

Back to the Future

How development corporations can
help solve Britain's housing crisis

Callum Newton

ONWARD >

About Onward

Onward's mission is to develop bold and practical ideas to boost economic opportunity, build national resilience, and strengthen communities across all parts of the United Kingdom.

We are not affiliated to any party but believe in mainstream conservatism. Our vision is to address the needs of the whole country: young and old, urban and rural, for all communities across the UK – particularly places that have too often felt neglected or ignored by Westminster.

We believe in an optimistic conservatism that is truly national – one that recognises the value of markets, supported by a streamlined state that is active not absent. We are unapologetic about standing up to vested interests, putting power closer to people, and supporting the hardworking and aspirational.

Thanks

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Contents

Executive summary	1
<hr/>	
The housing crisis	6
<hr/>	
Planning problems	12
<hr/>	
Lessons that work	18
<hr/>	
The development corporation solution	29
<hr/>	
Recommendations	37
<hr/>	
Conclusion	42
<hr/>	
Endnotes	44
<hr/>	

Executive Summary



Britain faces an unprecedented housing crisis. House prices have quadrupled since the late 1990s and average weekly rents have doubled. Salaries have struggled to keep up with housing now considered unaffordable in 95% of English local authorities.

As a result, Britain now has one of the lowest homeownership rates in Europe - especially amongst younger generations. Levels of affordability are especially low in London and South East England, with leafy areas of the Home Counties quickly becoming some of the least affordable areas of the country.

The problem is a shortage of new homes. Supply is struggling to keep up with the demands of the population. House building has halved from its peak in the late 1960s, despite England's population growing by a fifth over the same period. With record levels of migration, some estimates suggest England needs to build over 400,000 new homes annually simply to meet demand. Yet only 178,010 new homes were built in 2022.

One root cause of this issue is England's planning system. Although designed to boost supply, the current system is having a detrimental impact on the pace and predictability of new developments. Planning applications are now taking longer to process, are more expensive, and are less likely to be approved than a decade ago. Many sensible applications are being derailed by opposition from existing homeowners and environmental quangos while younger generations struggle to get onto the housing ladder.

The result of the last election is clear. The Conservative Party cannot afford to rely on a shrinking pool of older homeowners and neglect the ambitions of younger generations. The case for house building is inherently Conservative; boosting home ownership has been central to the Party's success over the last century. The centre right must fully embrace a pragmatic approach to housebuilding which successfully channels market resources and state powers to build the homes Britain needs.

The solution already exists: Development Corporations. Initially created through the New Towns Act (1946), Development Corporations have been at the centre of Britain's most successful post-war development projects - including Canary Wharf, Liverpool Docklands and London's Olympic Park. They are statutory bodies that leverage the powers of the state and private sector

investment to catalyse development. Crucially they can become the designated planning authority for sites under their remit.

The model is flexible, with three key variants designed to meet local housing and structural needs: Urban, Mayoral and New Town Development Corporations. Urban Development Corporations (UDCs) specialise in inner-city regeneration and reclamation of brownfield land. Mayoral Development Corporations (MDCs) operate under a similar remit but are accountable to regional mayors. New Town Development Corporations specialise in building standalone satellite settlements outside major cities to manage urban sprawl. They have revolutionised how Britain lives and works, with New Towns accounting for one in twenty of all UK households.

Housebuilders need certainty. As the number of new homes built each year approaches record lows, development corporations offer a means of bringing predictability, pace and private sector investment back into the planning system. Accountable to the Secretary of State or regional mayors, development corporations are insulated from the political pressures often applied on Local Planning Authorities by a vocal minority of existing homeowners. This insulation regularly leads to higher approval rates and better housing output.

Better funded and empowered development corporations can process planning applications quicker. With one in five councils facing bankruptcy, planning resources are stretched. One in ten applications are now taking longer than 13 weeks to receive a decision. Development corporations have dedicated ring-fenced funding and are much faster at processing applications.

Past experience shows development corporations often lead to higher rates of housebuilding. Development corporations completed 40,576 new housing units across 3,553 hectares of land in English cities between 1981 and 1997. Over this period each UDC completed an average of 3,100 units, at a time when house building was in decline across England. Some 88% of major dwelling planning applications submitted to the Central Manchester Development Corporation between 1988 and 1995 were decided upon within eight weeks. In contrast, only a fifth of similar applications received by LPAs were approved within eight weeks over the same period.

Development corporations are catalysts for investment. For every £1 of public sector investment generated by development corporations between 1981 and

1993, £3.45 was leveraged from the private sector. Development corporations are also effective tools for attracting investment to cities beyond London and South East England, with Leeds, Sheffield and Trafford Park UDCs generating much more private sector investment relative to government grant-in-aid up to 1997.

Development Corporations need empowering to tackle the housing crisis. First, the Localism Act (2011) should be amended to enable regional mayors to unilaterally establish a Mayoral Development Corporation in areas of their combined authority experiencing affordability issues. The amendment should remove the need for assent from two thirds of local authorities within their jurisdiction from existing devolution deals, but retain the Secretary of State's requirement to establish an MDC by secondary legislation.

Second, the Levelling Up & Regeneration Act (2023) needs to be reformed to enable development corporations to retain Stamp Duty Land Tax (SDLT) receipts from new houses built under their remit. This will incentivise development corporations to build quickly and provide a secure revenue stream to repay HM Treasury start-up loans from organisations such as the Public Works Loans Board (PWLB).

Third, staggered relief should be offered on Residential Property Developers Tax for businesses who commit to building new homes via development corporations. HM Revenues & Customs should offer deductions to housebuilders based on the number of new dwellings completed through a development corporation to catalyse investment.

Finally, all new development corporations should be encouraged to use their planning powers to release suitable Green Belt land near public transport links for house building. This could see the construction of over two million homes across the Home Counties without undermining the Green Belt.

Development corporations have demonstrated their ability to overcome barriers to housing supply. Despite criticisms of the alleged 'undemocratic' nature of UDCs in the 1980s, the modern development corporation model has evolved and is popular amongst political parties of all stripes. This report sets out the case for radical action to resolve Britain's housing crisis, how development corporations work, and the benefits of renewing this tested approach.

Table of Recommendations

Problem	Solution
<p>1. Combined authorities are struggling to receive local assent for Mayoral Development Corporations in areas with major affordability issues.</p>	<p>1. The government should reform the Localism Act (2011) to enable combined authorities to unilaterally establish Mayoral Development Corporations.</p>
<p>2. Upfront capital is needed to launch development corporations, but there are few revenue streams available to repay loans.</p>	<p>2. The government should enable Development Corporations to retain Stamp Duty receipts on new homes built under their remit.</p>
<p>3. Businesses are scaling back investment in housing markets beyond London, contributing to low house building in high-demand areas.</p>	<p>3. The government should introduce a staggered relief on Residential Property Developers Tax based on the number of housing units built through development corporations.</p>
<p>4. The Green Belt is constraining housing supply around England's cities and contributing to low levels of affordability across the Home Counties.</p>	<p>4. The government should encourage development corporations to leverage their planning authority powers to release suitable Green Belt land close to public transport for house building.</p>

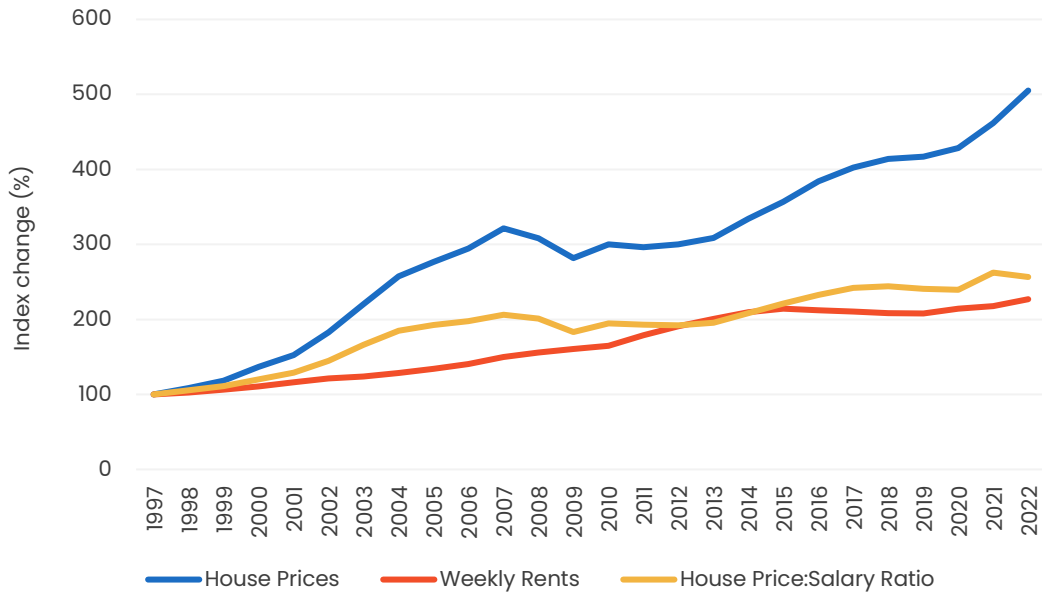
The housing crisis



Since 1997 house prices in England have risen 405%¹ and average weekly rents have doubled (Figure 1).² Housing affordability has worsened in every English local authority over the same period as salaries have struggled to keep up with rising prices. Rents are taking up a larger share of people's incomes.³

