

Housing and Nature

How to address the housing crisis
and contribute to solutions
for the nature crisis

Report prepared for



The
Wildlife
Trusts

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Introduction

We live in a time of crisis: we face a nature and climate emergency, an unacceptable increase in housing stress and homelessness, and increasing health inequality.

The situation for the environment is dire, with one in ten species in England on the brink of extinction and the UK amongst the most nature-depleted countries in the world. The latest report from the IPCC found that global emissions continue to rise, and despite governments and communities around the world taking action, we are still on track for temperatures to increase by more than 1.5°C.

We cannot tackle the climate crisis without similar ambition to meet the nature crisis head on – the two are inseparable. The climate crisis is driving nature's decline; the loss of wildlife and habitats leaves us ill-equipped to reduce our emissions and adapt to change. Nature's incredible ability to trap carbon safely and provide other important benefits is proven. But nature in the UK is in a sorry state and important habitats are damaged and declining. Rapid cuts in our emissions must be matched with determined action to fix our broken ecosystems, so they can help stabilise our climate. We must bring nature back across at least 30% of land and sea by 2030.

At the same time, many communities across England today have acute unmet housing need. In its final report, published in 2020 at the outbreak of the pandemic, Lord Best's Affordable Housing Commission identified 4.8 million households in England in serious housing stress,

representing one in five of all households. This figure includes 1 million low-income households living in the private rented sector and spending more than 40% of their income on rent, and a further 1 million households struggling to meet their mortgage payments, as well as others living in overcrowded conditions or in homes unsuited to their needs¹. The pandemic, the 2022 Russian invasion of Ukraine, and mounting cost of living pressures have done little to improve this picture. In December 2021, Shelter found there were more than 274,000 homeless people in England, including 126,000 children, most of them living in temporary accommodation².

Even when people do have adequate housing, this may not provide the access to nature that everyone should have, with the benefits this brings to health and wellbeing. Evidence shows that access to natural green space is linked to improvements in both physical and mental health, as well as lower levels of obesity. However, access to nature in deprived areas, and for areas with higher proportions of minority ethnic groups, is deeply unequal. Currently, people who live in deprived areas are nine times less likely to have access to green spaces.

It is time to find a solution that provides the homes people need, where access to nature is standard. Homes should be built in a way that does not make the climate and nature crises worse, but instead actively contributes to reducing climate impacts, helps nature to recover and tackles health inequalities.



1. The Crisis in Housing: Understanding Housing Need

The urgent need to provide homes for millions of people in housing need is beyond doubt. However, understanding exactly how many of which types of homes are needed in different local housing markets to meet housing need is a complex matter. Local authorities across England differ significantly in the affordability and quality of existing and new housing stock and its suitability for meeting local needs. Consultancy Residential Analysts explored a range of indicators of housing demand at local authority level, concluding, 'while the lack of supply is frequently assumed to be a national issue, it is very much a London and South East problem with some other localised hotspots³'. Communities in many other parts of the country suffer less from a lack of overall supply than from quality problems related to the age of the existing housing stock and weak incentives for improving conditions and modernising that stock, particularly in the growing Private Rented Sector⁴.

At the same time as we consider how and where best to deliver the homes needed to provide strong foundations for individuals, communities and local economies, there is also an urgent need to strengthen the mechanisms for protecting and restoring nature through planning policies and decisions about how we use our land. There is significant potential to cut emissions of greenhouse gases and support climate adaptation by maintaining healthy ecosystems and restoring degraded environments, making this a crucial tool in realising the UK's legally-binding commitment to reach net zero by 2050⁵, as well as the ambitions of the government's Environment Act 2021.

Meeting housing need and supporting nature's recovery both require land, and so can be seen as being in competition for an inherently scarce resource. Since there is only so much land in England, we use the planning system to make decisions about how to use it and how far it should be prioritised for housing, for nature or for other needs. However, this understanding of land use prioritisation is short-term, deeply flawed and results in a false trade-off between human and environmental needs.

In reality, the trade-off is between short- and long-term social needs. Failure to adapt human activity to reduce our impact on the environment will have major consequences for society and the economy, increasing flood risk, heat stress and drought, risk of crop failure and impacting food availability. It will reduce the amount of land mass available for meeting housing need, as global heating results in rising sea levels, increased flooding and coastal erosion. Between 2013 and 2021, the annual rate of sea level rise more than doubled, largely due to accelerated ice loss from glaciers and ice sheets⁵. A 2019 report from the Environment Agency points to particular risks of land mass loss and increased flooding in London, the south east, south west and east of England due to a tilt in the United Kingdom's land surface⁵.

In particular, areas where flood risk will increase dramatically are the very regions where housing affordability is under greatest pressure. Choosing to deprioritise nature in land use decisions today will produce tougher decisions about how to meet housing need in the future. Far from being in conflict, land requirements for nature and housing need to be assessed and addressed together to preserve our long-term ability to meet either. By designing new housing around nature, and by integrating more nature into new and existing housing development, communities can reduce the long-term impacts of global heating, while also building their resilience to unavoidable short- and medium-term impacts of the climate crisis. At the same time, we can reap a range of benefits for mental and physical health from closer contact with the natural habitats that sustain us. As a Wildlife Trusts report from 2018 puts it: 'trees in urban areas improve the view, aid privacy, provide shade and help reduce pollution and flash flooding; community green spaces bring people together; and local parks and woods are valuable places for people to walk, play and unwind in⁶'.

In short, we need to find ways to meet housing need while giving nature space to recover and thrive. This means making the most of existing homes in existing places, ensuring homes are well-insulated with good access to public transport and local services. It means building new places using sustainable construction methods to deliver good-quality, secure, genuinely affordable homes targeted to meet local social and economic needs. It means delivering new homes as part of sustainable places – which are themselves planned and designed to support wildlife recovery and access to nature – and creating resilient communities ready for the future the climate crisis will bring.

