

# Housing, Communities and Local Government Committee

House of Commons, London SW1A 0AA

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The Rt Hon James Brokenshire MP  
Secretary of State for Housing, Communities and Local Government  
Ministry of Housing, Communities and Local Government  
Fry Building  
2 Marsham Street  
London  
SW1P 4DF

10 December 2018

Dear James,

## **Land Value Capture**

The Committee was grateful to have received the Government's response to its Land Value Capture report at the end of November.

It is welcome that the Government has emphasised its "strong commitment to using the existing mechanisms of land value capture as effectively as possible". We agree it is important to reflect on the mechanisms that already exist, and it was with this in mind that we called for further reform of the Community Infrastructure Levy (CIL) to remove the extensive range of exemptions and to ensure greater certainty that the infrastructure associated with development is delivered at the appropriate time. The Committee is, however, disappointed that the Government continues to avoid addressing this, despite clear evidence of the need for change from our report and the CIL Review Group. While it is encouraging that the Government is moving forward with the implementation of Strategic Infrastructure Tariffs, more needs to be done to address issues with CIL, including the issue of spatial inequality and the redistribution of revenues between high and low-value areas.

We were pleased to note that the Government agreed with us that it is fair that a proportion of uplifts in land values arising from public policy decisions should be retained by the public sector to invest in new infrastructure and public services, and that there is scope for central and local government to capture a greater proportion of these increases than it does at present. It is encouraging that the Government has committed "to explore options for further reforms to better capture land value uplift", albeit with the caveat that new policies should "not distract from delivering a better housing market".

We had, however, hoped that our report could be an opportunity for the Government to use our report to engage with, and open up, the debate on land value capture, and perhaps make some bold decisions in this respect. However, we are disappointed that this appears to be an opportunity missed.

We do agree that the Government's main priority should be housing delivery. We are in the midst of a housing crisis and it is vital that the Government is able to meet its target of building 300,000 new homes every year. But we believe the Government should also reflect on the role that land value capture can have in boosting housing supply and, in particular, delivering more affordable housing.

Indeed, that is why we called for reform the *Land Compensation Act 1961*, to give local authorities the power to acquire land at a fairer value, build a new generation of garden cities, towns and villages, and capture uplifts in land value to provide new infrastructure and public services. Alongside recent Government changes to the Housing Revenue Account borrowing cap, reform of the *Land Compensation Act 1961* would provide an extraordinary incentive for local authorities to get on and build the housing that this country desperately needs.

We are not alone in our view. There is a growing consensus, from across the political spectrum and beyond, that reform of the *Land Compensation Act 1961* is vital. Shelter, the Local Government Association, the County Councils Network, the Centre for Progressive Policy, the Royal Town Planning Institute, and the National Housing Federation have all called for reform.

While it is reassuring that the Government has not ruled out reform of the Act, “and remain open to considering practical improvements to the framework”, we believe that the Government should be bold and act now. Our evidence was clear that reforms to existing developer contributions – while welcome in themselves – are not going to lead to the sweeping change that is clearly needed.

We do welcome the Government’s commitment to report back to the Committee in 12 months’ time on the effect of the changes made to viability, progress with the proposed reforms to developer contributions, cross-departmental work on aligning housing and transport decisions in areas of housing growth, and the work undertaken alongside local authorities on proposals for bespoke mechanisms of land value capture.

We hope that when the Government responds to Sir Oliver Letwin’s Independent Review, it will be an opportunity to reconsider many of the Committee’s proposals.

A handwritten signature in black ink, appearing to read 'Clive Betts', written in a cursive style.

**Clive Betts MP**  
**Chair, Housing, Communities and Local Government Committee**