



# Building Communities

PLANNING FOR A CLEAN AND  
GOOD GROWTH FUTURE  
**EXECUTIVE SUMMARY**

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# About Localis

## Who we are

We are a leading, independent think tank that was established in 2001. Our work promotes neo-localist ideas through research, events and commentary, covering a range of local and national domestic policy issues.

## Neo-localism

Our research and policy programme is guided by the concept of neo-localism. Neo-localism is about giving places and people more control over the effects of globalisation. It is positive about promoting economic prosperity, but also enhancing other aspects of people's lives such as family and culture. It is not anti-globalisation, but wants to bend the mainstream of social and economic policy so that place is put at the centre of political thinking.

In particular our work is focused on four areas:

- **Decentralising political economy.** Developing and differentiating regional economies and an accompanying devolution of democratic leadership.
- **Empowering local leadership.** Elevating the role and responsibilities of local leaders in shaping and directing their place.
- **Extending local civil capacity.** The mission of the strategic authority as a convener of civil society; from private to charity sector, household to community.
- **Reforming public services.** Ideas to help save the public services and institutions upon which many in society depend.

## What we do

We publish research throughout the year, from extensive reports to shorter pamphlets, on a diverse range of policy areas. We run a broad events programme, including roundtable discussions, panel events and an extensive party conference programme. We also run a membership network of local authorities and corporate fellows.

## Executive summary

There is perhaps no greater issue driving division in British politics than the serious gap between aspirations for home ownership and the malign effects of constrained supply. This situation, in which we don't build or supply enough affordable homes in places where people not only just wish, but need to live, is the unhappy reality for a younger generation seemingly permanently priced out of the housing market. And a housing market, which, in the face of the gravest economic downturn in three centuries of recorded history, defied all expectations and, with the fair wind of a stamp duty lift, went ever upwards into the heights of financial absurdity and first rung unattainability.

So if we are to turn the tide of the times, and render a more rational housing market, one broadened with a wider affordable mix of property types and tenures, we are going to have to face down and overcome, with a sense of creativity and optimism, all that makes the current broken system. There exists a library of well-constructed policy answers, whether of supply or demand, of land value or capture, of industry and infrastructure or personal finance and public borrowing. Reform means tackling head-on a sense of willful collective denial, a national slough of despond, into which all proposed remedies tend to sink.

This requires a far better approach to managing the plurality of interests involved, with both greater rights and increased responsibilities placed on councils, developers and communities. It requires a robust understanding in central government of the necessity of community involvement, and a broad understanding in place of how best to maximise the value of development for everyone involved. This means certain, precise action in central government as part of planning reform and a suite of measures to better tie together the interests of stakeholders at the local level. This report presents such interventions, based on a broad study with extensive engagement of experts, practitioners and activists on all sides of the great housing debate.

### **The case for community in planning for the future**

#### **The planning system and reforms**

Reforms to the planning system have long been seen as the direct path to solving the housing crisis. In recent decades, these reforms have included the Planning and Compulsory Purchase Act 2004, and the Planning Act 2008, both of which introduced measures aimed at increasing efficiency within the planning system. In 2012, the National Planning Policy Framework was introduced, with the most recent revision to the framework taking place in 2019. The *Planning for the Future* White

Paper and subsequent Planning Bill are the latest in a long line of such attempts. Launched in August 2020, *Planning for the Future* promised a radical overhaul of the planning system through the stripping away of red tape which would produce ‘a significantly simpler, faster and more predictable [planning] system’. In May 2021, many of the core ideas of the white paper were embedded in the Planning Bill that is scheduled to be brought forward in autumn 2021.

The reforms have proven to be controversial, with certain announcements being welcomed and others causing alarm. Making planning more digitally accessible, along with stressing the importance of neighbourhood plans, provide good opportunities to enhance community engagement in the system. On the other hand, the proposal to shorten the statutory timetable for local plan making to 30 months has raised certain concerns – particularly, that conducting plan-making at such speed would risk missing place-specific challenges. Additionally, faster plan making would result in a greater reliance on national environmental and building standards. A key concern is in making approvals for development automatic through permission in principle in ‘growth’ areas, without making sure that design codes and other rules are in place first. This could result in developments that would not be in keeping with community wishes - over which they had no say or control over.