Figure 1: Average house price, rents and affordability ratio change (1997 - 2022)
(Index 1997 = 100)⁴

Source: Office for National Statistics and Land Registry, Onward analysis

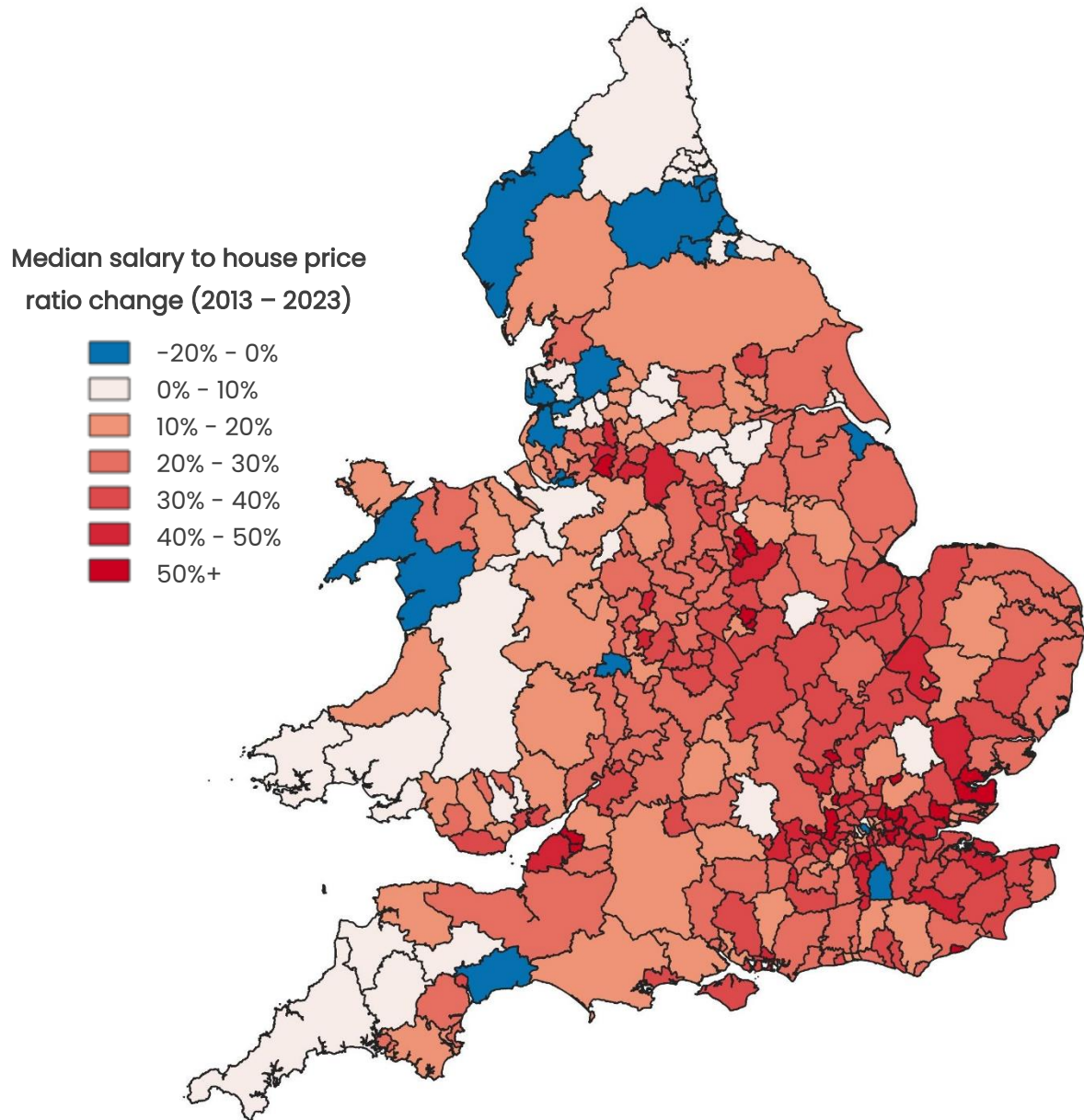


In 1997 the ratio between average salaries and house prices across England was 3.54.⁵ By 2023 this figure had risen to 8.3.⁶ The affordability ratio now exceeds the 4.5 annual income mortgage affordability threshold in 95% of local authorities.

Levels of affordability are especially low in London and South East England. Traditionally suburban communities across the Home Counties recorded some of the fastest growing rates of unaffordability in England between 2013 and 2023 - including Epsom and Ewell (+47%), Wokingham (+46%) and Harlow (+53%) (Figure 2).⁷

Figure 2: Change in Median Salary to House Price Ratio in English & Welsh Local Authorities (2012 - 2023)⁸

Source: Office for National Statistics affordability ratios, Onward analysis



High prices make it harder to buy a home. In 2022/23 the average deposit required for first time buyers was over £50,000.⁹ Homeownership is falling among every age group except the over 65's. Millennials are now half as likely to own a home at the age of 30 as their parents.¹⁰ Britain now has one of the lowest homeownership rates in Europe.¹¹ High rents directly and inevitably cause poverty and also make homelessness much more common - a trend exacerbated by long waiting lists for social housing.

Rising house prices and rents are the inevitable result of supply lagging behind demand. For every 1% shortfall in housing relative to population growth, prices rise 2%.¹² Post-war house building peaked in 1968, at 350,000.¹³ By 2022 this figure had dropped to 178,010 - a drop of 49% - despite a 20% rise in the population.¹⁴ The Centre for Cities estimates that Britain has a shortage of 4.3 million homes, and recommends building 442,000 a year for twenty-five years.¹⁵ The *Financial Times* suggests 529,000 given current net migration levels.¹⁶

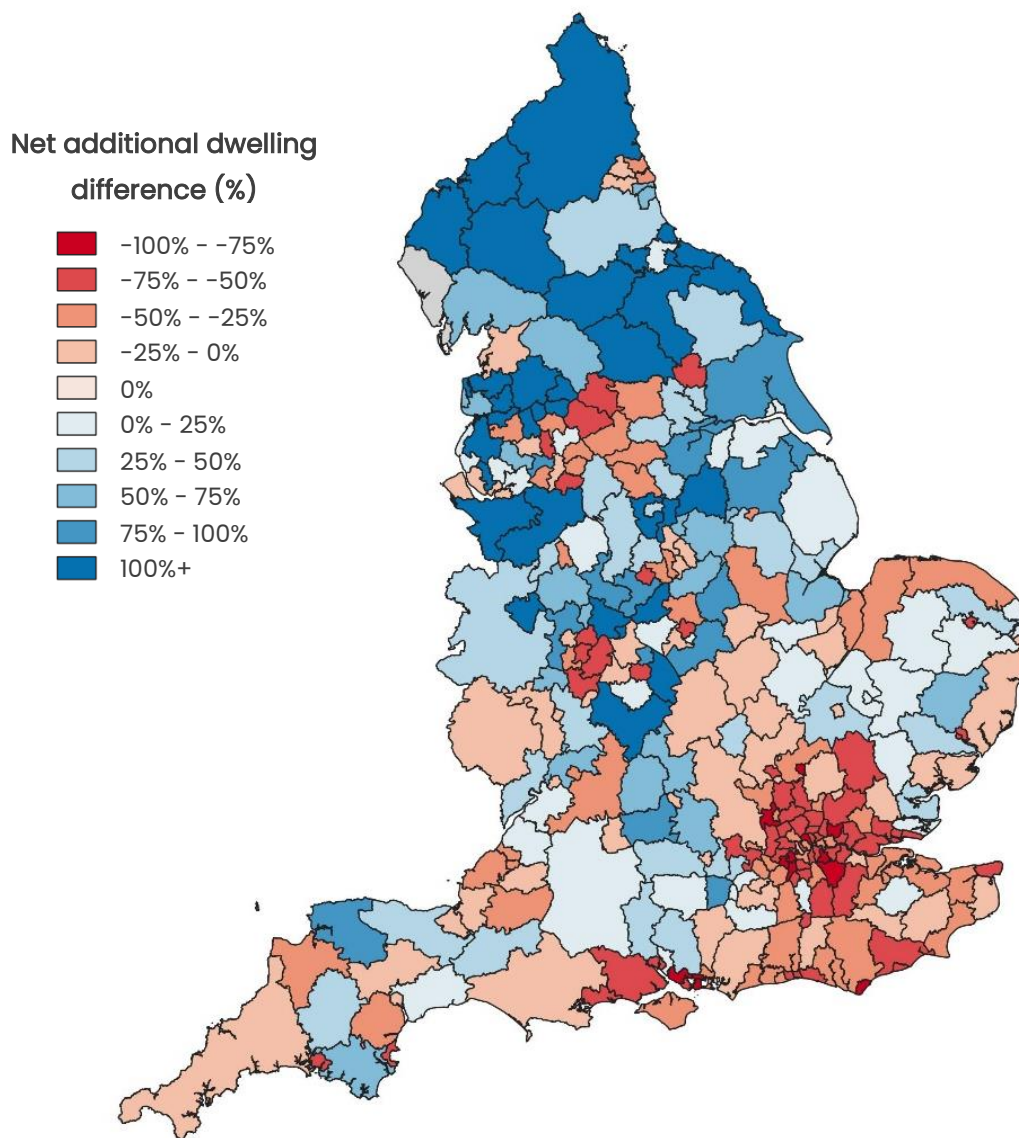
Just as low supply increases prices, so an increase in supply reduces them: again, a 1% rise in the housing stock relative to population lowers prices - and rents - by 2%.¹⁷ Increasing supply also has a direct impact on local housing market affordability.

