HOUSE OF LORDS

Built Environment Committee

Corrected oral evidence: The grey belt

Tuesday 29 October 2024

11.25 am

Watch the meeting

Members present: Lord Moylan (The Chair); Baroness Andrews; Lord Faulkner of Worcester; Viscount Hanworth; Baroness Janke; Lord Mair; Lord Mawson; Baroness Miller of Chilthorne Domer; Baroness Warwick of Undercliffe.

Evidence Session No. 4 Heard in Public Questions 39 - 46

Witness

I: Professor Paul Cheshire CBE, Emeritus Professor of Economic Geography, London School of Economics.

Examination of witness

Professor Paul Cheshire.

The Chair: I welcome everyone to this meeting of the House of Lords Built Environment Committee. This is a further evidence session in support of our short inquiry into the Government's policy to introduce a grey-belt concept into the planning system. Today, we welcome Professor Paul Cheshire CBE, who is Emeritus Professor of Economic Geography at the London School of Economics. Welcome. My name is Daniel Moylan and I chair the committee. I am not going to introduce the other members of the committee now, but I will state their names as they ask a question and they have name plates in front of them to assist you.

Q39 **Baroness Warwick of Undercliffe:** Good morning. Welcome. A lot of our evidence so far has suggested that grey belt is a very fuzzy definition and that there are lots of things that are probably likely to lead to all sorts of problems. But, in your view, how much clarity does the proposed grey-belt definition provide? Are there any specific changes to the definition that you could suggest? We have asked this of previous witnesses, as well.

Professor Paul Cheshire: To answer your question, it might be helpful if I told you where I am coming from, so to speak, and how I interpret the background to this. First, I am an economist, not a lawyer, but I have been involved with planning for a long time in my research. Secondly, I am interpreting the background as being the Government wanting to get more houses built and to find ways of releasing land to allow that to happen, particularly in places where there is high demand, since they have added this idea of affordability into the assessment of housing need.

Given that, I surprisingly agree with the previous witness in the sense that I think the definition will achieve no significant change at all in what we are presently doing. Everything is local. Planning is a local issue and, as the previous witness also pointed out, people have sorted into areas that they like living in. If you have green belt in your area—if you live in Sevenoaks, 93 per cent of the local district is green belt and that is not by chance—you want to defend what you have. Given how local the planning system is and how astonishingly few local authorities now even have valid, up-to-date local plans, it is always going to be essentially a local political issue. Unless the definition of grey belt is very precise, it will be impossible for the NPPF to make any changes at all because it is a local political response to the preferences of local voters.

The problem, as was said previously, is that part of the job of the planning system is to try to resolve the real conflicts between people who do not want houses built next door to them and people who are desperate to be able to afford to buy or rent a house. Somehow our planning system, as it has grown up, has been incredibly locally driven whereby it is difficult to inject, except through the NPPF, national priorities and counterbalance—to put in the social, wider regional and national interest into local decision-making, because it entirely starts from the local end. Quite rightly, it is a democratic system where everybody has the right of redress and objection. So, unless you have a clear-cut definition that says, "This is the grey belt and there will be a presumption in favour of sustainable development when applications come forward on such land," it will change little because it is so subjective and susceptible to local lobbying.

Baroness Warwick of Undercliffe: Do you think that any changes at all to the definition would help with that dilemma, given what the Government aim to do? Do you have any ideas about what they might be?

Professor Paul Cheshire: This is a situation where, as I often say, we must not let the best be the enemy of the good. I have a particular definition and you may not like it, but you must have a concrete, specific definition that is clear cut if you are going to get any change. My specific definition would be the one that I put forward in the paper that I did for the Centre for Cities about four years ago, which is that you should automatically have a presumption in favour of development for all land within 800 metres of a commuter station. That identifies a surprisingly large amount of land around all the major conurbations that have green belts. But that land has little aesthetic quality in terms of preventing urban sprawl; it is just land that got left behind in 1955, or probably 1939, when development stopped, and we were left with pockets of land around stations that were never developed.

Baroness Warwick of Undercliffe: Why do you think that that clarity, as you see it, in the particular definition was not picked up as a means of getting to the place the Government wanted to get to?