Overall, while the current reforms to the planning system have proven to be controversial, there is a shared understanding of the need to adapt the system to modern day requirements. There has been a wide recognition of this need, which combines with the chronic underfunding of local planning authorities as the leading reasons why the current system falls short of delivering. Eleven years of austerity have had a severe impact on the ability for local planning authorities to deliver for their communities and engage in genuine placemaking. In July 2019, the RTPI found that total net investment in planning was just £1.2m per local authority<sup>1</sup> - a figure fifty times less than average local authority spend on housing welfare. Elsewhere, the National Housing Federation has estimated that there are 8 million people in England experiencing some form of housing need<sup>2</sup>. And for more than 3.8 million of these people, social rented housing would be the most appropriate tenure to address the need. Therefore, a key part of a housing-led recovery will be an increase in the provision and delivery of affordable housing.

Along with housing associations, local authorities are one of the main providers of social and affordable housing. However, their ability to deliver more housing has been constrained by their financial resources and budget cuts. This has resulted in a

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1 RTPI (2019) – Resourcing Public Planning

2 NHF (2020) – People in housing need

heavier reliance on developer contributions, particularly s106 obligations, to aid in the delivery of affordable housing. This is not always the best method to meet local need, with too much emphasis placed on the developer to deliver and not enough on the state. Indeed, s106 obligations are adversely impacted by developer viability assessments and can result in the provision of affordable housing being negotiated down. There needs to be a more nuanced understanding of whose job it is to house the nation. Particularly in the context of meeting affordability-related housing need, this responsibility cannot be put in the hands of solely one stakeholder. It is a combined effort that will require everyone working together at the level of place to build sustainable and integrated communities.

### Local engagement in building communities and planning for the future

There is increased antagonism between the key stakeholders of a housing-led recovery, including community activists, developers, and local planning authorities. Each are dealing with and are concerned with differing priorities in addressing the crisis. The phenomenon of NIMBYism (not in my back yard) has become progressively associated with community involvement in housebuilding and planning, often cited as a contributing factor to the housing crisis. Others argue that what is referred to as 'NIMBYism' is caused by an understandable 'desire to preserve the character of one's area and existing ways of life' and driven by societal concerns such as sustainability and social justice<sup>3</sup>. On the other end of the spectrum, increasing rent and purchase prices, as well as a perceived lack of available housing, have led to the rise of a YIMBY (yes in my back yard) movement. In 2018, an umbrella group called the YIMBY Alliance was set up, comprising groups across multiple cities in the UK

Community activists in planning share a common belief that there is not enough engagement in the process of planning and development, but it is important to understand that 'the community' contains many diverse views that need to be equally considered. At times, there will be fierce disagreement between the community regarding growth in the local area. However, at the heart of it is the need to ensure robust engagement with the community that a development is meant to serve. Developers have been given a mandate to build more to reach the government's housing target, Yet the need to deliver housing targets at pace, combined with a continual under-resourcing of planning departments, has led to an overreliance on volume development to meet these targets. It is within this dynamic that a strong perception exists that the community perspective is unwanted in the planning system. Opposition to development does not occur owing to an inherent

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3 Bradley et al (2016) – The impact of neighbourhood planning and localism on housebuilding in England

dislike against development simpliciter. The challenge is that the wrong type of development is occurring, out of sync with local need and bypassing the community, which results in fierce antagonism.