Despite a clear link between housing supply and prices, Britain is failing to build enough new stock. Supply has failed to meet demand in half of English local authorities since 2020, with shortfalls often greatest in areas of London and the Home Counties - such as Redbridge, Lewisham and Kingston-upon-Thames (Figure 3).¹⁸

Limiting supply is compounding affordability issues in many already underserved communities (Figure 4). Britain simply needs more houses - and it needs them most in the areas where prices are highest.

Figure 3: Difference between average net additions delivered and estimated net additional dwellings required by English Local Authority (2020 - 2023)¹⁹

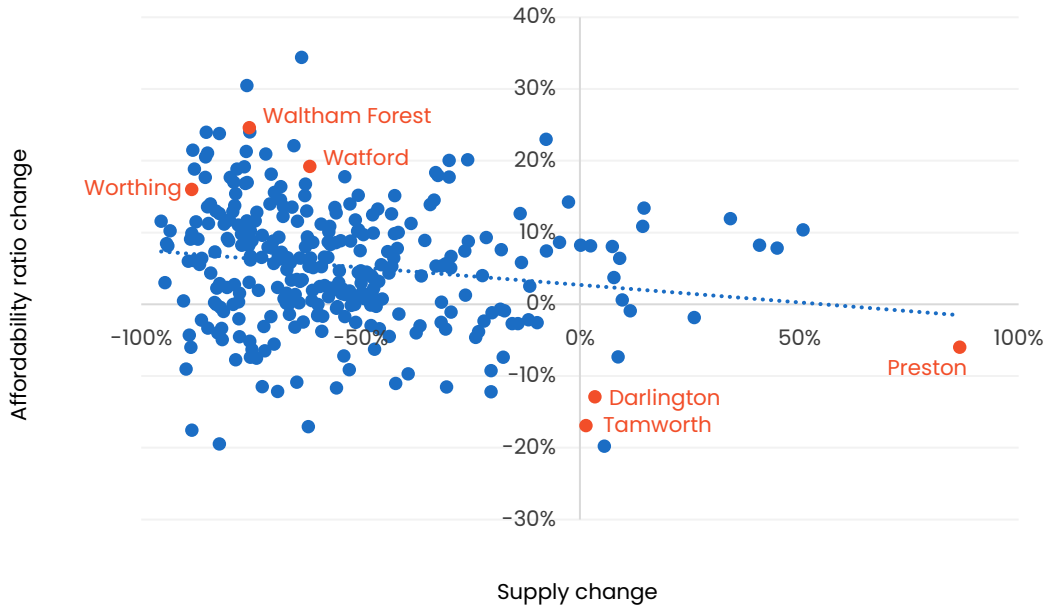
Source: Ministry of Housing, Communities & Local Government & Office for National Statistics



Note: Barrow-in-Furness, Isles of Scilly and Copeland also removed due to incomplete data.

Figure 4: Changing affordability ratio rates and supply of net additional dwellings relative to household projection requirements (2020 - 2023)²⁰

Source: Department for Levelling Up, Housing and Communities, Onward analysis



Note: Barrow-in-Furness has been removed due to its outlier status.

Planning problems



The cause of low supply is chiefly the English planning system. It has consistently had a detrimental impact on the pace and predictability of new developments, deterring private-sector investment.

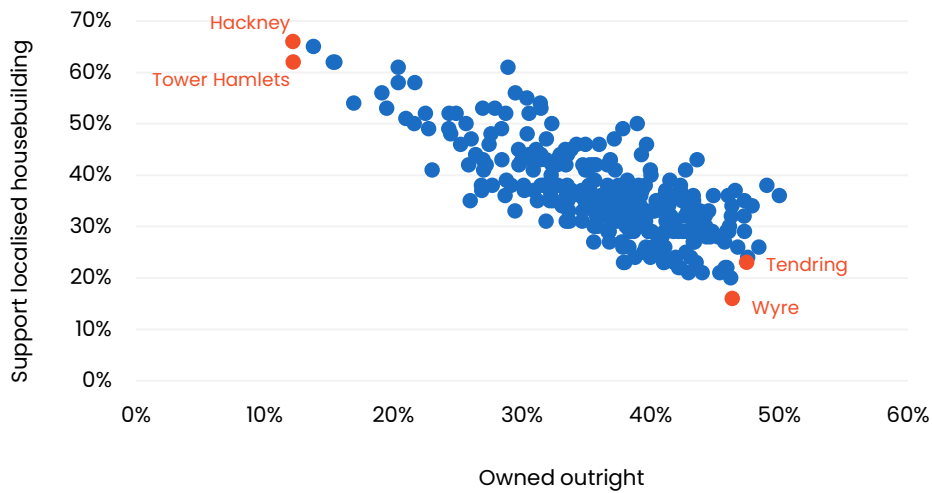
Predictability

Although England nominally has a plan-led system, the Competition & Markets Authority found the "complex and unpredictable" planning system was responsible for the "persistent" under-delivery of new homes.²¹ A major source of uncertainty is that new developments can still be rejected regardless of whether they comply with local plan requirements.²²

Specifically, the English planning model is uniquely vulnerable to local opposition. Despite almost 70% of Britons agreeing there is a housing crisis, only half support building new homes in their area.²³ Local opposition to new developments is primarily driven by concerns that changes to nearby land use may negatively affect house prices.²⁴ Homeowners are more likely to engage in local democracy than private renters²⁵, and they are much more likely to oppose development (Figure 5).

Figure 5: Levels of homeownership and opposition to housebuilding in English Local Authorities (2021)²⁶

Source: Ben Ansell MRP & Office for National Statistics subnational household estimates, Onward analysis



Local opposition is undermining the effectiveness of England’s planning system. Councils with some of the highest levels of local opposition to new developments also had low approval rates for major dwelling applications in 2023 – such as Mole Valley (23%), Maldon (45%) and Lewes (50%).²⁷ Local authorities with high concentrations of Green Belt land also often have comparatively lower planning application approval rates (Box 1).²⁸

Box 1: England’s Green Belt

The Green Belt is one of the most rigid parts of England’s planning system. Introduced in the Town & Country Planning Act (1947), the Green Belts aim to prevent urban sprawl.²⁹ The National Planning Policy Framework (NPPF) considers any development on the Green Belt as “inappropriate” and “harmful”. Under the NPPF planning permission can only be granted when the potential harm to the Green Belt is “clearly outweighed by other consideration”.

The Green Belt is constraining housing delivery around England’s cities. The Green Belt currently accounts for 12.6% of England’s total land area.³⁰ But it is not a fixed boundary. The Green Belt has grown by 22,620 hectares alone since 2020.³¹

Many areas across the Home Counties have high concentrations of Green Belt land which are undermining housing delivery – such as Tandridge (93.9%), Sevenoaks (92.9%) and Epping Forest (91%).³² This includes almost 2,500 hectares of brownfield land within the Green Belt which has the potential to accommodate up to 147,180 new homes.³³

Pace

Planning applications are taking too long to process, adding to growing uncertainty. Over one in ten applications took longer than the statutory requirement of 13 weeks to receive a decision from local planning authorities in Q3 2023, with only 21% of major applications decided upon within the national time limit.³⁴

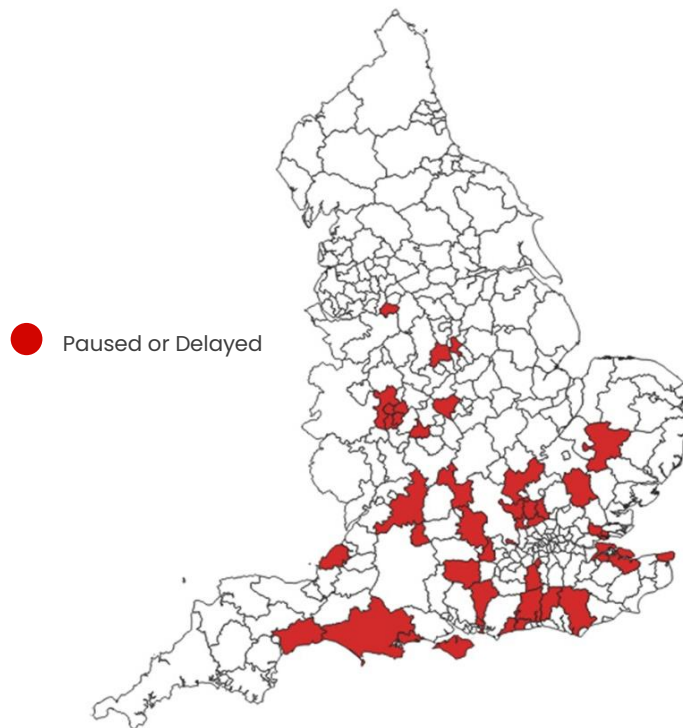
The delays are partially caused by under-resourced Local Planning Authorities (LPAs). Government spending on these authorities – who are responsible for

reviewing applications - was reduced by 14.6% between 2010/11 and 2017/18.³⁵ As a result, almost 90% of LPAs were operating a budgetary deficit by 2020/21.³⁶ LPAs also lost a quarter of planners between 2013 and 2020.³⁷ A shortage of adequate resources 'has led to delays, poor decision-making and greater reliance on the appeals process'.³⁸

