to both have resonance with the places in which they are being built and for them to be built to last by being economically and environmentally sustainable.
- Evidence shows one of the drivers of ‘Nimbyism’ – when people oppose new homes being built in their neighbourhood – is the perception that what will be built will be poorly designed and ugly.<sup>1</sup> While there are recent developments of various sizes and styles up and down the country which are of a high standard, the public generally take a dim view of new developments – common descriptions are that they are “soulless”, “cheaply built” and

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1. Policy Exchange (2018) – *Building More, Building Beautiful*, RTPI (2019) – *Design Quality Survey*, The Times (2017) – *Ugly new homes breed nimbys*, builders told Joseph Rowntree Foundation (2004) – *Housing Futures*

“little boxes”. There is also concern that new developments place additional pressures on the local area without adding new value like employment and retail space themselves, beyond the value and temporary jobs created by the initial construction. Houses are built, but not places.

- Better and more beautiful building will help to address the public’s distrust of new development, making development easier and less risky for all types and sizes of developers – a key factor if enough homes are to be built to reduce the country’s housing shortage. What is essential in this task is that new developments begin to match the standards that consumers want and communities expect.
- To find ways to improve the aesthetic qualities of new homes and places, the Government has established the *Building Better, Building Beautiful Commission*. It has also announced a number of policies aimed at raising the standards of residential development, not least an emphasis on good design in the revised NPPF. The Government has also published the *Independent Review of Build Out*, authored by Rt Hon Sir Oliver Letwin MP, which argues for greater variety in large new housing developments to engender the building of more vibrant places at a faster speed.

### Why do we build houses but so rarely build places?

- The country has a large house building industry that is geared to efficiently build similar looking homes but only a small industry geared to build sustainable and well-designed places. Too often new developments are not built with enough of the features of places that consumers and communities want and depend on, for instance public spaces, jobs, shops and greenery. Rather than having a symbiotic relationship with the local area where a new development brings long-lasting and additional value, many developments have a parasitic relationship where they depend on the local area’s existing economic and social infrastructure. While every development scheme is unique, there are a number of common and systemic factors to explain why this is the case.
- The planning system is discretionary rather than regulatory. Local design policies tend to be imprecise and the extent to which policy obligations are met is left to negotiation. This means policies are open to interpretation and can be given different weight if the application is re-assessed at appeal. It also means there is little certainty of what schemes should provide to achieve planning consent. This does not give developers a strong incentive to propose and build schemes that meet local design requirements. Chapter 12 of the NPPF attempts to address this issue, demanding that schemes are of a good design. However, the NPPF gives little indication of what ‘good design’ means. There is a risk that developers, land promoters, architects and planners are, scheme-

by-scheme, drawn into competing and costly discussions over what ‘good design’ means. Planning decision makers – officers, committees and planning inspectors – will, in effect, become arbiters of taste when principles of what makes a good place are much more than just a matter of taste.

- Landowner and land agent profit motive does not, at least in the short term, align with building developments to a higher standard. Although there are a number of legal tools that landowners can use to demand what is built on land they sell is of a high standard, and although this approach can deliver a significantly higher return to the selling landowner in the long run,<sup>2</sup> public policy and the tax code provide little incentive to do so. Taking an upfront capital sum is often a much more straightforward decision for a landowner than committing for the long-term to a development which realises a higher profit over time. For some landowners the decision to make an immediate profit, albeit a smaller one, will also make sense commercially, for instance if it unlocks other capital investment.
- Most homes are built by publicly limited companies who report to their shareholders each quarter. Larger house builders’ financing and business models demand profit to be realised as quickly as possible from a development. This means that for some larger house builders, beyond immediate consumer pressure, there is often no commercial imperative to build places that are of a high standard for the long term, not least as their interest in a project tends to end with the last house sold. They tend to be producers (of housing) rather investors (in places). Furthermore, many house building companies are not structured to deliver mixed-use schemes.
- Land that is allocated or land with permission for development tends to be tightly rationed in areas of high housing demand. Given that developing land can provide very high returns on investment, this means there is a high degree of competition to own it. Allocated and permissioned land is highly prized and therefore highly priced. The winning bidder for developable land tends to be the developer who has bid the most by presuming the lowest possible spend on things related to the standard of the development like build materials and infrastructure.<sup>3</sup> This speculative process is made possible by local planning authorities demanding only a limited number of standards about the proposed development when they allocate land for development. Instead, standards are negotiated later on in the planning process, often after land has been sold at a significantly higher price.

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2. Charles Dugdale, Knight Frank in forthcoming Policy Exchange essay collection

3. The bid will have been made in knowledge of prices in the local housing market. The more that is spent on acquiring land, the more pressure there is to squeeze spending on building the development to meet profit targets.

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## A better way forward

- Given its impact on local housing markets, sustainability, local economies and people's health,<sup>4</sup> better and more beautiful development should be a concern of many types of policymakers. The Government should aim to engender an industry of 'place makers' rather than just house builders. To do this, standards and principles of development should be set at a much earlier stage in the planning process. They should also be defined much more clearly.
- A national definition of 'good design' should be introduced that accompanies the revised NPPF – in this report by good design we mean good design of whole places rather than only buildings. This definition should be a list of objective and measurable criteria of the things related to the public realm that make a place beautiful and that bring long-lasting value to the local area. The criteria should be determined by a public consultation and a baseline of national standards should be set. A suggested list of criteria is outlined in the box below.
- Local planning authorities should be required to apply the criteria when they assess development. Local authority standards should be based on consultation with the local public and local land values. This should be done at the local plan stage when there is also the requirement to prove viability of planning policies in relation to land and development values. Meeting local criteria would then be a required material consideration to be taken into account when an application was decided, or a site allocated, alongside issues such as whether development is in a sustainable location. These are the stages after which land values tend to rise significantly, so it is essential that requirements to build developments of the requisite standard are agreed beforehand.
- It should also be possible to define local criteria in neighbourhood plans (covering the area of the neighbourhood plan). This would give local people a direct opportunity to set design standards in their area. Criteria as defined in neighbourhood plans should be guaranteed a high weighting in local planning decisions. They should not go beyond the range of national criteria and, as is already the case, must be in conformity with the local plan.
- Furthermore, the concept of sustainable development in Paragraph 8 of the Framework should be expanded to include the concept of good design. This will help to avoid or at least mitigate extended discussions of what sustainable development is in the law courts.
- To incentivise developers to propose and build schemes of a high standard that bring long-lasting value for the local area, those that best fulfil the criteria should receive preferential treatment in planning policy, including a much higher likelihood of approval and faster determination of the application – and this principle

4. There is much academic evidence that links good design with wellbeing and beauty with happiness, most recently: Seresinhe *et al.* (2019) – *Happiness is Greater in More Scenic Locations*

should be embedded in the forthcoming planning green paper on accelerated planning. Developers should be made aware of the criteria and prepare their development schemes accordingly, with a separate document submitted as part of any promotion document or application outlining how the scheme scores against the objective criteria. This document should be made publicly available to engender public trust in the planning process and to give consumers greater transparency about what they are buying or renting. As already required by the Government,<sup>5</sup> the cost of meeting policy obligations should be accounted for early on and funded through the residual land value.

- Adopting a standardised and objective approach to improving the standard of new residential development is similar to the Government's existing plans to mandate Biodiversity Net Gain through the planning process.<sup>6</sup> These plans mean that to achieve planning consent, applicants will need to show how the quality of the natural environment will be improved as a result of their development. To measure whether the quality of a site has improved, a standardised metric, produced by Defra and Natural England, will be used to objectively measure sites' biodiversity 'value'. This metric will be based on four components that are each given a unit score – distinctiveness, condition, strategic significance and habitat connectivity.
- In the same way, design standards could be empirically assessed against universal criteria, and achieve a cumulative total based on scoring in the individual areas.
- Building a new place is a significant undertaking that requires long-term strategic thinking, a clear vision and a commitment to adhere to these principles as the place is built out. The challenge of better and beautiful development on smaller sites like infill and piecemeal developments is slightly different in that it must more so be part of an existing place. This challenge is no less important than larger sites; however, it may require slightly different criteria for good design.