Professor Paul Cheshire: I am not privy to the workings of exactly how the proposed changes for the NPPF were drawn up. The Minister said at one stage that, because the need to build more houses was so urgent, the Government did not want to engage in root and branch change. Although I think that he said at one stage that he recognised that a strategic review was necessary, he just wanted to adjust the system we have. The problem with doing that is that we essentially do not have a system, because only about 20 per cent to 25 per cent of local authorities even have a valid local plan. It is a long process to get a local plan. We will certainly not have a full complement of local plans by 2030.

Q40 **Lord Mair:** Thank you for coming to talk to us. You were present at the first session, and you heard the extended discussion about the term "limited contribution". What is your view about that? Do you think that that is a satisfactory term, or might it lead to more difficulties?

Professor Paul Cheshire: Having been researching the economic effects of the planning system for about 40 years now and occasionally getting involved in actual planning inquiries, what has always struck me is the subjectivity and variability in how these things are interpreted from one position to another. Essentially, what we have is a local political process, particularly given that we have only a minority of local authorities with currently valid local plans. What is interpreted by one planning inspector in one context is not necessarily the same as is interpreted by another in a different context and certainly not the same from one local authority planning committee to another, even with the exact same composition.

I happened to be on the platform with the then Secretary of State in about 2015, who said that the first thing that had happened when he became Secretary of State was he had discovered this appeal that had gone right up to the Secretary of State for a small development in London, which conformed with the local plan but had been rejected by the local planning authority because it was in the ward of the chair of the planning committee, who was being lobbied strongly. The chair of the planning committee was thoroughly in favour of the development but reckoned that it would be accepted on appeal. However, it was, unfortunately, not accepted on appeal, so it had ended up with the Secretary of State seven years later.

We have an incredibly expensive and complicated process. My guess is that the appeal that I was involved with, which related to a derelict golf course with a zone 6 station on the corner of it, cost about £10 million for a relatively small development. That is setting aside the cost of time, because time is itself a cost.

Of course, there is also the uncertainty for the developer. We talked about Section 106 agreements. One of the problems with them is that they are an additional injection of uncertainty into the development process, which is already highly risky. I give developers full credit. They do a skilled, professional job in most cases, but one of their problems is managing risk. If you increase the uncertainty of any application by making it discretionary, which Section 106 is—it is a process of negotiation; you do not know what your Section 106 agreement will be before you get there—this adds uncertainty, which is one of the reasons why only the very largest developers can cope with the system. Basically, we have a system for generating affordable housing that reduces the affordability of housing because it ends up with fewer houses in total being built.

The Chair: That is not a pretty picture.

Q41 **Baroness Janke:** Do you think these proposals will actually result in more or different land coming forward for development compared with existing processes for green-belt release?

Professor Paul Cheshire: I think proposals will come forward on the basis of grey belt. The question is whether they will be successful given the uncertainty and, in my view, the lack of clarity in the definition. In addition, I entirely agree with the previous witness that the so-called golden rules will effectively prevent any development at all from being viable: 50 per cent viability will prevent anything happening except in Barnet. I say Barnet because some of the most expensive green-belt land in the world is there, so there is a huge potential gain. Houses are very valuable in Barnet and if you can get permission to build anything you would probably do it. Given the uncertainty that is involved with Section 106 agreements anyway and the additional complexity it adds, 50 per cent viability means that the proposals as they are drafted will have a very limited effect.

Baroness Janke: Do you think the grey-belt proposals are likely to deliver more new homes than through existing processes for redesignating green-belt land?

Professor Paul Cheshire: They will deliver some additional land on the margin, even despite the current 50 per cent requirement for affordable homes, but that will be just a tiny drop in the ocean of lack of housing supply. So on balance it is positive but far less positive than the political cost of making these changes probably is.

Q42 **Baroness Andrews:** Good morning, Professor Cheshire, and thank you so much. What you said was very interesting indeed. On the political cost of developing land in the grey belt and the contradictions in our planning policy of local planning with a power to intervene nationally, which is sometimes not actually very useful, we have heard some of our witnesses say that it is time to recognise that there are proper powers within the green belt that could do the job that the Government want more effectively. Do you think that is remotely possible?

Professor Paul Cheshire: No, because it is a local political process and you have this sorting system. We have had the green belt since 1955. Essentially, the boundaries have hardly changed since they were first promulgated. I have a map from 1973 of all the green-belt land in Britain and the total area is very similar now to what it was then. Tiny bits on the margin are redesignated—you have development of former airfields, for example—but sometimes you have land that is classified as brownfield that, in environmental terms, is extremely valuable. For example, there is a case going on near Colchester at the moment at Middlewick Ranges, which is former Ministry of Defence land. It is acid pasture and an extremely important habitat for nightingales, which are now rare birds in this country. However, because it is designated as brownfield land, even though it is in the green belt, there is a proposal to build 1,000 houses on it.