Limited planning resources are undermining housing output. With fewer resources, less than half of LPAs currently have an up-to-date local plan setting out house building priorities. As shown in Figure 6, many areas of the Home Counties struggling with affordability issues do not have updated local plans. LPAs which do not have an updated local plan often rank in the lower quartiles of house building in 2022/23, with areas such as Castle Point and Hertsmere having some of the lowest output rates in England.³⁹ This issue is set to worsen as local authorities continue to face significant funding shortfalls, with current projections suggesting that 78% of English councils will not have an up-to-date local plan by December 2025.⁴⁰

Figure 6: Local planning authorities with paused or delayed local plans (2023)⁴¹

Source: Lichfields, Onward analysis



Private-sector investment

The slow planning system is, in turn, deterring investment. The number of planning applications has not rebounded since the financial crisis.⁴² As shown in Figure 7, applications have started to fall further following a brief spike in the aftermath of the COVID-19 pandemic.⁴³

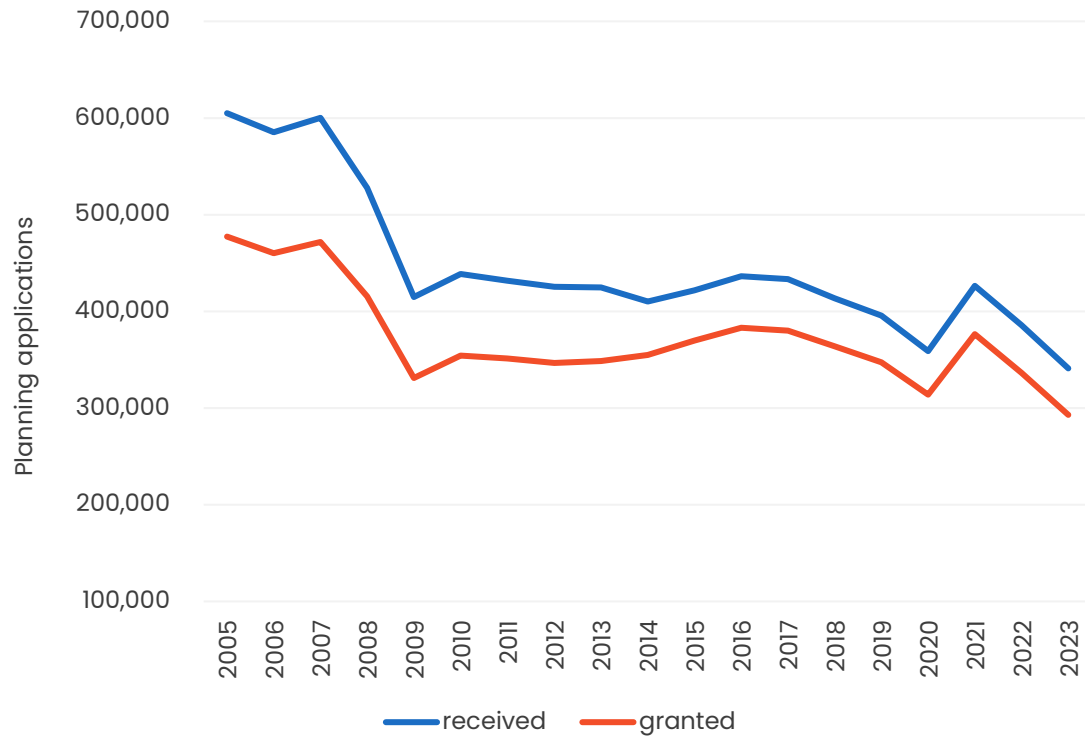
Planning applications are also becoming increasingly expensive. The cost of submitting an outline planning application has jumped 72% since 1990.⁴⁴ Developers are also being burdened with new and expensive barriers for new applications. Four documents were needed as evidence for an outline planning application in 1990. By 2023 this figure had risen to over forty supporting documents. As a result, the cost of commissioning evidence for a moderate greenfield site of 40 new homes has increased by 4.5 times to around £125,000.⁴⁵

Growing uncertainty is pushing businesses to withdraw from regional housing markets. Almost 90% of housebuilders now cite planning delays as the biggest challenge facing their business.⁴⁶ Capital is becoming increasingly concentrated in pro-building cities and areas which offer greater yields in economic rents.⁴⁷ London's share of dwelling Gross Fixed Capital Formation (GFCF) - which measures net public and private capital expenditure - has jumped from 15.6% in 2008 to 25.2% in 2022.⁴⁸

There is a risk that capital will continue to retreat to London where demand is greatest and potential returns highest. As a result, it is becoming increasingly difficult to finance much needed housing projects in areas beyond London struggling with major affordability issues.

Figure 7: Number of received and granted planning applications England (2005 - 2023)⁴⁹

Source: Department for Levelling Up, Housing and Communities, Onward analysis



Lessons that work



Development corporations are geographically limited statutory bodies designed to deliver more houses and other forms of development. Initially incorporated through the New Towns Act (1946), development corporations can become the planning authority for their sites – bypassing the local authority.⁵⁰ They can unilaterally approve planning applications and are insulated from local opposition, usually exerted by existing homeowners who undermine council planning decisions. In essence they empower the silent majority, and the expense of the noisy minority.

Alongside available planning authority powers, development corporations can leverage an array of powers to support businesses and boost housing supply:

- Under the Town & Country Planning Act (1990), development corporations can issue **Local Development Orders** (LDOs) embedded within Local Plans to automatically grant planning permission for certain types of development.⁵¹ They are frequently used to encourage ‘gentle densification’ of England’s towns and cities by pre-approving many low-level developments without the need for lengthy planning applications (i.e. new housing units, residential extensions and building conversions).⁵²
- The New Towns Act (1946) and Town & Country Planning Act (1990) grants development corporations the power to issue **Compulsory Purchase Orders** (CPOs) to assist with the land assembly for new projects.⁵³ These are legal instruments which require owners of unused or underutilised land to sell their property if it obstructs any development project which benefits the public interest (i.e. ‘greater good’).⁵⁴ Confirmation of CPOs is normally granted by the Secretary of State – including for Locally-Led Development Corporations – with the exception of Mayoral Development Corporations where approval is required by the relevant Mayor.
- Under the Levelling Up & Regeneration Act (2023), development corporations have the power to set and collect **Community Infrastructure Levy** (CIL) charges if they have planning authority functions.⁵⁵ The Planning Act (2008) enables local planning authorities to collect CIL payments from developers and determine individual rates for new projects⁵⁶ to help finance community priorities (i.e. schools, hospitals and local transport provision).⁵⁷ Once assuming planning

authority powers, development corporations are free to determine and collect CIL rates. However, exemptions apply to Mayoral Development Corporations which are required to reflect CIL rates set by the relevant Mayor to ensure consistency across the combined authority.⁵⁸

Development Corporations are time limited: when projects are completed, they are dissolved with powers transferring back to relevant local authorities.⁵⁹ Both Conservative and Labour governments have used them for urban regeneration (Figure 8). Some 20 new towns were built in the post-war period and 27 development corporations have been established since 1980. By 2014 almost one in twenty UK households were in new towns⁶⁰ and they are recognised as an effective tool for house building across the country (Box 2).