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5. MHCLG (2018) - Viability PPG

6. Defra (2018) - Net gain: Consultation proposals

### Suggested criteria for beautiful places that bring long-lasting value to the local area

- 1. Community and stakeholder consultation.** Schemes should be able to demonstrate genuine engagement with the local community and key stakeholders should be able to show that a variety of engagement media have been used, that people have been listened to, their thoughts recorded and that they have inputted into the briefing and design of the scheme.
- 2. Clear definition of public and private urban and green spaces.** A scheme's masterplan should demonstrate an ample provision of urban and green public space. It should also clearly define the separation of public and private space. Streets should be compliant with the Government's Manual for Streets and should produce a legible hierarchy of routes. Schemes should have a layout that responds to the appropriate precedents that are predominant and popular in the local area, for instance open spaces, squares and greens. This should include a clear and ready intelligible street based hierarchy for movement that puts pedestrians, cyclists and public transport first.
- 3. Diversity of housing types and tenures.** There should be a diverse mix of housing types and tenures. They should be flexible in their design so they can be adapted over time as market trends change.
- 4. Diversity of employment spaces.** Schemes should provide a diverse mix of small, medium and large employment spaces. For smaller developments under a certain number of homes or residential square footage, it will not be viable to provide whole new employment spaces so they should instead be within a minimum distance of existing employment spaces. A diversity of employment spaces is essential to building mixed-use communities rather than monoculture housing estates, though they will need to be defined in relation to evolving lifestyle patterns where people increasingly work from home.
- 5. An outline building and use specification for the public realm.** This should include building facades and be based on using materials that are locally popular, environmentally sound and adapted to current building skills and technologies. There should be a specific exclusion of inappropriate uses, particularly those detracting from the amenity and community potential of the space.
- 6. Tree coverage.** Schemes should have a percentage of tree canopy cover that is consistent with other places in the local area.
- 7. Long term management.** Schemes should have in place a plan for the long-term management of the place after it is built. There should be a preference for a steward to own and maintain the core estate and for the local community to have a stake. Adaptability over time should be considered together with resilience.
- 8. Accessibility to local services and amenities.** New homes should be within a certain walkable distance of local services and amenities such as schools, parks, shops and public transport nodes like bus stops. This can be measured by using accessibility indices. For larger developments this will clearly necessitate the building of some new amenities. Digital connectivity, especially to 5G, should be included within the concept of accessibility.
- 9. Further quality control.** Schemes should demonstrate how quality will be controlled during and after building, beyond controls exerted through the planning system. This could be by adopting building commitments in a code that is enforced through legal structures like a covenant or a Common Aspiration Contract between landowners and house builders.

### Expected impact

- A systematic and objective approach to regulating the standard of new places would not set strict parameters for urban design, nor would it bring a wholly theoretical approach to planning – the expertise of architects, builders, and urban designers would of course be necessary to bring a scheme to life. It would, however, guarantee that the fundamental features of places consumers want and the wider public expect are included within developments, incentivising the building of places that genuinely add value to the local area rather than taking away from it. Such a guarantee would then give the public greater confidence in new housing development and make the political consequences of granting a planning consent less negative.
- By making the criteria objective, local planners will have much greater confidence to make decisions that might otherwise be contested at appeal or in the law courts – a process that is very often won by those with the most resources and which damages public trust in both developers and the planning system. Planners would also have confidence to scrutinise development proposals based on *who* is making them and their track record of delivering schemes that are developed to a high standard (though clearly without preventing new entrants into the development industry).
- Setting precise standards before local authorities allocate land for development would mean developers have greater certainty on what they should provide to achieve allocation in the local plan and future planning consent. This would make the planning process less protracted and less open to negotiation. It would also impact land values which tend to reflect what is allowed to be built on a site and prevailing conditions of the local housing market. Developers would be discouraged from speculatively bidding for land on the presumption that they will be able to build developments of a minimal standard. Instead bids would be made factoring in the cost of meeting policy obligations. Both factors would help to level the playing field in the land market, making the building industry more attractive and less risky for smaller developers.
- A definition of good design that focuses on place making and the wider public realm would incentivise developers to build better and more beautiful places, while still allowing them to build standardised housing designs. It would also inform the content of related Section 106 and Community Infrastructure Levy (CIL) agreements. Although there are still issues around whether these standard designs truly reflect the quality of architecture that consumers tend to want and that local communities expect – by nature they are generic and lack resonance within the places they are built – this approach would allow larger developers to use

their economies of scale to build better and more beautiful places at the immediate pace that the housing shortage demands.

- Above all, we believe our policy recommendations would shift the main point of competition in the house building industry away from securing land with planning consent – whether it has been purchased with planning consent or if consent has been achieved internally – and towards the beauty and standard of the homes and places they build (i.e. the product), along with the value they bring to their neighbouring communities in perpetuity.

## Policy recommendations

- The Government should introduce 'place standards' that are published as part of national planning policy. These should outline a baseline of national standards that new residential developments are expected to meet on issues related to the public realm and place making, not least the qualities that make a place beautiful and that bring long-lasting value to the local area. The criteria must be objective, measurable and locally adaptable.
- The national criteria should be determined by a public consultation led by the Ministry of Housing, Communities and Local Government (MHCLG). The MHCLG should then be responsible for updating the national criteria every five years, adjusting to changes in demographics, evolving awareness of community needs and technological developments.
- Local planning authorities should be obligated to set local place standards based on consultation with the local public, a survey of the county or local settlement characteristics; and, local land values. They could either import the national criteria or use them as a starting point, but they should be included. The standard setting should be done at the local plan stage and would be considered alongside viability of planning policies in relation to land and development values.
- Meeting the criteria should then either be part of the development plan and given primary consideration in the decision making process or, in the case of the tilted balance being applied, be a material consideration still with significant weight in the consideration of the particular application. Local people preparing neighbourhood plans should also have opportunity to set local criteria that are guaranteed a high weighting in local planning decisions.
- To incentivise developers to propose and build schemes of a high standard, those that best fulfil the criteria could benefit from a streamlined, 'fast track' treatment in the planning process, secured through use of a Written Ministerial Statement. This principle should also be embedded in the forthcoming planning green paper on accelerated planning.
- The Government should make clear that meeting the national criteria is a key consideration in the assessment of whether or not a proposal is sustainable.
- Planning applicants for new residential developments should be

made aware of the criteria and prepare their development schemes accordingly, with a separate document submitted as part of any promotion document or application outlining how the scheme scores against the criteria. This document should be publicly available. As already required by the Government, the cost of meeting policy obligations should be accounted for early on and funded through the residual land value.

## Introduction

The Government has made improving the beauty and quality of new residential developments a key part of its plan to increase the number of new homes built each year. To find ways to improve the aesthetic qualities of new homes and places, it has established the *Building Better, Building Beautiful Commission*. The Commission is due to present an initial report in July 2019 and a final report in December 2019 to the Secretary of State for Housing, Communities and Local Government. The Commission's creation followed a number of policy announcements by the Government aimed at raising the standards of residential development, not least an emphasis on good design in the revised National Planning Policy Framework (NPPF).

The Government has also published the *Independent Review of Build Rate* that was authored by Rt Hon Sir Oliver Letwin MP. The report argued that there is often little to distinguish one new housing development from another. Its key conclusion was there must be greater variety and differentiation in new large housing developments.

Better and more beautiful housing developments are necessary for a number of reasons. Firstly, the built environment has a significant impact on people's happiness and health.<sup>7</sup> Whether the place someone lives has been built recently or not, everyone should be able to live somewhere that raises their spirits.

Secondly, new housing developments need to be sustainable environmentally and economically. They should add long-lasting value to a local area, bringing new employment and amenities, not just a collection of homes adding pressure on existing social and economic infrastructure. They should also be built to a standard that means they won't need to be rebuilt in years to come.

Thirdly, there is evidence to show that one of the drivers of 'Nimbyism' – when people oppose new homes being built in their neighbourhood – is the perception that what will be built will be poorly designed and ugly.<sup>8</sup> The public generally take a dim view of new development – common descriptions are that they are “soulless”, “cheaply built” and “little boxes”.<sup>9</sup> Better and more beautiful building will help to address this distrust of new development, making development easier and less risky for all types and sizes of developers – a key factor if enough homes are to be built to reduce the country's housing shortage.