As an economist looking at the social contribution that any particular parcel of land makes to us, I think we should look at the quality of the land itself rather than its designation in deciding where we build. Although I am in favour of building houses, I am not in favour of building houses everywhere. I am not even in favour of building houses on some bits of land that may be classified as brownfield land. There have been small quantities of brownfield land in the green belt over the last 20 years or so that have been developed or where existing development has been cleared and then redeveloped. However, that is such a small amount of land and housing, given that you have more than 500,000 hectares of green belt land around London, stretching from Aylesbury to the North Sea, which North Hertfordshire has just increased by about 8,000[1] hectares, that it will make little difference.

Baroness Andrews: When you reclassify brownfield within the green belt, of course, you are not challenging the policy of containment. But are there any other alternative approaches at all that the Government might be able to adopt in relation to housing in the green belt?

Professor Paul Cheshire: As I said, you need an extremely clear definition, which of course would be controversial, and I would not argue that the definition that I offer must be the one—it is just a definition. This is why it is so important that the best should not be the enemy of the good, because any clear, implementable definition will be an improvement.

I would add to the idea of building on land around stations the idea of building on land adjacent to an existing built-up area of, say 10,000 or 15,000 population or more, where local housing affordability—we have good data on that and it is now brought into play in the revised NPPF—is worse than 7.5 to 1, for example. That is, where median house prices are worse than seven and a half times local incomes. So, include an affordability element in deciding what land should be built on.

However, I equally argue that, as a simple way of solving the problem, again, the best should not be the enemy of the good. I do not want to get more lawyers arguing about it because it is an expensive and time-consuming process. Footnote 7 identifies land for special purposes that should not be built on. That land should not be built on. Just do not consider it because you have plenty of land that you would be able to bring into use while not even touching any land protected in the provisions of Footnote 7.

Baroness Andrews: If the Government were to act on your suggestions in those two instances that you have put forward, what proportion might impact on the green belt, or would it essentially be brownfield and grey-belt areas?

Professor Paul Cheshire: If they were to implement what I have just been suggesting, the report I did for the Centre of Cities in 2019, using GIS and spatial identification, found that land just around London within 800 metres of commuter stations would be sufficient for about a million houses. We covered four other conurbations: Birmingham, Manchester, Newcastle and Bristol. You had land for about another million houses surrounding those conurbations, which was presently not developable because it was in the green belt, although it was close to a station.

Baroness Andrews: So all those houses could be built in what is technically green belt around London and major conurbations.

Professor Paul Cheshire: The calculation was that that would take about 1.8 per cent of the area of the existing London green belt.

Q43 **Lord Faulkner of Worcester:** Sticking with transport infrastructure for a

[1] Professor Cheshire has subsequently corrected this to 'approximately 3,350 hectares'

moment, can existing infrastructure be leveraged to support the sustainable development of grey-belt land?

Professor Paul Cheshire: That is very much why I have argued in favour of building on land around stations because, at the moment, new development can almost never supply enough funding to justify, or provide the funding for, new fixed rail transport, but that is by far the most sustainable and convenient way in which to transport large numbers of people from home to work. You need to co-ordinate with, for example, Transport for London, or other regional transport authorities and Network Rail, to identify the cheapest places.

If you were to start, for example, building on land around commuter stations, it should be where there is existing spare capacity. The Elizabeth line is a good example. I argued in a session with the department some five years ago that it was criminally insane that we were spending £20 billion on the Elizabeth line but, as soon as it got to Southall, you could not build another house. That is not what happened when we built the Metropolitan line or the District line 150 years ago. That is the ideal situation for opening up new land for housing in ways that would not infringe on any area of outstanding natural beauty or recreational area. So, protect that land but do not protect the scruffy land next to the stations.

Lord Faulkner of Worcester: Do you have any estimate of how many houses you could build by adopting that approach?

Professor Paul Cheshire: It depends, of course, on densities. Around London, on those criteria alone, it would accommodate about a million houses.