Box 2: Cambridge Development Corporation

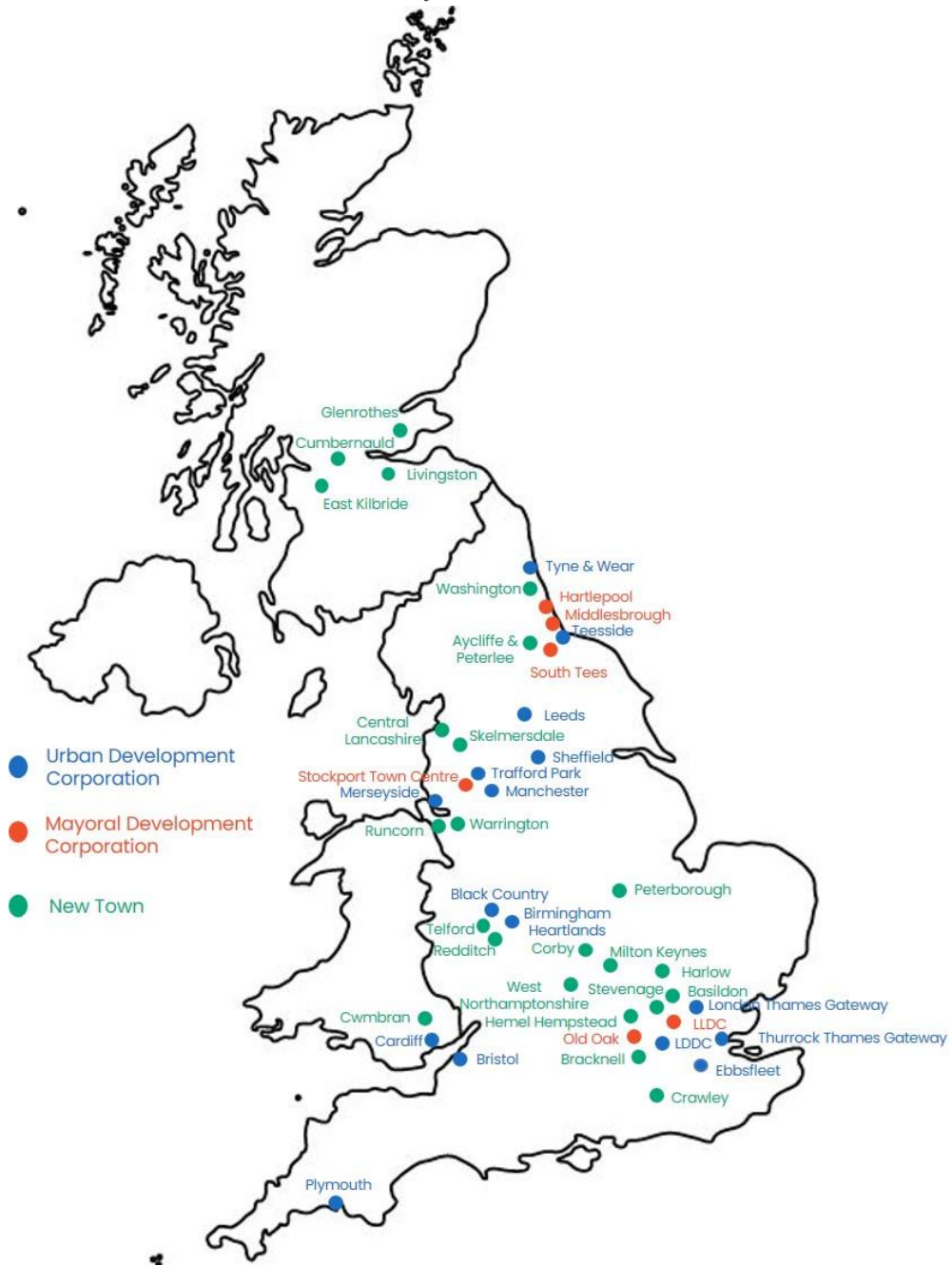
Cambridge is one of the least affordable places to buy a home. Over the last decade house prices in the city have increased by 78%, while rents have jumped 28% since 2012.⁶¹ High prices are deterring talent from the city, threatening the city's contribution to the UK's world leading 'Golden Triangle' science and technology hub.⁶²

Cambridge's record prices are driven by a lack of supply and low rates of housebuilding. In March 2024 the Government laid out plans to address this issue by building up to 150,000 new homes across Cambridge.⁶³ Many of the new homes and adjoining infrastructure are expected to be delivered by a development corporation. This will also have a major role in the design codes for new properties to ensure local resident and public preferences are respected.⁶⁴

Although the development corporation remains in the planning stages, a full funding settlement is due to be announced in the next Spending Review.⁶⁵

Figure 8: Map of established development corporations since 1946

Source: National Archives, Onward analysis



What are the main types of Development Corporations?

There are three types of development corporations which can be used by central and local governments across England: Urban, Mayoral and New Town Development Corporations.

1. Urban Development Corporations

Urban Development Corporations (UDCs) were the Thatcher government flagship redevelopment mechanism and were considered as “the most important attack ever made on urban decay”.⁶⁶ They have a wide range of powers to acquire, reclaim and dispose of land,⁶⁷ as well as the power to grant planning permission.⁶⁸

Unlike other development mechanisms, UDCs were led from Whitehall and were funded from central government grants, private sector investment and land sales.⁶⁹ UDCs can be established unilaterally by the Government. Many of the legal powers are available to UDCs including the ability to release publicly held land and issue Compulsory Purchase Orders (CPOs).

Using these powers the 13 original UDCs transformed communities from Teesside to London’s Docklands, building more than 44,000 new homes on 3,600 hectares.⁷⁰

Box 3: London Docklands Development Corporation

The London Docklands Development Corporation (LDDC) epitomised the UDC model of the 1980s. By leveraging powers from the Local Government, Planning and Land Act, the LDDC offered major financial incentives to attract private sector investment into the Isle of Dogs Enterprise Zone in a bid to reverse decay across London’s former docklands. This included ‘no land tax, no training levies, no planning restrictions, a 100 per cent tax write-off on capital costs and a 10-year tax holiday’.⁷¹

As a result, the LDDC successfully generated over £7.66 billion in private sector investment to build almost 28,000 new homes⁷², create 120,000 jobs and develop 8.5 square miles of former commercial and industrial land in London’s East End.

Although criticised by some for increasing local tensions, the LDDC helped solidify London's place as the epicentre for global finance through the development of Canary Wharf. Although the LDDC was wound down in the late 1990s, Canary Wharf continued to have one of the UK's highest rates of GVA per capita by 2021.⁷³

The Levelling Up & Regeneration Act enabled the creation of 'locally-led' Urban Development Corporations (LLUDCs). Under this approach, local authorities can petition Whitehall to create these bodies. Local leaders will have oversight of the core functions - including plan making and development management powers as appropriate - however decisions surrounding CPOs are retained by the Secretary of State.⁷⁴

Box 4: East Midlands Development Corporation

Local authorities across the East Midlands submitted a business case to establish a Locally-Led Urban Development Corporation in March 2021. The East Midlands Development Corporation (EMDC) was proposed by Broxtowe, Leicestershire, North West Leicestershire, Nottinghamshire and Rushcliffe Councils to develop areas around East Midlands Airport, Ratcliffe-on-Soar Power Station and Toton & Chetwynd.⁷⁵

Under the proposal the EMDC aims to create an inland freeport and build 4,500 new homes across the development area.⁷⁶ The business case estimates that if successful the EMDC is expected to generate £4.6 billion per annum for the regional economy and deliver 84,000 new jobs.⁷⁷ Although in the planning stage, the EMDC has been recognised as a prime example of locally-led UDCs ability to bring local authorities together in order to coordinate regional development strategies.

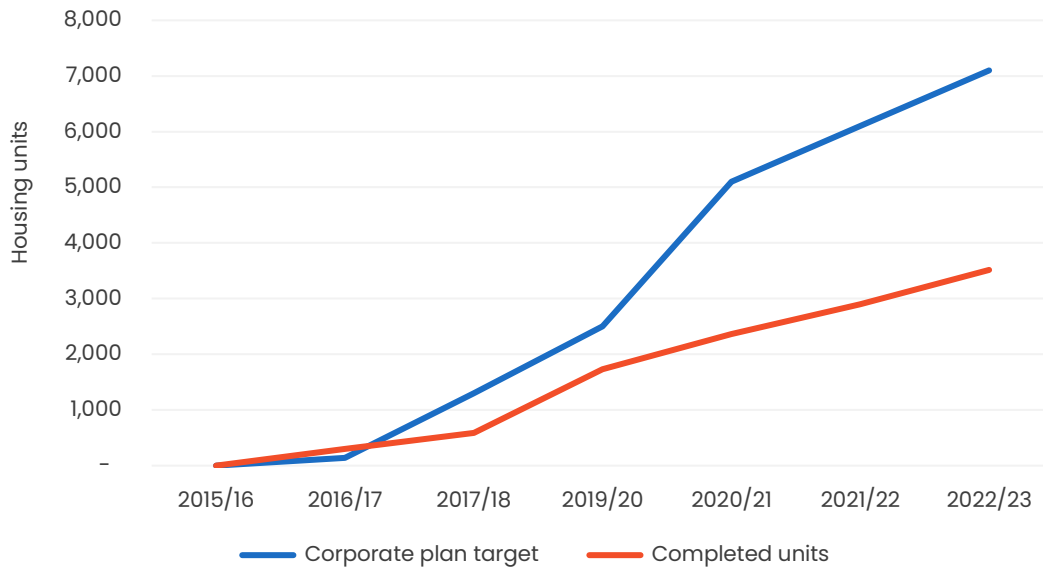
Regardless of the model, the key determinant in the success of UDCs is the ability to grant planning permission. This problem is best exemplified by the Ebbsfleet Development Corporation (EDC), established in 2015 and covering 2,500 acres of unused brownfield land in North Kent.⁷⁸ Although 4,000 new homes have been built to date, this is far lower than the 15,000 target (Figure 9).⁷⁹ Although the UDC has planning decision-making powers, it must conform to the statutory plans made by Dartford and Gravesham Borough Councils.⁸⁰

This approach is unusual for a UDC. Historically they have achieved the best results when they are given autonomy over planning decisions and plan-making functions. Failure to grant statutory plan-making powers has been a factor in undermining the ability of the EDC to maximise housing supply.