There are many recent developments of various sizes and styles up and down the country which are of a high standard and bring long-lasting value to an area. A great number of developers, landowners and planning authorities rightly take great care and pride in what is built. However, these

7. There is much academic evidence that links good design with wellbeing and beauty with happiness, most recently: Seresinhe *et al.* (2019) – *Happiness is Greater in More Scenic Locations*

8. Policy Exchange (2018) – *Building More, Building Beautiful*, RTP1 (2019) – *Design Quality Survey*, *The Times* (2017) – *Ugly new homes breed nimbys*, builders told, Joseph Rowntree Foundation (2004) – *Housing Futures*

9. Public polling and focus group output from Policy Exchange (2018) – *Building More, Building Beautiful*

sorts of developments are the exception rather than the rule. In this report we argue that planning policy should seek to change this by incentivising much more strongly the building of better and more beautiful places by applying a set of objective criteria that schemes are expected to meet to achieve planning approval. We hope our recommendations are adopted by the *Building Better, Building Beautiful Commission* and then taken forward by the Government.

Our focus on what makes a place beautiful has been the features of places that people say they most like and value, for instance public spaces, trees and walkable streets. In that regard, one of the aims of this report's analysis and recommendations is to improve the standards of new places while still allowing volume house builders to build standardised housing designs. There are issues around whether these standard designs truly reflect the variety and quality of architecture that consumers want and local communities expect – by nature they are generic and lack resonance with the places where they are built. However, the approach we put forward would allow volume house builders – who build around 60 per cent of new supply each year – to use their economies of scale to build better and more beautiful places at a pace the housing shortage demands.

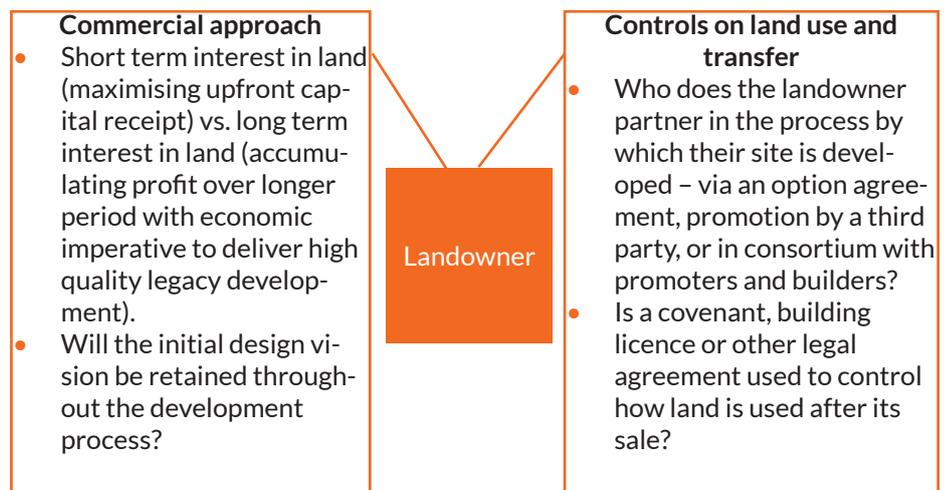
After this introduction we assess the factors that impact the standard of places in new residential developments, considering the role played by landowners, government regulation and the structure of the development industry. We then put forward a new approach to regulate for place standards using the planning system.

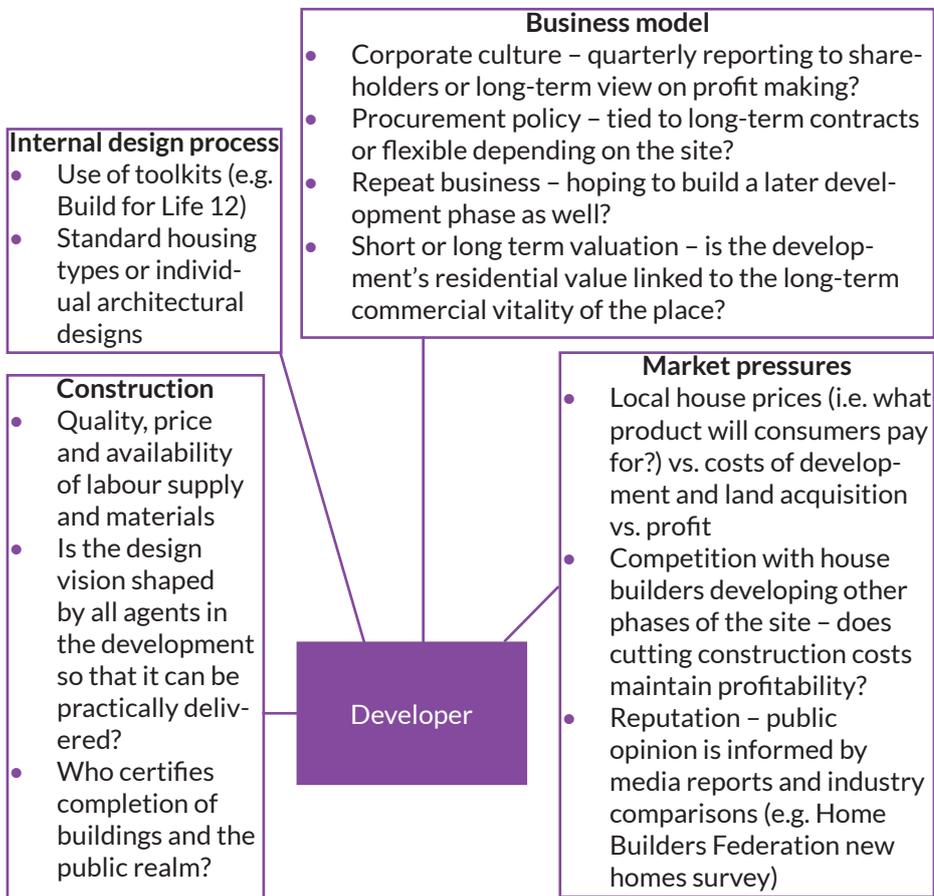
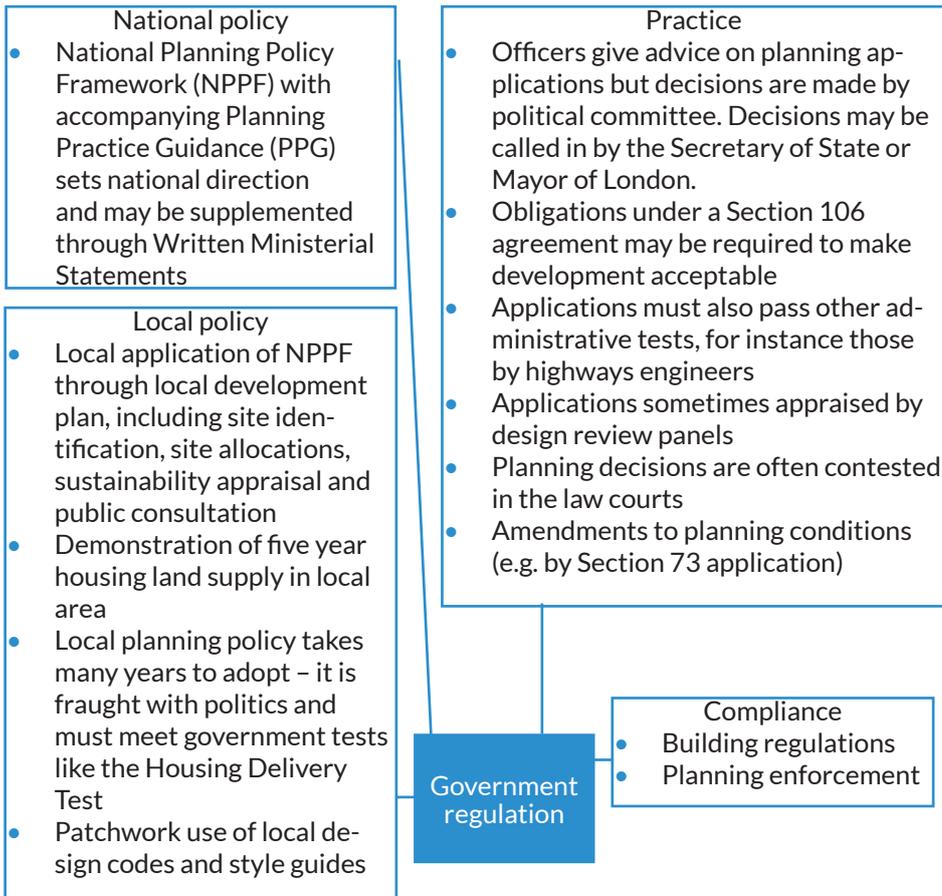
# What factors impact place standards in residential developments?

Why do new housing developments tend to look the way they do? Figure 1 below, which gives a basic overview of the development process, summarises the many factors that impact the design standard of new housing developments. There are many agents involved in the process by which a housing development is built, including the landowner, central government, local government and the developer. Each agent faces a different set of pressures, for instance market pressures and political pressures, so each has a different interest in what is built and how.