Lord Faulkner of Worcester: I live in Worcester, and we have a Worcestershire Parkway station, which I imagine you are familiar with. It is incredibly successful for conveying motorists off the roads and on to trains. But the possibility for improving everything, including the services, will depend on housebuilding. How should the county council go about making sure that that happens?

Professor Paul Cheshire: This is one of the problems we have. The planning system has been devised by people who think in physical terms and in aesthetic terms. I am an economist who deals in costs and benefits and how we do it. It is very simple indeed to raise money from the uplift in value that comes from giving planning permission, but not by having Section 106 agreements, which are incredibly expensive. Much of the uplift simply disappears in the increased uncertainty and risk. All that you need is something like an impact fee, which they have in America. Instead of these golden rules, for example, you should have a 30 per cent levy on the value of the houses that are delivered.

Lord Faulkner of Worcester: Effectively a land value tax.

Professor Paul Cheshire: It would effectively be a land value tax because all that would be paid out of the value of the land. It would come out of the windfall gains that would otherwise go to the lucky landowners. It is an efficient way in which to tax this value uplift. But you have to tie those funds into the uses that society desired. I would put them into the infrastructure and the supporting public services, and improving the rail services, and into directly funding social housing, rather than doing it through Section 106 agreements. One of the other problems of Section 106 agreements is that we now have an awful lot of unsaleable and vacant Section 106 houses because they are simply not produced for the needs of the housing associations that are the providers.

Lord Faulkner of Worcester: Does the land that is classified as grey belt present a particular challenge as regards transport infrastructure?

Professor Paul Cheshire: Certainly not if one of the criteria for identifying grey-belt land was that it was within a given distance of a commuter station. Then, you have a ready-made transport system.

The Chair: I think one of the issues we have identified is that the current approach in the draft reverses sustainability generally but makes no real reference to the practicalities of transport. So, one could be living on a piece of grey-belt land without any particular connection to the road or rail system. That seems to be a deficiency.

Professor Paul Cheshire: One of the other problems of our present system—this is actually in the NPPF—is that it pushes development beyond the green belt, which then, almost inevitably, will be car-dependent development. We have been specialising in car-dependent development for the last 30 or 40 years.

Q44 **The Chair:** Does your approach require a more top-down, government-directed system? You describe the local dynamics of the planning system, and you pay respect to democracy, but you seem to regard those local aspects as particularly frustrating of development. Do the Government need to come in with a big stick and sort it all out?

Professor Paul Cheshire: I just wrote a paper reviewing planning systems around the world. As far as I can see, the British and the US planning systems are the most locally dominated—that is, all the voice is on the very local. The problem is that all the costs of development are very local whereas the benefits are quite widespread. Where there are more successful planning systems, as in Germany, France or Switzerland, they have a balance between national and local interests. In France, there is a legal reciprocity that local plans have to reflect national priorities and national priorities have to reflect local concerns, so each commune has a plan which is democratically agreed but it has to reflect national priorities. Once it is there, it simply happens. By importing my rural housing services, as I do, from France, where they are much cheaper, it took me 14 days to get planning permission for a very substantial reconstruction of our house. In Berkshire, if that was possible at all, it would probably have taken seven years. In France it is a clear-cut system: it is locally democratically controlled, but the local democracy has also to reflect national interests.

There are other differences, and this is the difference with the US system. Certain types of decisions, particularly those affecting national infrastructure, are regarded as national decisions, not local ones, whereas in Britain we tend to go through the local system upwards, even when it is something like High Speed 2—though I would prefer not to offer you that example.

The Chair: We have alternatives to local systems. HS2 was authorised by an Act of Parliament. I know lots of details are then left to local planning authorities, which I find odd in many ways. We also have development consent orders, where they still operate, as a sort of intermediate mechanism that would bring together large projects that span several local authorities. So it is not quite as locally driven as that.

Professor Paul Cheshire: I agree there has to be a balance, but at the moment the balance is all on one side.

The Chair: Do you think the ability to appeal to a planning inspector is putting that corrective back?

Professor Paul Cheshire: Up to a point. That is why how the grey belt is addressed in the NPPF is important. As an economist, I view the appeal process as an economic decision: is it worth your while to appeal? It is an extremely expensive process. If the certainty of winning an appeal is high, the local authority will follow what is in the NPPF in the first place because, equally, it is expensive for local authorities to fight appeals. That is why it is so important to have clear definitions that would be absolutely beyond much dispute, to minimise appeals. Yes, we have appeals, but they are extremely expensive processes, which is one of the reasons why we have a very monopolised development sector.