The number of major dwelling applications approved by Dartford Borough Council was significantly lower than the English average in 2023,⁸¹ and Gravesham’s local plan is three years behind schedule.⁸²

Figure 9: Ebbsfleet Development Corporation forecasted and completed housing units (2016/17 – 2020/21)⁸³

Source: Ebbsfleet Development Corporation, Onward analysis



Note: EDC Corporate Plan Targets expired in 2020/21. In the absence of an updated EDC plan, Onward has calculated the 2021/22 and 2022/23 targets by dividing the total remaining target stock by the existing targets to produce a gradual annualised score.

2. Mayoral Development Corporations

Mayoral Development Corporations (MDCs) are a modern variation of development corporations. MDCs were initially established under the 2011 Localism Act and have the power to acquire and dispose of land for development purposes through Compulsory Purchase Orders (CPOs).⁸⁴ Similar to UDCs, MDCs can be designated planning authority powers for sites under their remit.

The key difference is that the local metro mayor replaces the Secretary of State for appointing board members and strategic planning.⁸⁵ Mayors cannot unilaterally establish an MDC on their own.⁸⁶

The terms of individual devolution deals determine whether additional consent is needed. For example, West Midlands and Liverpool Combined Authority devolution deals require the agreement of constituent members by a two-thirds majority before an MDC can be ratified and a formal request issued to the Secretary of State.⁸⁷ Whereas under the Localism Act (2011) MDC proposals can be vetoed in the capital if two-thirds of London Assembly members object to prospective schemes.⁸⁸ Regardless of devolution deals, both stages have created a high hurdle which can be difficult for many Mayors to overcome.

Despite powers to create MDCs being part of every devolution deal, only three combined authorities have used them. In Greater Manchester, the Stockport MDC plans to deliver 3,500 homes across 50 hectares over 15 years.⁸⁹ Teesside in contrast is focussing on reclaiming the former Redcar steelworks.⁹⁰ The London Olympic Park site is also being redeveloped by an MDC (Box 5) and the Old Oak & Park Royal Development Corporation (OPDC) is continuing to spur development in West London.

New combined authorities present significant opportunities for MDCs. Four new combined authorities were created in 2024, and a further three devolution deals have been agreed in Greater Lincolnshire, Suffolk and Hull & East Yorkshire which are due to come into effect in 2025.⁹¹ Each new combined authority has the power to establish MDCs. Although many mayoral candidates promised to establish such bodies,⁹² no requests have been submitted so far.

Box 5: London Legacy Development Corporation

The London Legacy Development Corporation (LLDC) is a 2012 MDC which has repurposed the Olympic Park site, building 13,000 homes.⁹³ It has planning authority and statutory plan making powers and is accountable to the Mayor of London.⁹⁴ The LLDC has built almost 12,400 homes since 2012.⁹⁵ In comparison, the LLDC had a higher housing output than 55% of London Boroughs over the same period.

The LLDC has also supported the wider local economy of East London. The LLDC is expected to support the creation of 190,400 jobs across the Olympic Park by 2030, including over 10,000 permanent jobs at the Westfield Stratford City.⁹⁶ Crucially many of the new jobs supported by the LLDC are retained locally.

Evidence submitted to the House of Commons found that over a third of construction jobs associated with the LLDC are undertaken by local people and 90% of apprentices are hired locally.⁹⁷ This shows that MDCs can be responsive to local needs, and are determined to do what is right for their community.

3. New Town Development Corporation

New Town Development Corporations (NTDCs) have similar powers as UDCs and MDCs - including Compulsory Purchase Order (CPO) and planning authority powers. They also have powers to provide essential infrastructure, such as sewerage, which are essential for establishing standalone settlements. The 2023 Levelling Up & Regeneration Act removed borrowing caps to enable NTDCs to create communities with as many as 60,000 residents.⁹⁸

New towns are typically allocated powers on a fixed term basis. Once projects have been completed, New Town Development Corporations are dissolved with powers transferred to relevant local authorities. Despite the new legislative powers, few locally-led new town development corporations have been established. A major issue is that the locally-led model struggles to overcome the political pressures which influence planning decisions. Local authorities are unlikely to request a locally-led development corporation if they believe it will galvanise strong public opposition - especially if the proposed new town infringes on green belt provisions.⁹⁹

Polling indicates, however, that existing new towns have higher support for more house building locally,¹⁰⁰ and general building rates in former new towns such as Milton Keynes and Peterborough are higher than in other parts of the South East.¹⁰¹ Higher rates of supply ensure that housing in both is more affordable than in many other places, which in turn supports high rates of ownership (Box 6).¹⁰²

Box 6: Milton Keynes

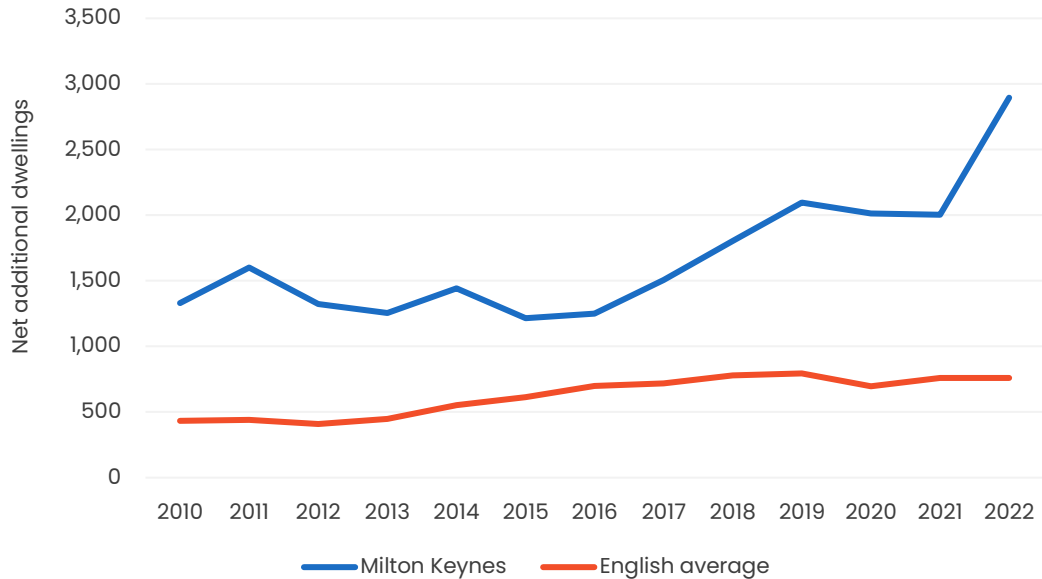
The Milton Keynes Development Corporation (MKDC) was established in 1967 to build a new town within commuting distance of London and Birmingham. MKDC built 44,000 homes, provided 80,000 jobs and planted 14 million trees.¹⁰³ By the time the MKDC was wound up in 1992, Milton Keynes had a population of 180,400.¹⁰⁴ Milton Keynes had one of the best affordability ratios in South East England in the 1990s.¹⁰⁵

Although no longer a new town, Milton Keynes continues to ensure supply better matches demand. Milton Keynes City Council (MKCC) has retained the new town's pro-housebuilding legacy. Unlike other local authorities MKCC introduced a new 'Core Strategy' in 2013 which committed to building 11,300 new homes.¹⁰⁶ MKCC also implemented a Housing Delivery Action Plan in response to new Housing Delivery Tests as part of the new National Planning Policy Framework regime in 2020.¹⁰⁷

As a result, Milton Keynes has consistently exceeded government house building targets.¹⁰⁸ Milton Keynes now has one of the highest housebuilding rates in England, with output considerably higher than other local authorities.¹⁰⁹ English local authorities recorded on average 743 net additional dwellings per annum since 2016.¹¹⁰ Whereas in Milton Keynes this figure was 1,938 over the same period.¹¹¹ Higher rates of house building have ensured that the area remains relatively affordable, supporting higher rates of owner occupation.

Figure 10: Net additional dwellings in Milton Keynes compared to English local authority averages¹¹²

Source: Department for Levelling Up, Housing & Communities and Office for National Statistics



The first generation of Mark I new towns were designed to be within 30 minutes commute of a major source of employment, while later Mark II versions could be up to 90 minutes away.¹¹³ The varying degrees of accessibility significantly undermined the economic viability of new towns.

Mark II new towns with longer commutes to nearby cities often have weekly earnings lower than the English average (£683) – such as Peterborough (£645).¹¹⁴ Whereas earnings in Mark I new towns closer to London are usually higher than the national average – especially in Crawley (£741) and Stevenage (£735).¹¹⁵ Earnings are also higher amongst Mark II new towns built closer to core cities. Milton Keynes is the largest and most successful new town built less than an hour from London which has weekly earnings higher than the England average (£779).¹¹⁶

Some of the later new towns have ended up characterised by deeply entrenched poverty. For example, Mark II new town Skelmersdale has high levels of poverty – 27% of the town’s children live in poverty with 22% on free school meals¹¹⁷ – and is blighted by one of Lancashire’s worst drug problems.¹¹⁸ The town is around 90 minutes from each of Liverpool and Manchester by public transport. Location matters.