While every development scheme is unique, there are a number of common factors to explain why the country has a large house building industry that is geared towards the efficient construction of similar looking houses but only a small industry geared to build sustainable and well-designed places. In the rest of this chapter we summarise these factors. We conclude a new approach to regulating place standards is required with principles defined much earlier in the development process.

**Figure 1: Factors that impact the design standard of new housing developments**





## Landowners

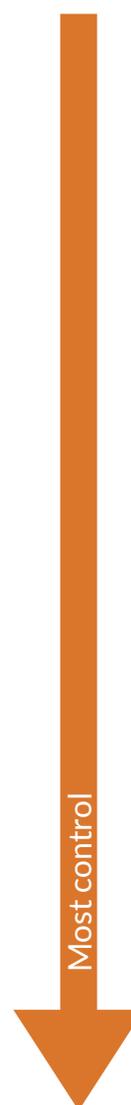
With control over how their land is used, landowners have robust powers to deploy through conveyance of their land. This means they have significant control over what is eventually built on any land they choose to sell.<sup>10</sup> Landowners' means of control come in many different forms, and above all depend on whether they take a short or long term interest in the development of their land. Common approaches include:



- **Promotion agreements.** The landowner works with a land agent to promote the site to be allocated for development in the local plan (if it isn't already) and/or to obtain outline planning permission. These agreements are typically negotiated and entered into at the earliest stage of the development strategy and particularly when there is little certainty as to the component elements and detail of the development. On the subsequent grant of planning permission, the site is then sold to a third party developer with the promoter receiving a proportion of the sale. To get their site planning approval, it is in the interests of landowners and promoters to promise a high quality development, but they have no influence over what is eventually built on the site if it is sold to a third party and indeed the promoter may well insist that there is limited design control to be retained by the landowner. There is no guarantee that the landowner's vision for the development will be delivered if it is not included in the outline planning permission. Commonly at the time the promotion agreement is entered into the landowner may not have been prepared to incur the expense of a detailed masterplan/design code or the promoter may have resisted terms imposing too restrictive control.
- **Option agreements.** The landowner gives a developer the right to buy their land within a certain timeframe. As with promotion agreements, the landowner commonly does not have a masterplan or design code on entering into the agreement with the developer being free to determine the component elements and detail of the development. The developer then seeks planning approval and exercises their option to buy the land if successful. The landowner has no control over the planning permission that is sought and thus no control over what is eventually built.
- **Joint venture partnerships between private or public landowners and developers.** The landowner and builder share the costs of promotion and design. Rather than taking a single capital sum upfront, land value is taken in a patient manner over the build period. The landowner has a long-term stake in the development and all parties have an interest in it being of a high standard to deliver high sales values. As part of this partnership, the landowner and builder(s) can enter a contract of common aspiration which bounds them to specific joint objectives, for instance design and commercial aspects.

10. Of course not all landowners will want to sell their land even when it is prime for development. This may be because of non-financial reasons (e.g. a family has owned it for centuries and want to retain it). But there is also the issue of land being an investment asset – landowners may be holding out for a higher price in future years.

- **Development Agreement/Building Licences.** Landowners may seek tenders for sale and development of land by agreements/licences at a stage when there is a degree of certainty as to masterplan and design code. The agreements will impose legal structures to control design, both during the construction stage and post-construction estate management. The code will set out obligations covering design, alterations, use and community behaviour; they are most suited to ensuring a development is properly managed after it is built. A Common Aspiration Contract may provide for the landowner and house builders to set a list of common aspirations to which each party subscribes and helps create, for instance a pattern book, masterplan, design code and materials. Under the agreement, the developer has an obligation not to depart from the Common Aspiration and the agreed Common Aspiration documents. A particular agreement structure is where the landowner retains the freehold of the land and building until the point of sale of the completed building, with the sale completion only allowed if it is built exactly as originally specified. This provides landowners total control over what is built but is difficult for builders who cannot offer the security of site ownership to borrow against and finance development. Structures involving the grant of long leases to the developer offer an alternative by which the landowner retains control through its freehold interest with the benefit of the developer's lease covenants and the developer holds a mortgageable leasehold interest. The structure of property ownership – freehold, leasehold and commonhold – is an important factor.
- **Landowner develops the site themselves.** The landowner coordinates the development themselves with control of the scheme.



There is no data to show what proportion of land that is developed each year has gone through any of the processes outlined above. However, disaggregating new housing supply by the size and nature of the builder gives an idea of the likely route of land acquisition.

Larger developers (including volume house builders, large housing associations and strategic land promoters) and their subsidiary companies own a significant amount of land with permission to be developed themselves (their short-term land bank). They also own a significant amount of land without permission (their strategic land bank). Many large developers are essentially builders and strategic land promoters, though some focus on one function much more than the other.

Short-term land banks are used to maintain a steady supply of development sites each year – an essential tenet of developer's business model to maintain development volumes in the current planning system.<sup>11</sup> Some of the sites in the short-term land bank will have been bought from landowners who have worked with promoters to achieve an allocation in

11. Though there have been concerns that land banks are used to limit the number of development sites coming forward to increase their value.

the local plan and/or planning permission, and some of them will have been promoted internally from the strategic land bank. In their analysis of the immediate land pipeline of seven of the ten biggest house builders, Savills estimate that 36 per cent of land was sourced internally,<sup>12</sup> though this proportion varies by house builder.<sup>13</sup>

Using data from their latest accounts, Table 1 outlines the size of the short-term land banks that are operated by the three largest UK house builders. As can be seen, each operates significant short-term land banks in comparison to the number of homes they build each year. Around three-quarters of plots are owned by the house builders and one-quarter are controlled via conditional contracts.

**Table 1: Short-term land banks of the three largest UK house builders in 2018 financial year**

	Homes built in 2018	Owned (plots)	Controlled (plots)	Total (plots)	Total (years)
Taylor Wimpey PLC	14,933	53,279	22,716	75,995	5.1
Barratt PLC	17,579	61,504	17,928	79,432	4.8
Persimmon PLC	16,449	75,793	23,295	99,088	6.0

Strategic land banks include both sites without planning permission owned by large developers; and, more significantly, sites on which they have an option agreement with the landowner. Table 2 outlines the size and turnover of the strategic land banks that are operated by the three largest UK house builders. Homes built on sites that were converted from the strategic land bank to the short-term land bank tend to provide higher margins, so it is unsurprising that an aim of many larger house builders is to maximise the number of homes built on plots converted from their strategic land bank – providing them control of the land over a greater part of the development process.

**Table 2. Strategic land banks of the three largest UK house builders in 2018 financial year.**

	Total	Plots converted from strategic to short-term land bank in 2018	Homes built in 2018 on plots sourced from strategic land bank
Taylor Wimpey PLC	127,417 plots (32,254 owned 95,063 controlled)	7,619	58%
Barratt Developments PLC	12,435 acres	2,788	27%
Persimmon PLC	16,500 acres (100,000+ plots)	3,772	24%

12. Savills (2018) - Where's the land?

13. For instance, 51 percent of Taylor Wimpey's short-term land bank is sourced from its strategic land bank. Taylor Wimpey (2018) - Annual Report

Strategic land promoters also operate significant land banks – indeed analysis by Savills shows they operate bigger strategic land banks than house builders.<sup>14</sup> Their business model is often based on taking a long-term interest in land in the hope of one day securing planning permission and selling it on, so operating significant land banks is essential. One of the biggest strategic land promoters is Gladman (who do not build any homes). It is privately owned, so they do not have to publish their financial position or data on their assets to investors, however their website states that they achieved planning permission for over 10,000 new homes and have secured planning permission on over 60 sites in the past year.<sup>15</sup> Whether through option agreements or outright ownership, achieving this rate of planning approval necessitates control of a great many sites.