Q45 **Baroness Miller of Chilthorne Domer:** As a long-time supporter of a land value tax, I was pleased to hear you talking so glowingly about what it can offer. Could you just expand on whether you found much support for that idea? That is slightly outwith the question that I was asked to address to you, but I think that that has largely been covered—it was about the railway station issue.

Professor Paul Cheshire: A tax is a transparent liability for a developer and the landowner. Therefore, it makes decision-making very much quicker and easier, because everyone knows what they are going to have to do. In the United States, which has an extremely localised system, some local communities charge impact fees, which are a form of land value tax, as I was suggesting, and some do not. There is good research evidence showing that in local communities where an impact fee is charged to the developer to pay for additional infrastructure, there is less opposition to development and more development occurs.

That is one of the problems with the British system—there are real losses. We should not pretend that building new houses on a field adjoining your garden does not cause disruption and does not harm the householder’s interests. It does. The question is whether we can compensate those losses. We singularly do not, particularly because our system of council taxes does not allow local authorities to recoup the revenues that they need in order to meet the obligations for public services that having additional residents impose on them. That is one of the reasons why in Switzerland, for example, where you have a local income tax, residents are much happier to have development because they automatically get an increase in their revenues to pay for additional services.

The Chair: The original domestic rates would have done that.

Professor Paul Cheshire: It was long time ago. I cannot remember the last time I remember seeing a figure—about 85 per cent of local authority outgoings are not covered by council tax. So, there are ways of doing it. I suggested one way in the context of bringing green-belt land into development because you have an egregious uplift in value because land for housing is in such scarce supply. It is in particularly scarce supply close to big cities - where the high-paying jobs are - exactly because we have had 75 years of green-belt policy.

If you go across the boundary in Barnet, which I was talking about earlier, to a field with no planning permission, it might, with hope, be worth between £35,000 and £40,000 a hectare. However, if you were to get planning permission with no planning obligations associated, it might be worth £40 million a hectare. There is that huge discrepancy in prices. As an economist, I say that this is the market telling you that there is a misallocation of resources. We should be building houses where people are minimising their journeys to work and where they most want to live.

Q46 **Baroness Janke:** I think that you have already told us a number of these, but are there any other unintended consequences from the grey-belt proposals as they are currently drafted? You mentioned long and costly processes, unclear definitions and the likely enormous costs of contesting these. Are there others?

Professor Paul Cheshire: There would be lots of fees available for professionals of various types in challenging this. Particularly unfortunate is Annexe 4, which tries to identify a fair price. That is exactly what the betterment levy was for in 1949 and the Community Land Act 1975. These and the Land Commission Act in the 1960s all tried to play this game of paying a price that was in some sense fair to the landowners to avoid the uplift in windfall gains when planning permission was granted. In all those cases, the attempt simply fell into the ground because it was so costly to try to implement the policy and most of the uplift value ended up in the pockets of planning lawyers and valuers as they disputed these issues.

Markets are not fair; that is their nature. There is a market price and you can identify it but what you need is public regulation and taxation to redistribute those gains, which may be in the public interest to redistribute. Transparent mechanisms for doing that are much better. One of the unintended consequences of the definition, as drafted, is that it will lead to voluminous litigation and delay as people argue about what is grey-belt land or not.

I am not worried about rates of build-out. I agree with the previous witness that there are bound to be unfulfilled planning permissions in any system. Indeed, I have heard people who looked at it—I have not—argue that you probably need about twice as many planning permissions as you need houses, so to speak, if you are going to get a flow of houses, just as you need unsold apples if you are going to have a supply of apples in in the shops. There has to be permissioned land that is not being built on.

In addition, I have just finished some research looking carefully at what determines the rate at which sites are built out. I have published a discussion paper on this. There are three basic issues. One is the local conditions of the weather, soil and so on. Another is the degree of monopoly of the developer within the local market. The more monopoly power the local the developer has, the slower the build-out. However, the most important factor is how restrictive the local authority is in terms of the proportion of applications that it accepts or rejects. The more restrictive the local authority, the longer it takes to build out sites.

The Chair: I am going to draw our session to a close. Professor Cheshire, it has been extremely valuable to us, and we are grateful to you for the time you have given to the committee.