The development corporations solution



Development corporations have a proven track record of increasing housing supply. The model is also effective in addressing the key issues presented by England's planning system, including concerns around predictability, pace and private investment.

Predictability

Investors recognise that development corporations offer much needed stability. They do so with insulation from local opposition and the simplicity of formation.

Insulation from local opposition

First, development corporations are insulated from political pressures. Housing developments are regularly opposed by existing homeowners who believe new stock will depreciate the value of their property, or increase pressures on local services. These views are unrepresentative of the wider community and pose a severe problem in England's 'shire counties' with high house prices and a severe shortage of housing.¹¹⁹

As the designated planning authority, development corporations take responsibility for a plan, and approving planning applications. They work with local communities, but their boards of directors are ultimately accountable to the Secretary of State or regional mayoralty rather than local voters.

This insulation often leads to higher approval rates. Between Q4 1987 and Q1 1998, 89% of planning applications received by development corporations were approved.¹²⁰ In contrast, local planning authorities approved only 85% of applications nationally over the same period.¹²¹ Some high-profile development corporations had even higher application conversion rates - such as Trafford Park (96%) and Teesside (95%).¹²²

Although powers have been expanded by the previous Conservative government, the ability to deliver explains why politicians of all colours support development corporations. The Liberal Democrats have recently endorsed the use of Mayoral Development Corporations in Greater Manchester.¹²³

New Labour established the West Northamptonshire, London and Thurrock Thames Gateway development corporations. In 2024, Keir Starmer's manifesto

also promised to build a “new generation of new towns” inspired by the post-war development corporations of the Attlee administration.¹²⁴

Simplistic Formation

Second, development corporations can be established quickly in areas of high demand. The Secretary of State for Local Government can establish Mayoral and ‘Locally-Led’ development corporations by ‘**negative procedure**’.¹²⁵ As opposed to ‘affirmative’ statutory instruments, negative instruments do not require assent from both Houses of Parliament before becoming law.

Through this approach, a development corporation can only be established by negative procedure if the Secretary of State has received a **formal proposal from a relevant local authority or mayoralty**. The minister must also be satisfied that it ‘would be expedient in the local interest’ to establish a development corporation on the proposed site.¹²⁶

In those circumstances, a development corporation can only be stopped if an opposition motion is agreed by either House within forty days, which experience shows is unlikely.¹²⁷ Hartlepool Development Corporation was unanimously approved by the Borough Council¹²⁸ and Stockport Town Centre West Development Corporation was backed by all parties during the 2022 council’s elections.¹²⁹

Although the 2023 Levelling Up & Regeneration Act has brought consistency to the establishment of ‘Locally-Led’ development corporations,¹³⁰ Urban and New Town development corporations still require **affirmative parliamentary assent**.¹³¹ The government only needs to receive parliamentary assent for individual statutory instruments to establish unilateral development corporations.

The length of parliamentary scrutiny varies. Legislation can be quickly passed by a ‘pro-housebuilding’ House of Commons if the development corporation is considered to be in the national interest. Legislation approving the Milton Keynes Development Corporation received assent from both Houses of Parliament within two months in 1967.¹³²

Pace

Development corporations are recognised as an effective mechanism for rapidly increasing housing supply. Development corporations circumvent many of the traditional financial barriers facing Local Planning Authorities (LPAs) which slow housing development by being responsible for their own strategic, local plan and budgetary requirements (Box 7).

Box 7: Levelling Up & Regeneration Act (2023)

The 2023 Levelling Up & Regeneration Act standardised plan-making powers across all development corporations. Local plans are drafted by councils to set out the statutory development vision and framework for communities, which becomes the basis of determining planning decisions.¹³³

Although Urban and New Town Development Corporations were granted planning authority powers (i.e. ability to determine decisions) under the Local Government, Planning & Land Act (1980) and New Towns Act (1981), they were often constrained within existing local plans.¹³⁴ This lack of powers presented a major barrier to development corporations as over three quarters of English councils are expected not to have an up-to-date local plan by December 2025.¹³⁵

However, the Levelling Up & Regeneration Act now enables Urban and New Town Development Corporations to develop their own independent local plans. The new legislation has standardised powers as Mayoral Development Corporations were granted local plan making powers under the Localism Act (2011).¹³⁶

Development corporations can leverage market resources to maximise housing output. One of the main challenges LPAs face is a lack of planning resources to approve applications and update local plans. One in five English councils were approaching bankruptcy in 2023,¹³⁷ with almost a third either delayed or at risk of pausing updates to their local plans.¹³⁸ Instead of relying solely on local authority funding, development corporations are partially financed by private sector investors. Through diversified funding streams development corporations are often in stronger financial positions than LPAs. As a result of

better funding under the hybrid model, development corporations are in stronger positions to attract and retain talent to implement local planning visions.¹³⁹

Better resourced planning teams enable development corporations to quickly implement planning strategies. 88% of major dwelling planning applications submitted to the Central Manchester Development Corporation between 1988 and 1995 were decided upon within 8 weeks.¹⁴⁰ In contrast, only 20.47% of similar applications received by LPAs were approved within 8 weeks over the same period. Other development corporations experienced similar successful conversion rates.¹⁴¹ For example, the Merseyside Development Corporation decided 83% of major dwelling applications within eight weeks throughout its operating lifespan.¹⁴²

Better resources and planning powers are reflected in housing output. Urban Development Corporations (UDC) completed 40,576 new housing units across 3,553 hectares of land in English cities between 1981 and 1997¹⁴³. Development corporations succeeded in building where the market and state failed, with total competitions across England decreasing by 12% over the same period.¹⁴⁴ More modern Mayoral Development Corporations have also been effective mechanisms for increasing housing stock. Some areas covered by the London Legacy Development Corporation (LLDC) are now some of the most densely populated parts of London.

The ability of development corporations to quickly increase housing supply also has a positive impact on improving affordability. The Old Oak & Park Royal Development Corporation built over 6,000 new dwellings – with 42% affordable homes – between 2015 and 2022.¹⁴⁵ Although not the sole reason, the uplift in housing supply has contributed to slower increases in house prices across Hammersmith & Fulham (+11%) and Ealing (+38%) compared to the wider London Borough average (+41%) over the same period.¹⁴⁶

The uptick in housing stock from Old Oak has contributed to higher rates of affordability across West London. The ratio between average salaries and house prices across London increased by 13.42% between 2015 and 2022.¹⁴⁷ However, the affordability ratio actually improved in areas covered by Old Oak such as Brent (-5.55%) and Hammersmith & Fulham (-10.26%) over the development corporation's lifespan in part due to the influx of new affordable homes.¹⁴⁸

Private sector investment

Access to finance is undermining housebuilding. Given the unpredictability of the planning system, house building is often considered a risky endeavour for many investors and SMEs.¹⁴⁹ Capital is becoming increasingly concentrated in London as investors seek to capitalise on the city's high economic rents while fewer planning applications are being approved across England.¹⁵⁰ As a result, it is becoming increasingly difficult to finance house building projects in areas experiencing affordability issues.

Development corporations have an array of powers to attract private sector investment. Under their current model, central and devolved governments grant initial seed capital for investments following a successful proposal from a relevant local authority.

Levels of state funding often depend on the scale of development projects. For example, the London Docklands Development Corporation (LDDC) received a lifetime grant-in-aid of £1.86 billion to support operations between 1981 and 1997.¹⁵¹ Government support accounted for less than 20% of overall funding as the LDDC generated £7.66 billion in private sector investment over the same period.¹⁵²

Whereas other UDCs with smaller targeted remits have received less government funding. The Tyne & Wear Development Corporation received £430 million in government funding between 1987 and 1998 - accounting for 39% of total investment.¹⁵³ Likewise, the recent Ebbsfleet Development Corporation has received £310 million in state support since 2015, while generating an additional £1.5 billion from the private sector.¹⁵⁴

Once established, development corporations rely on attracting private sector investment to finance projects. This includes leveraging powers such as:¹⁵⁵

- Gap Funding
- Land Acquisition Funding
- Feasibility Funding
- Direct Investment
- Remediation Investment

The current model outlined under the Levelling Up & Regeneration Act provides development corporations with two additional means of mitigating investor risk and generating capital. First, it has also removed aggregated borrowing limits for development corporations to assist with financial subsidies, investments and land assembly costs.¹⁵⁶ Although new borrowing limits are agreed on a case-by-case basis with HM Treasury, this new entrepreneurial approach grants development corporations' greater access to seed capital to launch new regeneration projects.¹⁵⁷

Second, development corporations can draw on external expertise through 'multi-disciplinary boards with considerable private sector representation'.¹⁵⁸ The cap has been removed on private sector board appointees and provides scope for non-governmental appointees to be designated as development corporation chairs. However, to avoid accountability issues relating to the South Tees Development Corporation, representatives from relevant local authorities are also appointed to the board to maintain democratic accountability (Box 8). Furthermore, decision making powers are ultimately retained by the Secretary of State for UDCs and NTDCs with regional mayors retaining oversight of MDCs.¹⁵⁹