Another type of strategic land promoter is those who retain an interest in sites after planning permission by providing infrastructure and then providing house builders serviced land parcels as ‘master developer’. They tend to control for quality by each development phase. Urban and Civic, for instance, has a portfolio of a number of strategic sites with over 50,000 residential plots either consented or being progressed. Places for People also operate extensively in this role.<sup>16</sup>

A 2017 report by Savills approximated that housing associations control land with capacity for 90,000 homes in the development pipeline, of which 40,000 plots are at pre-application stage.<sup>17</sup> This is smaller than volume house builders and strategic land promoters, however many housing associations intend to operate bigger strategic land banks. In a survey of housing associations last year, 35 per cent of housing associations said they already operate strategic land banks.<sup>18</sup> Of those who do not, 26 per cent intended to invest in strategic land over the next year and 40 per cent intended to over the next five years. An example of the ambition of housing associations to operate significant strategic land banks is the housing association L&Q’s purchase of Gallagher, a strategic land promoter, which means they now own or control land with capacity for 46,700 new homes.<sup>19</sup>

In short, through both their short-term and strategic land banks, larger developers have ownership or control of a great many potential development sites across the country. Needless to say, neither group will set themselves extra conditions on land they own or control which they intend to sell or develop.

Smaller sized house builders cannot generally afford to operate land banks. Their access to land tends to be limited to smaller sites which larger house builders are less interested in bidding for. These sites may also have been promoted by land agents for allocation in the local plan. Many will also be ‘windfall’ sites – these are sites that are not originally allocated for development in the local plan but which become available unexpectedly and meet the local planning policy objectives.

There are a small number of landowners committed to what has been called legacy development. Rather than taking an upfront capital receipt – often with no ongoing design control - for selling their land, landowners take an active role in development to ensure what is built on their land

14. Savills (2018) - *Where's the land?*

15. <http://www.gladmanland.co.uk/>

16. Urban and Civic (2018) - Annual Report and Accounts

17. Savills (2017) - Housing Sector Survey

18. Savills (2018) - Housing Sector Survey

19. L&Q (2018) - Financial Statements

is of a high standard. They then take the land value over a longer period. Legacy development's residential value is dependent on the long-term beauty, standard and vitality of the place. This forces the provision of commercial units alongside homes, even when they are sub-optimal in terms of rental receipts in the short-term. This reflects the traditional (pre-1918) method of residential development often exercised by charitable foundations to provide longer term receipts or revenues for land. It is also the model which underpins some of the best examples of British urbanism such as New Town and Southside in Edinburgh, Dulwich Village and some of the great estates of London, Edgbaston in Birmingham and the Town Close Estate in Norwich.

Public land is often developed with some of these principles through joint ventures between the public sector and private house builders, though sometimes the public sector prefers a high capital receipt upfront rather than waiting for future revenue streams.

In summary, although landowners have a number of means to control what is eventually built on the land they sell, a limited proportion choose to use them. This seems likely to continue. A great deal of land with potential for new homes is either already owned by large developers or controlled by them through option agreements – exactly how much is unknown given these are private legal agreements<sup>20</sup> – which means the landowner has already given up their power to have a say on what is built on their land. Many landowners will also continue to work with promoters to secure outline planning permission and then sell their land, thereby giving up quality control once it is sold to a house builder.

Greater landowner quality control, be it in a private or public interest, by no means guarantees better and more beautiful developments. Moreover, be they house builders, strategic land promoters or housing associations, developers take a different approach to these issues. However, landowner control is different and arguably stronger than the planning system. For instance, as one person we spoke to put it, “Planners can only be reasonable in a legal sense while a landowner can be unreasonable and demand standards of design that planners never can.” If regulation is too weak and/or the house builder does not prioritise these matters, it means there is one less check on development standard.

### Government regulation

The planning system controls how land is used and, along with building regulations, regulates all new building. Building regulations set the minimum standards for the design and construction of new buildings. They are set by the Government subject to parliamentary approval but do not impact the design of places.

Development cannot go ahead without obtaining planning permission. In most cases the decision maker is the local planning authority but the availability of call in and appeal means that there is significant scope for national control over whether a development can be built, the content of planning policy and assessing a development against those policy objectives.

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20. In their Housing White Paper the Government committed to consult on improving the transparency of contractual arrangements used to control land, however it did not give any timeframe for this.

By deconstructing the way planning policy is set and put into practice, we can therefore see how and to what extent the planning system regulates the standard of new development.

### **Planning policy and the regulation of development standard**

The National Planning Policy Framework (NPPF) sets the direction of planning policy in England. It is accompanied by Planning Practice Guidance (PPG), statements that set out how government planning policy should be applied, and Written Ministerial Statements.

Each local planning authority must have a local plan that sets out a local framework for development of a place over a long timeframe and that is in conformity with the NPPF. Within local plans, local planning authorities set strategic priorities for the area and allocate a sufficient supply and mix of sites for development which are judged by their availability, suitability and economic viability. The public must be given a chance to comment on local plans and each plan is accompanied by a sustainability appraisal that details its impact on the local area. Local planning authorities must also be able to demonstrate there will be enough land coming forward for enough new homes to meet the next five years of demand. In some cases, authorities will work together across boundaries to set a common five-year land supply target, agree a coordinated land release and an infrastructure investment plan.

Local plans will include provisions for the design and aesthetic of new developments, especially for specific locations like conservations areas, while a patchwork of local authorities have also adopted design guides or codes and/or style guides to set expected standards of development in their area. In reality, the importance and efficacy of design policies vary significantly across the country. Some local planning authorities are thought to be visionary about the future aesthetic of their area – for instance Cambridge City Council and the London Legacy Development Corporation. However, the design policies of others are demonstrably imprecise and barely distinguishable between local planning authorities whether they are predominantly urban or predominantly rural (for instance the first two examples in the box below). This is a problem: where policies are open to interpretation, it is easy to substitute alternative definitions and interpretations at the planning appeal stage.

Local planning authority	Policy	Analysis
Winchester City Council	“CP13 - High Quality Design. New development will be expected to meet the highest standards of design. In order to achieve this all proposals for new development should demonstrate that... the principles of design and how the detailed design responds positively to its neighbours and the local context... the proposal makes a positive contribution to the local environment and creates an individual place with a distinctive character... the public realm has been designed to ensure that it is attractive, safe, accessible and well connected to its surroundings, including walking and cycling routes to and within the development, to encourage their use.”	These are aspirations with no practical meaning. Planning officers, committee members and applicants could interpret them in many different ways. Rather than increase certainty, they reduce it.
Southampton City Council	“New development should be designed to improve legibility and local identity by enhancing and complementing the positive visual characteristics of the City and its wider regional area.”	Again, there is no practical meaning to this policy.
Wiltshire Council (west)	Policy R4: “Residential development proposals of ten or more dwellings will not be permitted unless appropriate provision for public open space is made in accordance with the standard of 2.43 hectares (6 acres) per 1,000 population.”	The policy sets a precise and objective benchmark for achieving planning permission with nothing left to interpretation.
London Legacy Development Corporation	Policy B.1: “Proposals on employment land outside the [employment] clusters and where new uses are proposed within the Other Industrial Locations shall: a) Maintain or re-provide equivalent industrial floorspace within B2/B8 Use Classes; or b) Maintain or re-provide equivalent employment floorspace within B1 Use Classes or significantly increase job densities within B Use Classes.”	Again, the policy sets a precise and objective benchmark.

Furthermore, the process by which sites are allocated for development has little consideration for the design and aesthetic of what sort of place is eventually built. This is evident in two ways. Firstly, there is rarely much policy weight given to what proposed developments will be like when

local authorities determine site allocations. Instead the Government suggests assessing factors like location, type of development, scale and potential constraints.<sup>21</sup>

Secondly, rival sites will often compete with each other for allocation. This, of course, isn't bad in itself. But, alongside the need to demonstrate a five year housing land supply, the introduction of the Housing Delivery Test –which strips local authorities of their planning powers if they miss their New Homes Target by a wide margin– means that local authorities are incentivised to allocate sites based on the number of new homes delivered much more than what the new place will be like, which will be reliant on many more things than the number of homes, for instance its beauty and sustainability.

Given it is the allocation stage and/or the stage when a site receives outline planning permission when land values tend to rise significantly, and sites will often then be sold to house builders who operate to rigid profit margins, any attempt to then raise the standard of a potential development after this point becomes an uphill task. Applicants will often say that extra development conditions will make their scheme unviable. While of course the finer detail of a proposed development should be the subject of a reserved matters application at a later stage, more policy obligations ought to be agreed at an earlier stage of the planning process before they become unviable to deliver because of the price a house builder has paid for a site. This means setting standards and principles for the design of new development upfront before land is allocated in the local plan so that its viability implications can be taken into account at that initial stage.

The final point to make is that there are large parts of the country where local authorities have much less control over what is built and where. Where the local authority does not have an up to date plan in place, or where it cannot demonstrate a five year supply of land for new homes, the local authority loses some of its power to set local planning policy. Instead there is a presumption in favour of sustainable development – a term that has no strict legal definition and can be a source of extensive legal argument – which means there is much less local control over what is built and where.

