



Levelling Up: Principles and Practice.

Can Housing and Planning Help?

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November 9th 2021





Location or People?

- Interpreted as North/South; London and South East /the Rest of the Country; but more generally concentrations of disadvantage anywhere in the country?
- Opportunities not being taken? Resources underutilised? Potential opportunities not being recognised/developed? Effective use of path dependency? or simply re-distribution (ie levelling up must imply levelling down)?
- Optimistic view: can be win/win but only if we do it well.
- Inherently place based because no single initiative can make the difference. Rather must improve many different factors simultaneously – health; education; skills; transport; housing. But fundamentally about productivity.
- But success depends on government seed corn/guessing winners; local governance structures; and funding.



Where Does Housing Fit In?

The numbers game is particularly problematic because it concentrates investment in London and the South East. Affordability issues do the same.

The way housing requirements are allocated raises massive political tensions both in the South East (loss of greenbelt in particular) and in the North where authorities want to build more to improve conditions.

The allocation of housing infrastructure funding based on affordability criteria reinforces the concentration of investment - as in reality do major long term projects such as the Oxford/Cambridge Arc. Necessary but not levelling up!

The political decision to reallocate housing requirements to central city areas is unrealistic. London for instance is meant to double their output levels. Can't be done.



Improving the Existing Housing Stock

- The increasing emphasis on net zero gives more potential for investment – and jobs – across the country;
- Much of the work has to be done in situ which will spread investment more evenly;
- But equally there will need to be new technology, new skills and scale economies which could develop anywhere in the country;
- Given the current poor quality of housing in many left-behind areas there will be significant health and wellbeing benefits which help the levelling up agenda - as the costs of poor health are heavily concentrated among lower income households and disadvantaged groups;
- BUT this all requires government funding, at least in the first few years until (hopefully) productivity benefits bring costs down.
- The National Housing Federation has just suggested housing associations will need £36 bn to meet net zero by 2050. Not going to pay for itself and will reduce social housing output. Again the issue is funding.



What about Planning?

The core objective of the proposed simplified system is to speed up housing development and incentivise more investment across the country. Also more emphasis on brownfield sites which could help older industrial areas.

The proposed substitution of an Infrastructure Levy on the value of new development for the current system of developer contributions (Section 106 and CIL) will concentrate funding in higher valued areas - hardly levelling up?

This is because what can be raised depends directly on house prices (less costs which vary much less) and the money is currently intended to stay in the local authority in which it is raised.

To the extent that the Levy is actually spent on infrastructure this will further concentrate investment in higher valued areas – and increase house prices.



How Could Housing Help Levelling-Up?

- By helping to fund the necessary expenditure?
- Two - politically highly unacceptable - ways:
 - i. Reform Council Tax and
 - ii. Redistribute significant amounts of the funding raised from high valued to lower valued areas.
- Currently the banded structure of Council Tax means that, authority by authority, lower valued dwellings pay proportionately more than higher valued dwellings – which leave lower income households struggling.
- Worse, Council Tax has hardly increased over the last 30 years, starving local authorities of funds, increasing house price inflation and worsening income and wealth distribution.
- Even worse, the higher land values from improved infrastructure are reflected in higher house prices rather than helping fund future growth.



Reducing inequalities

Inequality and house price rises can only be addressed by changing the taxation system.

The easiest but politically unacceptable way is to modify Council Tax so that those with more expensive homes pay more.

I moved into Islington 35 years ago. I paid something like £1,800 council tax on a home worth under £400,000 Now I pay £2,200 on something worth maybe 4 – 5 times that price. My colleague pays the same Council Tax as the nearby castle and grounds.

Reforming Council Tax so it relates much more directly to capital values and then updating the tax base on a regular basis would be a much more positive approach to funding local government and to stabilising house prices.

But there would also have to be much more emphasis on redistribution between areas to help pay for the levelling up agenda.

It couldn't be done all at once and would be incredibly unpopular.

But it would devolve funding and provide some capacity for regional and local authorities to make their own decisions.



So what is the message?

Most housing specific policies reinforce spatial inequalities and make it harder for disadvantaged areas to pull themselves up and increase investment.

Government policies which concentrate on housing numbers do almost nothing to stabilise house prices. And they reinforce spatial inequalities.

Policies and investment that improves the existing stock have green potentials that need to be realised.

There are lots of potential opportunities, based on new technology and higher skills.

But this needs strong regional and local powers – and money – to help generate the necessary synergies.

That requires a new source of funding which also improves the operation of the housing market. A restructured local housing taxation system which take more from better off people and better off areas is the logical way forward. But is there any political will?

Finally, when evaluating the benefits of housing investment we need to place more emphasis on the known benefits of good housing on health but also child development and inclusion. This would help the levelling up agenda.