When it comes to the planning and development system, there are a number of avenues for engagement at different levels<sup>4</sup>. At the community level, the most significant is the neighbourhood plan. Given the differing views of the community when it comes to development in localities, neighbourhood plans have become a key mechanism through which to gain a broad consensus. When they were first introduced, neighbourhood plans were criticised as NIMBY charters<sup>5</sup>, being used in more affluent areas across the country to block any development from coming forward. Yet, recent experience shows that this is not the case. There are multiple examples – many detailed in this report – of neighbourhood plans being used to successfully hit housing targets in a way which is acceptable, even preferable to the community. What all the examples have in common is the lesson that when communities are empowered and understand the context and reason for development, they are more likely to be accepting of it. At the same time, articulating the community voice requires equipping residents with the correct knowledge and policy tools to use neighbourhood plans effectively. This is contingent on the community having access to expertise to help them. Giving people the tools to operate within the planning framework and navigate the trade-offs involved in getting their perspective embedded in the local development context will help embolden community leadership.

Neighbourhood plans can only form a part of a dynamic system of local engagement, however. Proposals in the planning reform for greater digital engagement with the planning system will be an important step in broadening accessibility and involvement in the planning system. In a test carried out in May 2021 for this research, Localis found that 98 percent of councils did not have any easily accessible portal explaining the development plans in local areas in any kind of holistic way – many only had a list of PDF versions of individual planning notices, often very hard to find on the website. For its part, government has stated their intent to support planning authorities to use digital tools in supporting civic engagement within local plans and decision-making. However, more clarity is required in exactly how government intends to help the transition to enhanced digitalisation.

Local design codes will play an increasingly important role in the debate around

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4 The Planner (2021) - Street votes: How greater local control of development can transform our suburban neighbourhoods

5 The Times (2016) – Middle classes exploiting ‘Nimby’s charter’

placemaking in the coming years. On 20 July 2021, the Office for Place was created to aid this effort, working with local authorities and communities to deliver local design codes across the country. The ambition behind the Office for Place, to give a genuine say to local communities over the future development of their area through local design codes, is promising. Given that a significant amount of public opposition to development is due to poor design quality, the community engagement element of developing design codes will be vital for a successful housing led recovery. However, concern has been raised over other aspects of planning reform, that could prove obstacles in the success of the Office for Place. At the launch of the Office for Place, the Secretary of State recognised that ‘local authority planning departments are hard-pressed’ and that MHCLG is ‘thinking through how to get them more resources’<sup>6</sup>. The fact remains that until local authorities are afforded proper funding, the viability of high-quality design codes being produced remains at risk.

### The geography of placemaking challenges in England

The housing crisis is a multidimensional issue. It manifests in several ways. Therefore, it can hold different meanings for people across the country. In some places this manifests as a supply crisis, in others a crisis of demand; in any case, the nature of the housing market is intrinsically connected to local economies. The housing crisis is thus inseparable from the levelling up agenda and its goal of reducing inter-regional inequality and solutions to providing more and better housing must equally be seen through a regional lens. Policies like garden cities might be attractive in the over-heated South East, but are of little relevance in other major cities. Likewise, issues of land value make the landscape for development in the North entirely different to that in the South. Spatial planning at the regional level is therefore a crucial element both to solving the housing crisis and levelling up the whole of the UK.

### Working together towards better growth

#### The provision of social and physical infrastructure

Robust infrastructure lies at the core of healthy and vibrant communities. Within the context of planning, ‘social infrastructure’ should reflect on the availability and subsequent provision of facilities and spaces that support the creation, development, and conservation of communities. Physical infrastructure, including parks & other greenspace, strong public transport links, high streets and other shopping

facilities can help support social infrastructure within the community, undergird the provision of public services and furthermore is essential for access to opportunity. The provision of infrastructure within the planning system is covered through the Community Infrastructure Levy (CIL) and Section 106 Planning Obligations, which are more commonly referred to as s106 obligations. Detailed studies on looking into the effective delivery of s106 obligations<sup>78</sup> have demonstrated that where strong monitoring systems have been in place, s106 legislation has enabled obligations to be negotiated and delivered in notably different economic environments.