In these places, of which there are many – a recent analysis found 45 per cent of local planning authorities don't have a local plan that is legally compliant with the NPPF<sup>22</sup> – issues of development quality are often taken out of the local authority's hands. For example, a local authority may make a decision on a planning application. However, if it is appealed to the Planning Inspectorate, one analysis has suggested it is twice as likely to be approved in an area without a five year supply of land for new homes than in an area which can demonstrate one.<sup>23</sup>

### Planning practice and the regulation of development standard

Applications for new developments are made to the local planning authority. Decisions are based firstly on whether the proposal is 'in accordance with' the local development plan before the decision maker goes on to consider

21. The Government's advice to local planners does not suggest they directly account for the quality of the promoted development: MHCLG (2018) - *Housing and economic land availability assessment PPG*

22. Lichfields (2019) - *Planned up and be counted*

23. Analysis of 164 cases by the Campaign to Protect Rural England found that 31 percent of appeals in areas with a five year housing land supply were approved and 69 percent were dismissed. In areas without a five year housing land supply, 60 percent of appeals were approved and 40 percent were dismissed. CPRE (2018) - *How 'land promoters' exploit legal loopholes at the expense of communities and the countryside*

other material considerations including national planning policy. Most decisions are made under delegated powers by planning officers; larger schemes are determined by local planning committees on the basis of reports from planning officers.

The whole application process is renowned for being protracted, especially for major sites, with issues of good design and what the place will actually be like often forgotten. It will typically take at least two years (often much longer) for a scheme of around 4,000 homes to achieve outline planning permission (i.e. approval of the site masterplan) and a further year to achieve the granting of planning consent.<sup>24</sup> Part of the reason for this is the time needed to negotiate the content of any related agreement under Section 106 of the 1990 Act required to make development ‘acceptable’. Another is the extent to which the application is scrutinised by bodies within and outside the council, including government bodies and agencies like Network Rail and the Environment Agency – whose interests should be registered much earlier in the process – and ‘single interest’ issues such as trees, archaeology, hydrology, leisure, education and, most significantly for the eventual design of a scheme, highways. The applicant will usually address each issue in a report accompanying the application.

While each single interest test has worthy aims, the outcomes of some often result in the original design vision being diluted or corrupted whether it meets local planning policy or not. Rather than incentivising developments that are acceptable to the community from the very start, planning practice relies on negotiating the features that developers must provide to make it legally acceptable. The question of what a development is like for the people who will live there is often relegated in importance beneath issues like whether wide vehicles like bin lorries can easily navigate the development. The slow speed of this process also discourages smaller developers who are not financially able to take on significant upfront cost or risk in the way that larger developers are able to.

Development proposals may also be appraised by a design review panel as part of the assessment process. While there is guidance as to how these panels should be constituted and behave, their performance is thought to be variable across the country. There are also questions over the extent to which the preferences of the local community are represented compared to the preferences of design professionals sitting on the panel.<sup>25</sup>

Even after a decision has been made on whether to approve the application, the new development may be further impeded by (in the case of a refusal) an appeal to the Planning Inspectorate or (in the case of a refusal or approval) a third-party challenge, that takes the process away from the local authority and into law courts.

The nature of the development can be further changed if a Section 73 application is made by a developer on an approved scheme to the local authority to remove or change conditions that are attached to planning permissions. These conditions are often related to the design of the scheme so applicants are able to dilute the standards that were originally demanded. In the 5,500-home new town of Sherford, for instance, house builders

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24. Professor Robert Adam in Policy Exchange *Building Beautiful* essay collection Policy Exchange (2019) - *Building Beautiful*

25. Yet when it comes to the design and style of new buildings, there is a big difference between the preferences of the public and design professionals: Nicholas Boys Smith in Policy Exchange *Building Beautiful* essay collection Policy Exchange (2019) - *Building Beautiful*

were able to alter the design code through this process. The standards that had been agreed with the local community as part of the planning process, like the use of buildings and materials, were diluted to reduce the construction costs of house builders who bought the site.<sup>26</sup> While the unpredictability of construction – e.g. market factors like changes to house prices and the costs and availability of labour and materials – as well as the long period over which developers build on a site mean the design brief will inevitably jostle with its viability, too often good design promised at the planning stage is not being built faithfully.

### **Policy changes allow for better regulation of development standard**

The complexity and multiple tensions of the planning system often prevents it from regulating well for good design and place making. While the standard of some schemes will be raised by the policies set out in local planning documents, the standards of other schemes will suffer. Moreover, the system often sets development standards too late in the process, typically after land has been allocated for development. Other policy issues also impact the planning system, for instance the Government's new Housing Delivery Test and the reported underfunding of local planning departments to adequately regulate new development in their area.<sup>27</sup>

There are nonetheless a number of recent or forthcoming changes to planning policy which make good design a more prominent feature. Although it can take time for national policy change to translate into local delivery – local plans take many years to produce and adopt – each of these policy changes provide significant opportunity to improve the standards of new residential development. They include:

**The revised NPPF:** The NPPF was updated in July 2018 and subsequently revised in March 2019. The need for good design is emphasised throughout. It includes a new chapter on 'Achieving well-designed places' and states that there should be greater consideration of good design at all stages of development. It encourages the refusal of planning permission for poor standard of design and says that local planning authorities should not allow the quality of approved development schemes to be watered down.

The emphasis on good design is welcome, allowing local authorities to exercise greater control over design quality. However, there is a risk that the Government's proposals are either ignored, bringing no change at all, or that they make the situation even worse because builders, land promoters, architects and planners are, scheme-by-scheme, drawn into competing and costly discussions over what 'good design' means. Planning decision makers – officers, committees and planning inspectors – will, in effect, become arbiters of taste when principles of what makes a good place are much more than just a matter of taste.

The reality is that even though it has admirable intentions, the term 'good design' is too vague to be useful. A more empirical definition is needed.

**New Viability PPG accompanying the revised NPPF:** When developers believe policy obligations like design requirements (e.g. using specific materials), Affordable Housing and infrastructure provision make their

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26. The Times (2017) - Prince Charles loses fight over big builders' plans for eco-town

27. RTPI (2019) - RTPI renews call for more resources for planning in light of NAO report

scheme unviable – i.e. the value generated by the development will be less than the cost of developing it – they are able to produce viability assessments in the hope of reducing those obligations. This process has been strongly criticised, with developers accused of using viability assessments to unfairly limit what they have to provide.<sup>28</sup> The revised NPPF therefore asks that viability assessments are made at plan making stage when land is allocated for development (instead of application stage as before). Local planning authorities have been instructed to expect the costs of being compliant with their policies to be factored into the costs of acquiring land.<sup>29</sup> As stated in the Viability PPG, “Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.”<sup>30</sup>

It is thought that this change will reduce the flexibility of planning applicants to reduce policy obligations which should therefore allow stronger regulation of design, as well as other policies like the provision of Affordable Housing and infrastructure. As Turley, the planning consultants have written, the Government “will no longer tolerate promoters and developers offering to meet full policy costs, plus other community infrastructure, in order to secure allocation, only to return shortly after at the application stage seeking to reduce such commitments.”<sup>31</sup>

**New planning guidance on diversity:** The *Independent Review of Build Out* that was commissioned by the Government and authored by Sir Oliver Letwin argued that there must be greater variety and differentiation in new large housing developments – not least in tenure, type and design. To support this, the Government has pledged to publish additional planning guidance on housing diversification for large sites. In line with the direction of new Viability PPG described above, the Secretary of State for Housing, Communities and Local Government has also said that, “the costs of increased housing diversification should be funded through reductions in residual land values.”<sup>32</sup>

Given housing diversity relates to tenure, type and, not least, design, the Government’s forthcoming planning guidance on diversification offers another opportunity to encourage greater difference in the design of large new housing developments.

**Forthcoming updates to the Design PPG:** The Government is in the process of producing new design guidance to reflect changes to the NPPF. This will replace the existing Design PPG which one person we spoke to described as, “reading a bit like a Q&A... that doesn’t really say anything about design principles so no-one uses it.”

An MHCLG document says the revised guidance will “[comprise] text on processes that ensure quality is delivered, including tools and techniques, design principles and characteristics of projects.”<sup>33</sup> It will be accompanied by a design manual that uses images to outline design principles and guidance for what makes a well-designed place. These changes to the Design PPG will give greater clarity to what the Government means by ‘good design’ that can be updated again in the near future.