Through a combination of powers and fiscal incentives, development corporations have an impressive track record in generating investment. For every £1 of public sector investment generated by Urban Development Corporations (UDCs) between 1981 and 1993, £3.45 was leveraged from the private sector.¹⁶⁰ Public investments in development corporations would therefore be considered 'High Value for Money' under the Civil Service's Benefit Cost Scheme.¹⁶¹

While some regions are currently struggling to attract housing investment, UDCs have proven to be effective catalysts for investment in England's cities beyond the South East. Some regional UDCs significantly exceeded national investment estimates, generating much more private sector investment relative to government grant-in-aid up to 1997 - especially in Leeds (1:6.4), Sheffield (1:6.7) and Trafford Park (1:6.7).¹⁶²

Box 8: South Tees Development Corporation

The South Tees Development Corporation (STDC) has faced a series of allegations surrounding the acquisition and changing ownership structure of the former Teesworks site.¹⁶³ Although an independent review found no evidence of ‘corruption’ or ‘illegality’ it did identify issues around transparency and accountability within STDC.¹⁶⁴

The latest round of allegations also follows a National Audit Office investigation into the former Teesside Development Corporation (1981-1993) which found that it had overseen a series of under-valued land sales which cost taxpayers £4 million.¹⁶⁵

Development corporations cannot retain public and investor confidence without robust financial accountability. Development corporations should implement the recommendations from the STDC independent review,¹⁶⁶ especially:

- Improve overview and scrutiny functions of institutional accounts in accordance with the English Devolution and Accountability Framework (2023)
- Ensure any oral evidence and supporting presentations used to support board decisions are publicly available
- Review and revise local government frameworks to ensure Combined Authorities retain a greater degree of oversight over MDCs

Tees Valley Combined Authority have since amended the constitution of the STDC to address the independent review’s recommendations and have invited the Centre for Governance & Scrutiny to undertake a review of the oversight function.¹⁶⁷

Recommendations



Britain is unlikely to meet housing demand without significant reform to the planning system. Although the National Planning Policy Framework (NPPF) should remain a priority, both local and national leaders should leverage development corporations to rapidly increase supply in demand hotspots. They have proven to be an effective mechanism for bringing predictability back to England's planning system, delivering good housing at pace and generating private sector investment.

A new wave of Urban, Mayoral and New Town Development Corporations can rapidly increase housing supply in areas with the greatest demand. But more development corporations need to be created and their effectiveness maximised with new powers.

Recommendation 1: Enable Mayoralities to unilaterally establish development corporations within Combined Authorities

Less than a quarter of combined authorities are using Mayoral Development Corporations to maximise housing output within their region. Part of the reason is the complex nature of their formation. MDCs require formal assent from impacted local authorities. Under some existing devolution deals, mayors often also need support from at least two-thirds of other councils within the combined authority - even if they would be unaffected by the development corporation.

Although designed to improve accountability, this is exacerbating the issues posed by the wider planning system on housing. Many councils are subject to local opposition - especially in areas experiencing major affordability issues. Some councils have shown support for MDCs, such as Hartlepool and Stockport. But too many local authorities do not share the same vision as their mayors.

Regional mayors should be enabled to unilaterally establish an MDC without the assent of local authorities. First, the London Assembly's ability to veto new MDCs in the capital should be removed by amending Section 197 (5) of the Localism Act (2011) to include a unilateral establishment clause. Second, the need for regional mayors to attain two-thirds of combined authority constituent member support for MDCs should be abolished. No similar clauses should be incorporated into any new devolution arrangements.

Under this approach the Secretary of State will still have to establish an MDC via negative procedure following a means tested request from a regional mayor. Local authorities should still be given opportunities to be consulted on MDC proposals, but any subsequent opposition should not be binding on the mayor's decision.

Recommendation 2: Enable Development Corporations to retain Stamp Duty on new homes built under their remit

Limited resources are undermining the ability of local and combined authorities to successfully utilise development corporations, which require significant up-front capital. A review undertaken by the Department for Levelling Up, Housing & Communities identified capital shortages as one of the primary barriers for establishing a development corporation.¹⁶⁸

Recent legislation has removed borrowing caps for development corporations to finance new projects. But servicing and managing debt remains a challenge, without locally retained revenue streams. In order to address this challenge, the government should reform provisions in the 2023 Levelling Up & Regeneration Act to **ensure Stamp Duty Land Tax (SDLT) receipts from new dwellings completed by development corporations are retained locally**. This would create a new revenue stream for development corporations which can be used to service debt and fund planning authority functions.

A new SDLT revenue stream would ensure development corporations meet HM Treasury loan requirements. The Public Works Loans Board (PWLB) has a strong track record of supporting house building initiatives with repayment terms determined by HM Treasury on a case-by-case basis in accordance with the National Loans Act (1968).

Development corporations are currently eligible for PWLB loans. But the absence of a dedicated revenue stream often serves as a barrier to HM Treasury's prudential regime. Stamp duty retention would help local leaders overcome this barrier.

Using Stamp Duty receipts to service debts also incentivises development corporations to build quickly and densely. Local authorities could access £160 million in stamp duty receipts¹⁶⁹ if development corporations built 100,000 homes valued at the average UK house price of £282,000 in January 2024.¹⁷⁰

Although Stamp Duty reform would disproportionately benefit areas where prices are higher, they are exactly the communities where housebuilding is most needed. The average house price in the Home Counties is £448,057¹⁷¹, significantly higher than the stamp duty eligibility threshold (£250,000).¹⁷² Even if development corporations built new homes sold at the UK average house price (£282,000)¹⁷³ they would still be considerably more affordable than much of the existing stock.

Recommendation 3: Reform the Residential Property Developer Tax to catalyse investment

Investment in housing has become increasingly concentrated in London in part due to planning system uncertainty in other parts of the country - especially in the Home Counties. The success of development corporations lies in the private sector. Government financial and legislative support is essential, but development corporations need the market to deliver new homes in areas of greatest demand.

Alongside rising construction costs, many developers are burdened by rising tax rates. The effective corporation tax rate for housebuilders was 29% in March 2023, up from 23% a year earlier.¹⁷⁴ 14% of businesses claimed a shortage of development finance was one of the major challenges facing their business in Q4 2023, up ten percentage points from Q3 2023.¹⁷⁵

In order to successfully generate private sector investment, the **Government should introduce a relief on the 4% Residential Property Developer Tax (RPDT) on profits from housing units built via development corporations.** RPDT is effectively an extension of existing corporation tax on large housebuilders with an annual profit of £25 million.¹⁷⁶

HM Revenues & Customs should offer deductions to housebuilders based on the number of new dwellings completed through a development corporation. For example, if a company completes 25% of its annual housing stock on sites under the purview of development corporations the RPDT rate should be reduced to 3%. The more units completed via development corporations, the greater the RPDT deduction.

However, if no homes are completed via development corporations, housebuilder profits will remain subject to the 4% RPDT rate on company profits. Every agreed RPDT deduction should always be conditional on developers meeting all requirements outlined in the Government's Building Safety Package.

Recommendation 4: Use Development Corporation Local Plan powers to redraw Green Belt boundaries around public transport hubs

Green Belt protections are limiting housing building - even on brownfield land - across some of the least affordable parts of England.¹⁷⁷ Rules for reforming the Green Belt are some of the strictest in England. The National Planning Policy Framework (NPPF) states that Green Belt boundaries can only be altered under "exceptional circumstances". But local planning authorities can redraw Green Belt boundaries when updating Local Plans.

Unlike other mechanisms, development corporations become the designated planning authority for land under their remit. When drafting their initial Local Plan, **development corporations should use their planning authority powers to release Green Belt close to public transport links** for house building.

This approach would release 14,299 hectares of buildable land within 800m of public transport connections alone within London's Green Belt.¹⁷⁸ If released land was built to the same density as Ebbsfleet Development Corporation's Springhead Park site (160 dwellings per hectare),¹⁷⁹ development corporations could build over 2.25 million homes without drastically undermining the character of the Green Belt.

Releasing Green Belt land will primarily apply to New Town Development Corporations building in areas across the Home Counties. New towns should be prioritised in areas within a 60-minute commute of London which have above average affordability ratios.

Conclusion



Britain's housing crisis is causing deep economic and societal harm. Prices are rising and home ownership is becoming increasingly out of reach - especially for younger generations. Rents are rising and social housing providers are reaching breaking point. Britain isn't building enough houses and our planning system continues to block developments where they are desperately needed.

Existing mechanisms are failing to deliver for communities and radical action is now needed by central and local governments alike. Development corporations are a tested formula which have demonstrated their ability to overcome existing barriers to housing supply.

By becoming the designated planning authority for new sites, development corporations bring predictability back to England's planning system, can deliver at pace and are excellent catalysts of private sector investment. This model has proven it can be flexible to the demands of local communities and has proven popular amongst political parties of all stripes, across all parts of the country.

As with any major change in governance and planning, local opposition is inevitable. Although development corporations are effective tools for bypassing these traditional barriers, community concerns should not be dismissed outright. It is imperative that new development corporations provide adequate affordable and social housing, support local economies and help deliver much needed public services.

If local and national leaders get this balance right, development corporations can get Britain building again and make a major leap towards solving the housing crisis.

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