The Planning for the Future White Paper proposed to replace the CIL and s106 developer contributions and streamline them into one through a new National Infrastructure Levy. The government hopes that the new Infrastructure Levy will be more transparent than the s106 regime and put an end to months of protracted negotiations between developers and local planning authorities around planning obligations. There is potential for this to work – having a strategic approach for managing this funding so that authorities can work together to borrow against, and pump prime development in the area, could serve to lessen friction over spending, particularly in county/district areas – but there are some concerns over the new levy's impact on strategic thinking. For example, one issue that has not yet been addressed in the proposed policy relates to the new charge being levied at the point of occupation. Many developers are keen to build or fund the construction of infrastructure, such as primary schools, at an early stage of the development scheme because it acts as an anchor to attract people in<sup>9</sup>. However, if levy payments are pushed back to the point where houses are occupied, it will only be until a few hundred are sold that there would be a pot large enough to start construction on the infrastructure. This is particularly true for social housing.

The provision of local infrastructure through developer contributions is based on the notion of land value capture. The extent to which land value increases once planning permission is granted varies across the country depending on location and previous land use. However, according to government statistics from 2015, agricultural land that has been granted permission for residential use may increase from £21,000 per hectare to £1.95m per hectare<sup>10</sup>. However, a central challenge is with how consented land is at a significant premium - which incentivises landowners to hold out for increased value. This plays into various

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7 Burgess, Monk & Whitehead (2011) – Delivering local infrastructure and affordable housing through the planning system: the future of planning obligations through Section 106

8 Morrison et al (2013) - Inclusionary housing policy in England: the impact of the downturn on the delivery of affordable housing through Section 106

9 Interview Response

10 Housing, Communities and Local Government Committee (2018) – Land Value Capture



challenges of the housing crisis and now all too familiar and well-rehearsed arguments around the availability of housing supply and build out rates. Current arrangements for developer contributions through CIL often miss the opportunity to capture money from development that can be used for the betterment of place<sup>11</sup>. Capturing land value, through mechanisms such as s106 obligations, at a proportion of the enhanced value from agricultural to residential land use could be vital in helping fund infrastructure. Additionally, levelling up and closing the regional inequality gap would be greatly aided by this, were value captured in wealthier areas and put into a national pot to help subsidise vital place infrastructure in 'left behind' parts of the country.

Beyond the more obvious forms of vital infrastructure and social requirements, building communities and places will have to take into consideration culture, heritage and their relationship with planning. Over the years, the role of councils has shifted, with authorities now putting greater consideration into how their communities develop, and in so doing have embedded themselves within placemaking as it pertains to cultural heritage and identity. High street and town centre regeneration will continue to be another important aspect of investing in the culture of place. Therefore, it is imperative to understand the implications of COVID-19 on different places and the best way to harness place potential in capturing this change for the benefit of the local community. Once again, it is local government and Local Economic Anchors that have a key role in leading this, backed by central government initiatives such as the changes to Use Classes Orders applied appropriately. Adapting to these changes and investing in new ways of renewal will only go on to attract further inward investment in place, turbo-charging recovery.

### Public health and the environment

Taking forward lessons learned from the pandemic into a housing-led recovery will entail designing and building communities that harness the aesthetic and health benefits of the natural environment. The manner in which we plan for and build communities will necessarily involve giving due consideration to public health factors if we are to develop prosperous, healthy, and happy places. Health Impact Assessments (HIA) have been cited as a key way of enabling local authorities to 'build institutional capacity, create processes, policies lines of accountability and engage with communities'<sup>12</sup> and, therefore, greatly help in planning for healthy communities in the right way.

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11 Interview Response

12 Carmichael et al (2019) – Urban planning as an enabler of urban health: Challenges and good practice in England following the 2012 planning and public health reforms

Beyond the immediate living environment and its impact on health is the wider issue of global warming and averting climate catastrophe through reducing emissions. There is widespread agreement that improving the efficiency of provision of energy services is an important contributor to meeting the ambitious climate change mitigation goals in the Paris Agreement and broader sustainability goals. There are two options for energy efficient homes: retrofit and net zero new builds. In 2050, people will still be living in 80 percent of the homes that exist today, so retrofitting these will be essential to reducing the energy demand in homes. The planning white paper concentrates entirely on new homes, stating that from 2025, new homes will be expected to produce 75-80 percent lower CO<sub>2</sub> emissions compared to current levels. However, clear and holistic retrofit policy for the whole country will be vital to achieving net zero - even if all new homes are built to the highest standards of sustainability.