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28. *The Guardian* (2015) - Revealed: how developers exploit flawed planning system to minimise affordable housing

29. It should be noted that local planning authorities are to assume in this process that developers get a return of 15-10% of the Gross Development Value.

30. MHCLG (2018) - Viability PPG

31. Turley (2018) - Viability assessment under the Government’s new ‘Planning Rule Book’

32. Rt Hon James Brokenshire MP (2019) - Planning update: Written statement - HCWS1408

33. MHCLG (2019) - Appendix B - Statement of Requirements, Design Manual development - Planning Practice Guidance, CPD/004/119/220

### Developers

There are many different types of developer, each with a different approach to the standard of their product. For the most part this will be dependent on the circumstances of individual sites, namely the costs of acquiring the land, the local policies that determine how the site can be used and developed; and, house prices in the local area. Yet there are a number of common themes across the developer industry to explain why new homes and places look the way they do.

Firstly, the cost of land with planning permission tends to be very high. If a site has been bought for a high price, developers will face a lot of pressure to keep other costs, like materials, as low as possible in order to maintain their profit levels<sup>34</sup> – especially if it is developing part of a multi-phase site and so in direct competition with other builders. This shows the importance of buying land as cheaply as possible. It also shows how with a planning system that rations developable land so tightly, the point of competitive pressure in the development industry tend to be much more focused on purchasing or achieving permissioned land rather than on the quality of what is actually built. Larger developers therefore operate significant land banks to maintain a steady flow of permissioned sites which reduces smaller developers' access to developable land.

Secondly, and very much linked to the first point about the cost of land, is the financing and business model of house builders. Volume house builders, who build around two-thirds of new supply each year, are mostly publicly limited companies who report to their shareholders each quarter. Their business model tends to demand profit to be realised as quickly as possible from a development. This means that for some but certainly not all larger house builders, beyond immediate consumer pressure, there is often no commercial imperative to build places that are of a high standard for the long term.

In comparison, the business model of legacy developers is geared towards a larger profit being realised over a longer period. The residential value of a development is dependent on the long-term beauty, standard and vitality of the place.

Moreover, those building homes for rent, whether they are private builders or housing associations, have a commercial imperative to commit to the final product and build and maintain places for the long run. Private rental developments are often financed by 'patient money' like pension funds that prioritise long-term returns. It is also acknowledged by build to rent companies that their product must have immediate appeal as people are essentially buying into a lifestyle, rather than an investment (so have little interest in putting up with a suboptimal area whose value might 'go up' in future).

Thirdly is the importance of corporate culture. While no private house builder large or small will say that they build homes of poor standard, issues of beauty, design and quality are clearly more important to some than others.

Fourthly, even when a house builder goes the extra mile in designing a new development that meets local design requirements and more – which

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34. Often building to the lowest cost is also in the interests of the local authority who will be responsible for maintaining the new area. The local authority will want to maintain the area at the lowest possible cost which often means they would prefer the use of materials that are cheapest to replace like tarmac and concrete.

inevitably takes more time and resource than standardised designs – there is still a great deal of risk associated with achieving planning approval. The planning process is slow and unpredictable. There is little incentive in the planning system to build better and more beautiful developments. Rightly or wrongly, developers do not tend to have much confidence that this process will be made any easier or quicker if they meet local aesthetic demands.

Fifthly is the weakness of consumer power in the new build housing market. While there are many factors that influence a person's choice of home, location more often than not trumps other factors – for instance to be close to family and friends or within a school catchment area.<sup>35</sup> This is not to suggest other factors like what a home or place is like do not matter – public polling by Policy Exchange and other evidence shows they matter hugely to people<sup>36,37</sup> – but that because housing demand tends to be localised and new supply in area is often limited, there is little pressure for house builders to deliver the sort of product consumers truly want. This is compounded by the lack of live demand site data for housing markets, which means it is difficult to see the extent to which new homes are meeting consumer preference, and the asymmetry of information in the new build housing market, which means consumers often purchase homes without being able to assess the standard of the product or surrounding environment.

Sixth is the internal process by which new homes and places are designed. Many developers, particularly larger ones, will have a number of standard designs for new homes. Others will have architects produce specific designs for each development. While there is nothing inherently wrong with standard housing types, it is difficult to create places that are distinctive and responsive to local circumstance – two qualities which public polling suggests are very important to the public in the design and style of new housing development<sup>38</sup> – when the same designs are used across the country. However, by making subtle changes to materials and details, in tune with local traditions, standard house plans can be tailored to their local areas so that they meet local aspirations and preferences. Furthermore, although there is a government-endorsed industry standard for the design of new housing developments, *Building for Life 12*, they are simply guidelines that developers self-assess their schemes against. Perhaps because there isn't a big enough imperative to do so, many of the biggest developers do not build to the principles in *Building for Life 12*.

Finally, developers are constrained in what they can build by the quality, availability and price of labour and materials. Clearly these are massive issues and markets that go well beyond the UK, but the shortages in professional and trade skills across the house building industry, as well as the shortage of materials like bricks, mean its capacity to build to certain specification is limited. The importance of the builder's relationship with the contractor cannot be overstated.

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35. JRF (2004) - Preferences, quality and choice in new-build housing

36. Policy Exchange (2018) - *Building More, Building Beautiful*

37. JRF (2004) - Preferences, quality and choice in new-build housing

38. Policy Exchange (2018) - *Building More, Building Beautiful*

## A new approach to regulating place standards in new residential developments

What can be done to build new housing developments that are better, more beautiful and that bring long-lasting value to the local area?

For landowners, the profit motive does not, at least in the short term, align with building developments to a higher standard. Public policy provides little incentive to do so. Taking an upfront capital sum is often a much more straightforward decision for a landowner than committing for the long-term to a development which realises higher profit more patiently. This decision is made easier by the tax code – which discourages landowners from taking forward their land directly or investing it as equity in a project – and is particularly true for smaller landowners like small-scale farmers who are not able to take levels of risk that larger landowners can.

For most land promoters, their business model is based on achieving outline planning permission with as few planning conditions as possible and then selling those sites to third party house builders for as much money as possible. They might promise quality to secure planning approval but have a very limited role, if any, in delivering it. Their interest contractually is in achieving the highest value in the land which drives land price inflation. Their funding tends to be short term and high risk, looking for very high levels of return to match risks taken.

For volume house builders, like landowners, there often isn't a big enough commercial imperative to build better and more beautiful developments either, not least as their interest in a project ends with the last house sold. They are producers (of housing) rather than investors (in places). There is little incentive to change development models, especially when there is little industry confidence that a development's route through the planning process will be made any less risky if it meets local design requirements.

Instead it must be government regulation that incentivises the building of housing developments to be better and more beautiful places that bring long-lasting value to the local area. It should not be expected that every new development is an architectural wonder. It is right, however, to expect that new developments are places that will sustain themselves and be cherished by consumers and communities. This should mean the delivery of fixtures that are fundamental to the public realm, like trees, walkable streets, digital connectivity and public spaces, and the building of places

with a variety of building uses and types.

For this to happen, the planning system needs to start clearly asking for these things before decisions about allocating land are made and outline permissions granted. A policy tool is needed that means landowners, land promoters, developers and house builders who build better and more beautiful places receive preferential treatment in the planning process.

Recent and forthcoming changes to planning policy mean there is an approaching confluence of regulation that supports these aims. Firstly, there is a greater emphasis in national planning policy that good design is essential for new development. Secondly, the Government is now clear that planning policy obligations should be delivered in full and funded through the residual land value. Both mean good design and place making can be regulated with practical meaning and delivered in ways that weren't achieved by past governments who also wanted better and more beautiful developments to be built.

Going forward, we believe it is essential that the Government defines more precisely what it means by good design in the form of a list of objective criteria that sets out what makes a beautiful place – so that the planning system can be more direct in asking for it. This will unlock better and more beautiful developments by giving local planners greater confidence all across the country to demand higher standards of residential development in their area. It will enable them to positively discriminate towards the developers who build places of high standards, thereby providing the industry the incentive to build better and more beautifully.

Setting principles of development quality and requisite standards applied upfront would also impact land values which tend to reflect what is allowed to be built on a site and prevailing conditions of the local housing market. This, we believe, would discourage developers to speculatively bid for land on the presumption that they will be able to build developments of a minimal standard – a process where the winning offer tends to be the highest bidder who has presumed the lowest possible spend on things related to the standard of the development like build materials and infrastructure.<sup>39</sup> It would help to level the playing field in the land market, making the building industry more attractive for smaller developers.

