

CIH
Suites 5 & 6
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By email to: compulsorypurchaseconsultation@levellingup.gov.uk
Department for Levelling Up Housing and Communities

Dear Sir/Madam,

CIH response to the consultation on compulsory purchase – compensation reforms

Initial comment

The Chartered Institute of Housing (CIH) is the professional body for people who work in housing, the independent voice for housing, and the home of professional standards. We are pleased to have the opportunity to comment on these proposals.

CIH believes that the government is right to seek to modernise the system to ensure a fairer, faster, more efficient compulsory purchase order (CPO) process that acquiring authorities are confident in using and that produces the right outcomes to bring forward development, including for much needed housing.

The country is facing a worsening affordable housing crisis. The [National Housing Federation's people in housing need report in 2021](#) estimates that 4.2 million people are in need of social housing in England. This equates to 1.6 million households – 500,000 more than the 1.1 million households recorded on official waiting lists. Long-term, sustained investment in social housing is the only way to change this and there is a compelling case for putting an ambitious programme of new affordable housebuilding at the heart of levelling up. Despite well over a million people being on housing waiting lists living in insecure and often unsuitable temporary accommodation, this country only managed to build 6,000 social rented homes last year according to the government's own [statistical data sets](#). 'Hope value' is a key part of this, as it artificially inflates land values, making it extremely hard for councils to buy land to build social housing.

The world of compulsory purchase has long been confusing and balanced in favour of the landowner. We consider that the government's proposals represent a step in the right direction, and we welcome the government's stated intentions in the consultation proposals to introduce measures that will ensure fair compensation is paid for compulsory purchases and 'make the valuation of land in this context more akin to a normal market transaction.' This presents a huge opportunity to help deliver the right homes, in the right places, at prices that people can afford to rent and buy. Tackling outdated 'hope value' rules will help local authorities build more social housing and meet their mandate to reduce housing

waiting lists, supporting the government's own commitment to level out the huge disparities in the economies of our towns and cities across the country.

Consultation proposals

The Land Compensation Act 1961 requires reform so that local authorities have the power to compulsorily purchase land at a fairer price. In the current system hope value distorts land prices, significantly reducing revenues for affordable housing, infrastructure, and local services. Clearly if land is acquired closer to existing use value, more of the uplift in land value can be captured for public benefit. Whilst land remains prohibitively expensive this essentially all but eliminates the building of genuinely affordable homes.

Reform to bring the purchase of land closer to existing use value would enable more land value to be captured and invested for public benefit, ensuring the viability of schemes that may otherwise not be able to come forward and/or to support greater levels of much needed affordable housing. Lower land prices would enable genuinely affordable housebuilding to be unlocked, which could not come at a more curial time given the growing cost of living crisis which hits poorest households hardest.

The proposals will leave the concept of Alternative Appropriate Development (AAD) as the only potential future source of hope value that would be awarded if Certificate of Alternative Appropriate Development (CAAD) is issued. For development where CAAD is not likely to be awarded it seems sensible to assume that the land assembly process is likely to be much faster and landowners will be more likely to accept local authorities' offers rather than pay for the application. Where AAD is likely to be awarded, landowners will still have a financial incentive to make this application, and this will likely slow the process down and impact on financial viability and could potentially impact on a high number of projects given the fact that very few developments are likely to be entirely free of land that may be awarded an AAD. In recognition of this the proposal to allow acquiring authorities to request from the Secretary of State that for specific schemes, payments in respect of hope value may be capped at existing value or an amount above existing value where it can be shown that this is justified in terms of public interest. It seems difficult to assess how well this process will meet its aims of speeding up the process. For projects clearly backed by central government it would be likely that the process could work well as there will be certainty for all sides. However, for local authorities and development corporations it feels that there could more room for uncertainty and delay.

Alternative proposals

Our view is that the government should go further as the alternative proposals suggest and automatically limit the payment of hope value on compulsory purchase more generally or in relation to specific types of schemes. This would provide greater consistency and certainty for all involved, which would speed up the process and reduce costs. Categories of schemes with a clear and well-established public interest would be logical to exclude, such as

regeneration, affordable housing, transport infrastructure and education. Providing a statutory definition of the types of schemes in which hope value would be limited would provide greater certainty for all.

Concluding thoughts

CIH welcomes the government publicly stating in this consultation process their intention to reform hope value and make CPO easier to use when required. Compulsory purchase powers are potentially an important tool for local authorities for placemaking, regeneration and housing delivery. We are encouraged that these proposals present an opportunity for the CPO process to be made simpler, clearer, and fairer. However, further thinking and evolution on the detail is required. This is a complex topic and there is a risk that in attempting to make things simpler new issues will arise. It is therefore vital that the government takes on board views from this consultation process and engages with those who work regularly within the compulsory purchase system and are therefore well-placed to spot potential issues and comment on the detail of the proposals.

Reform should allow authorities to assemble sites more easily, and capture uplifts in land value for the public, and encourage landowners to release land more readily and with less expectation of holding out for the chance of a better price for their land in the future. However, it is worth noting that few local authorities have dedicated CPO teams. This is a key point which ties into the wider lack of resourcing in planning departments and local authorities more widely which must be considered in conjunction with reform. Whilst the intention to make things simpler and fairer for local authorities is honourable and welcome, reform will not meet its intention of speeding up the process if local authorities are not sufficiently resourced financially and in terms of skills.

If you would like to discuss any of this in more detail, please do get in touch.

Yours sincerely,

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