Of course, issues of sustainability begin before the home is occupied. Carbon offsetting during development is another key factor in corporate sustainability and the reduction of emissions. The process is used to 'compensate for the residual emissions of a system once direct emissions reductions have been completed'<sup>13</sup>. There are increasing cases within the housebuilding sector of firms adopting carbon offsetting in their work. On the local level, local planning authorities have been taking active measures to secure carbon offsetting in new developments. An example of this is the Carbon Offset Fund<sup>14</sup> announced as part of the Mayor of London's commitment for London to be a zero-carbon city by 2050. While local carbon offset funds can be a good way of cementing a place-based, tangible commitment on climate change, the question of it making development potentially unviable remains. Especially if funds are gained through developer contributions in addition to the other obligations around affordable housing and local infrastructure need. Some kind of national effort to collect and pool funding is necessary for the state to take its fair share of the burden. What this spells out is the need for a new route forward, to the evolution of a balanced system in which the planning of new developments unlocks the release of sufficient and fair funding.

### Local labour markets and supply chains

Given the centrality of the skills agenda to levelling up, and the challenges identified in the Plan for Growth<sup>15</sup> regarding persistent shortages of technical skills in sectors including construction and manufacturing, creating opportunities for individuals to

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13 Savills (2021) – Carbon offsetting – a piece of the net zero puzzle

14 Mayor of London (2018) – Carbon Offset Funds

15 HM Treasury (2021) – Build Back Better: our plan for growth

skill up in their local area will be a key part to building prosperous communities. Alongside a skills shortage, there is the issue of a skills mismatch identified by the government in the Plan for Growth, which is a result of the current state of the UK's skills system and evolving skills demands of the economy.

The government has focused on the pipeline of technical skills as a particular challenge and cause for skills shortages - and the skills shortage within the construction sector is of particular concern when considering the housing crisis and the related need to build more homes. Coupled with the pandemic, one of the biggest challenges it currently faces is related to the amount of people leaving as compared to joining. By 2019, one-in-five employees in the sector were aged over 55<sup>16</sup>. This has been compounded by Brexit, it is estimated that 10 percent of workers within the construction sector are EU nationals, rising to 33 percent in London. Active steps are already being taken by the sector to address the skills shortage on a national scale. Applying greater resources and focus at a local level, given the dramatically uneven landscape around skills supply and demand across the country, will be essential to closing the skills gap, raising the baseline and delivering on housing targets.

The skills challenge, coupled with the change in employment patterns experienced over the last year, presents an opportunity for targeted interventions amounting to a 'good jobs' recovery. This is something that can involve retraining people, whilst also committing to improving the standards and quality of employment. In the context of building prosperous communities, local state stakeholders have a duty to embed good jobs as a part of a housing-led recovery. Given the challenges confronting people struggling to find work after the pandemic, there is an urgent need to come together in providing routes for people to access these high quality and skilled jobs. This will require giving the local state the room to manoeuvre and collaborate in adapting to the changing circumstances of their local labour markets and tapping into the potential of local communities in confronting associated challenges.

On a wider level, the way in which local and central government drive social value through procurement will be hugely important for raising the skills baseline in place. Particularly in the context of the skills shortage in the construction sector, social value driven procurement could have a positive impact on the local ability to upskill if done correctly. Localis' report 'Brighten All Corners' advocated a Social Value Charter to be drawn up by local authorities in collaboration with communities – an outcome-based approach rooted and measured by a set of desirable outcomes as opposed to blanket offers. The co-design process would involve consultation by the

council with community groups and private sector partners to determine a locally relevant set of priorities for social value to deliver against. Where housing supply is being greatly increased through development, there is ample opportunity for authorities to take a strategic purview on commissioning across a development, or a series of developments, to optimise the value received locally.