We outline how this policy would work in the rest of this chapter.

### Policy mechanics

The Government should introduce place standards that are published as part of national planning policy. These should outline the standards that new residential developments are expected to meet on issues related to the public realm and place making. The criteria must be objective and measurable, as opposed to the descriptive nature of current demands for good design in planning policy in much of the country. These descriptive demands are too often a matter of interpretation that can be challenged in planning appeals and argued away by applicants with much greater spare resource than local planning authorities.

As part of this policy, the Government should set a national baseline of

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39. The bid will have been made in knowledge of prices in the local housing market. The more that is spent on acquiring land, the more pressure there is to squeeze spending on building the development to meet profit targets.

the standards that should be met for each criterion. The national criteria and baseline standards should be determined by a public consultation led by the Ministry of Housing, Communities and Local Government (MHCLG). The MHCLG should then be responsible for updating the national criteria every five years, adjusting to changes in preferences and technologies.

After consultation with the local public, local planning authorities should also be obliged to set local place standards. These could simply import the national standards or could build on them and should be done at the local plan stage when there is also the requirement to prove viability of planning policies in relation to land and development values. Meeting these criteria should therefore be a part of the methodology used by local authorities when preparing sustainability appraisals alongside local plans.

The criteria would then be both a component of the local development plan and a material consideration with legal weighting in all relevant stages of the planning process, not least when local authorities allocate sites for development and when planning applications are decided. These are the stages after which land values tend to rise significantly, so it is essential that requirements to build developments of the requisite standard are agreed beforehand. As already required by the Government, the cost of meeting policy obligations should be accounted for early on and funded through the residual land value. For larger sites, the criteria should apply to the development's masterplan and consequent planning applications for each phase of the development.

The Government should make clear that meeting the national criteria is a part of sustainable development. This should reduce the extent to which the definition of sustainable development continues to be defined in the courts where the fate of development schemes is regularly decided. Any person or organisation promoting a site or submitting a planning application should be expected to demonstrate how their scheme fulfils the criteria and some may want to choose to include a genuinely independent assessment as an accompanying document. Local planning authorities should then judge which sites best meet the criteria. It should be expected that development schemes scoring best against these are allocated and/or approved for development, thereby incentivising developers to propose and then build better and more beautiful developments.

This approach of using a standardised metric to improve the standard of new places via the planning process is similar to the Government's plans to mandate Biodiversity Net Gain. These plans, which were consulted on in 2018 and confirmed in the 2019 Spring Statement, mean to achieve planning consent, applicants will need to show how the quality of the natural environment will be improved as a result of their development. To measure whether the quality of a site has improved, a standardised metric, produced by Defra and Natural England, will be used to objectively measure sites' biodiversity 'value'.<sup>40</sup> This metric will be based on four components that are each given a unit score – distinctiveness, condition, strategic significance and habitat connectivity. Developers will be expected to factor in the costs of meeting these obligations upfront when purchasing land.

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40. Defra (2018) - Net gain: Consultation proposals

A systematic and objective approach to regulating the quality of new places wouldn't set strict parameters for urban design, nor would it bring a wholly theoretical approach to planning. It would, however, guarantee that the fundamental features of places that people want and expect are taken into account from the beginning of the project. Such a guarantee would then give the public greater confidence in new housing development.

By setting precise expectations of what can be built on a site from the very start of the development process, landowners, land agents and house builders would also have greater certainty on what they must provide to achieve planning consent. This would make entering the local development market more attractive to the private sector, especially for smaller builders.

### Delivering the policy in practice

We envisage place standards would be used throughout the planning system to positively discriminate towards schemes that deliver best against the local criteria. Planning officers and planning committee members would have a precise set of definitional criteria against which decisions could be assessed, and which would also be a robust basis on which to resist a third party challenge.

We expect the criteria to have most impact at three stages of the planning process: allocation, approval and adherence.

**Allocation:** Whether a site meets the criteria would be a consideration in which sites in a local area are allocated for development. This would not require site promoters to provide the level of detail required in reserved matter application, but it would require a commitment and plan to fulfil local criteria. In that regard it is reasonable that when allocating sites, local planners give sufficient weight and scrutiny to the applicant's track record of delivering sites that are developed to a high standard (though without preventing new entrants into the development industry). This would incentivise all land promoters and developers to immediately raise the standards of their developments to the requisite local level.

**Approval:** When deciding whether to approve or reject planning applications, planning officers and committee members would refer to the extent to which the proposed scheme fulfils the local criteria. They would also make building places to these criteria a condition of planning consent. Developers purchasing sites that are either allocated for development or with outline planning permission would then be tied to delivering these obligations. This means the cost of meeting these obligations would be reflected in the price they would pay for the land. Rather than trying to set higher standards of development after land values have increased, standards would be set from the beginning of the planning process.

**Adherence:** The precise nature of objective criteria means that there is much less flexibility to dilute standards after planning consent has been granted. If planning permission is tied to fulfilling these criteria, the builder will be legally obligated to deliver these criteria. In cases where a developer believes viability has genuinely been compromised, they should have the option to commission an independent body to re-run a

sustainability appraisal and present the implications of any changes to the planning consent at committee or appeal.

### Place standards

What might be included in the place standards?

There is a significant body of literature that considers what makes a good place, not least in existing design tools like *Building for Life 12* (Design Council), the *Urban Design Compendium* (English Partnerships) and *10 Characteristics of Successful places* (Royal Institute of British Architects). It is a question that has been asked for millennia and in this report we have no desire to provide an answer that is new. Instead we believe the focus of the criteria, as consulted on by central and local government, must be the objective differences in standards and principles that separate a typical housing estate with the sorts of places that will sustain themselves and that consumers and communities will cherish. Each must be clearly defined with accompanying guidance published by MHCLG outlining how schemes are to be objectively assessed.

Clearly not all measures of a good place or good design can or should be regulated for. The planning process can only go so far. The expertise of architects, builders, and urban designers is necessary to bring a scheme to life. Yet there are some features that we believe people should have confidence will be delivered. Our suggestions for the criteria are below:

- 1. Community and stakeholder consultation.** Schemes should be able to demonstrate genuine engagement with the local community and key stakeholders should be able to show that people have been listened to, their thoughts recorded and that they have inputted into the briefing and design of the scheme.
- 2. Clear definition of public and private urban and green spaces.** A scheme's masterplan should demonstrate an ample provision of urban and green public space. It should also clearly define the separation of public and private space. Streets should be compliant with the Government's Manual for Streets and should produce a legible hierarchy of routes. Schemes should have a layout that responds to the appropriate precedents that are predominant and popular in the local area, for instance open spaces, squares and greens. This should include a clear street based hierarchy for movement that puts pedestrians, cyclists and public transport first.
- 3. Diversity of housing types and tenures.** There should be a diverse mix of housing types and tenures. They should be flexible in their design so they can be adapted over time as market trends change.
- 4. Diversity of employment spaces.** Schemes should provide a diverse mix of small, medium and large employment spaces. For smaller developments under a certain number of homes or residential square footage, it will be viable to provide whole new employment spaces so they should instead be within a minimum distance of existing employment spaces. This is essential to building

mixed-use communities rather than monoculture housing estates, though will need to be defined in relation to evolving lifestyle patterns where people increasingly work from home.

- 5. An outline building and use specification for the public realm.** This should include building facades and be based on using materials that are locally popular, environmentally sound, and adapted to current building skills and technologies. There should be a specific exclusion of inappropriate uses, particularly those detracting from the amenity and community potential of the space.
- 6. Tree coverage.** Schemes should have a percentage of tree canopy cover that is consistent with other places in the local area.
- 7. Long term management.** Schemes should have in place a plan for the long-term management of the place after it is built. There should be a preference for a steward to own and maintain the core estate and the local community to have a stake in the place. Adaptability over time should be considered together with resilience.
- 8. Accessibility to local services and amenities.** New homes should be within a certain walkable distance of local services and amenities such as schools, parks, shops, have good digital connectivity including potential to access 5G networks, and public transport nodes like bus stops. This can be measured by using accessibility indices. For larger developments this will clearly necessitate the building of some new amenities.
- 9. Further quality control.** Schemes should demonstrate how quality will be controlled during and after building, beyond controls exerted through the planning system. This could be by adopting building commitments in a code that is enforced through legal structures like a covenant or a Common Aspiration Contract between landowners and house builders.









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