### **A new framework for building communities**

The main protagonists for a stewarded model of housing delivery are often held back by the deep antagonism that exists between them. There is a collective feeling that respective concerns are not being listened to, resulting in a breakdown of communication and frustration on all sides. A prevailing sentiment from community activists is that the housing being delivered does not address local need or demand, which is based on the provision of genuinely affordable housing and vital place infrastructure. On the other hand, local planning authorities are under increased pressure, whilst experiencing extreme budget strain, to deliver on government pledges for 300,000 houses a year nationally. This has resulted in a higher dependence on private developers to not only meet the housing target, but also ensure the provision of local infrastructure that serves the community. Such a burden affects the market viability of developers and impacts on the ability to deliver good quality developments in the first place.

For a community-focused housing-led recovery to take place, local stakeholders need to be working together and toward a shared strategic vision for place. Developers, local authorities, and communities need to understand each other's needs and priorities and work in a manner that harmoniously delivers the housing and wider infrastructure needed. In achieving this shared strategic vision, a stewardship model for community delivery will prove to be the way forward. Properly engaging in land delivery through a stewarded framework would entail land being built out in a sustainable manner over a set period of years, with a proper focus on placemaking and increasing productive growth. Additionally, it would enable land to be brought forward through mixed tenure in a manner that could help tackle the affordability challenge.

Fostering a strategic vision will only truly work when the community shares in it and understands the need and context for good growth. This will include them contributing their ambition for how to shape development in the local area. The recommendations of this report are designed to embed principles and requirements in the planning system which bring all parties to the table in a mature manner, with various provisions to encourage long-term engagement and meaningful decision-making. The benefit of having a shared strategic vision lies in each stakeholder being able to understand the other's perspective, while knowing that everyone is

working toward the same objective for the locality. Embedding this understanding is a vital principle for the success of a housing-led, community-focused recovery.

## Recommendations

If we are to succeed in building communities for the long-term, each principal actor, central government, local authorities, developers and our communities alike, will have their unique part to play in planning for and realising a good and clean growth future. Recommendations for local government, developers and communities are encapsulated overleaf in our strategic framework for a stewardship model.

**Make planning underscore good and green growth:** Some kind of national effort to collect and pool funding is necessary for the state to take its fair share of the burden towards affordable, mixed-tenure and sustainable housebuilding in the age of Net Zero.

What this spells out is the need for a new route forward, to the evolution of a balanced system in which the planning of new developments unlocks the release of sufficient and fair funding to bolster sustainable growth in new homes across varied tenures.

To this end, Localis recommends the setting up of separate funds as follows, overseen at national level and to address the challenges of generating popular consent for local housing growth and making new developments both sustainable and commercially viable:

- a Capacity Fund for neighbourhood planning
- a Carbon Offsetting Fund for development

To facilitate a stewardship model of planning, central government should:

- Amend Infrastructure Levy to be paid at the point of commencement on site and to include a ringfenced proportion for affordable housing provision.
- Include Health Impact Assessments as a requirement in the National Planning Policy Framework.
- Define and protect social infrastructure through the National Planning Policy Framework.
- Work to develop a centralised portal where residents can access development plans and decisions for their area, in their entirety and in one place.

## STEWARDSHIP MODEL: A STRATEGIC FRAMEWORK



### LOCAL GOVERNMENT SHOULD

Produce community value charters to provide a transparent picture of how procurement around development is benefiting the local area.

Work with communities to embed local design codes into neighbourhood plans.

Produce cultural statements for new developments containing the provision and protection of cultural assets and ACVs.

Commit to a hybrid model of community engagement around local plan-making with digital outreach combined with more extensive physical events.

Organise developers forums to bridge the gap between developers and communities around new development.



### COMMUNITIES SHOULD BE ENCOURAGED & SUPPORTED TO

Produce neighbourhood plans through statutory bodies (parish councils and neighbourhood forums) which do not undercut government housing targets.



### DEVELOPERS SHOULD BE ENCOURAGED TO

Attend and actively contribute to developer's forums in support of strong collective place leadership and strategic planning.

Agree productivity deals with local authorities:

- Local labour market uplift: skills and wages
- For long-running developments of over 200 dwellings, run a local growth board to oversee the productivity deal.





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