Unfortunately, the planning and housebuilding systems in England today – and the system of land market regulation which sits behind these, and to a large extent pre-determines the types and prices of homes built – are not currently set up to deliver this vision. Changing this requires reform to the way housing need is understood and assessed in policy and to how this housing need is met, both through revitalising existing homes and places, and through the development of new sustainable places using land identified by the planning system.

On the one hand, we must establish stronger policy mechanisms to set aside land with environmental value and to link land up to support nature's recovery. This means choosing not to develop land where doing so will produce real environmental harm, and finding alternative places and ways to ensure housing need is met. On the other hand, we must ensure it is possible to meet this housing need through genuinely affordable, genuinely sustainable new development, including high levels of social housing. To achieve this, the government must reform the rules governing the land market, incentivising landowners to participate in schemes designed around both people and nature.

ENGLAND'S CURRENT APPROACH TO MEETING HOUSING NEED

Since 2017, the government has set itself a target of delivering 300,000 net additional homes a year in England by 2025. This commitment was included in the Conservative Party's 2019 General Election manifesto and was reiterated in the recent Levelling Up White Paper from the Department for Levelling Up, Housing and Communities⁷. New housing supply is currently lower than the government's ambition, with 243,000 new homes supplied in 2019/20. In 2020/21 this figure fell to 216,000, primarily because of the disruption to housebuilding caused by the pandemic⁸.

One of the principal policy tools intended to raise annual delivery to the government's 300,000 homes target is the 'standard method for assessing housing need'. First introduced in 2018, the current 'standard method' is based on Household Projections using 2014 data, with housing need numbers adjusted upwards for places with high house price to income ratios, subject to a 'cap' to limit requirements for large increases in housing supply in any one place. In December 2020, the government proposed adjustments to this method to increase housing need numbers in England's twenty largest cities and urban areas by 35%⁹. Implementation of this change has begun and is expected to continue as part of wider planning reforms this year.

This 'standard method' produces a number of homes for each local authority that has planning powers. This number is then used to determine:

1. The amount of land each local authority should identify for housing development as part of the Local Plan: the 'five-year land supply'.
2. The number of homes which should be delivered in each local authority each year to meet the government's Housing Delivery Test.

Little consideration is given to land or capacity constraints in producing these figures. Failure to satisfy these conditions results in sanctions for the local authority, ultimately resulting in the 'presumption in favour of sustainable development'. In this case, the local authority loses its powers to refuse planning permission, so that any planning application which does not conflict with national planning policies is approved. There are therefore few controls on where homes get built, beyond any prohibition on building on green belt or land designated for nature conservation. Indeed, under national planning rules introduced in 2012, both of these can be overridden in exceptional circumstances.

Following the latest Housing Delivery Test results in January 2022, 51 local authorities in England currently face the 'presumption in favour of sustainable development' – 29% of the total¹⁰. In these places, developers are now able to submit speculative planning applications which would otherwise be considered contrary to the Local Plan. The government's intention is for this policy framework to ensure there will always be enough land with, or on the

way to getting, residential planning permission to deliver the number of homes needed in each local authority and hence meet the national target.

However, this system is not delivering as intended. Some local authorities, particularly in London and the south, are delivering far fewer homes than they need to according to the standard method, while others, particularly in parts of the north and midlands, are delivering homes in excess of the standard method's calculation of need¹¹. Land identified for new housing development as part of 'five year land supply' can be slow to build out¹². New homes are skewed towards the wrong tenures and price points for meeting housing need, especially in the areas of greatest housing affordability pressure¹³.

Since 2013, reforms to the planning system have combined with Help to Buy schemes to encourage investment in new housing schemes on the edges of existing settlements¹⁴, often creating unsustainable places with in-built car dependency¹⁵. Help to Buy equity loan schemes provide buyers with a government loan of up to 20% of the purchase price of a new-build home (up to 40% in London). These schemes have been widely criticised for adding to house price inflation, for example in a report for the House of Lords published in January 2022¹⁶.

The recent report of the Create Streets Foundation's No Place Left Behind Commission also criticised Help to Buy's role in drawing investment away from improvements to existing homes and neighbourhoods, contributing to the growth of so-called 'left behind' places¹⁷. Many buyers who would previously have purchased – and gone on to improve – more affordable existing homes have instead chosen to purchase a new home with government support, usually away from existing neighbourhoods. To keep prices affordable to those using Help to Buy, new build development has been skewed towards peripheral greenfield sites capable of delivering new-build homes at lower values – a tendency reinforced by new regional maximum property price caps for the scheme introduced in April 2021¹⁸.

The tax system likewise disincentivises investment in existing homes and neighbourhoods, since it zero-rates VAT for building new homes but charges full VAT at 20% for work to repair, maintain and retrofit existing homes and other buildings. This prejudice against making the most of existing buildings and developed spaces is further reflected in government capital grant allocations for housing. Funding from the Affordable Homes Programme 2021-2026, worth £7.39 billion outside of London, explicitly excludes works on existing homes – however old or unfit-for-purpose. Funding is only available for 'net additional' homes on regeneration projects, beyond the original number of homes on an estate. This means that grant funding cannot be used to improve or replace existing homes of any kind, contributing to net losses of social housing on many regeneration schemes¹⁹, and encouraging densification of social housing estates that squeezes out green space and access to nature.

Even the Recycled Capital Grant Fund (the mechanism used to reinvest historic grant which becomes available when, for example, supported housing is converted to general needs social housing) is subject to the same restrictive rules as Homes England funds, and so cannot be used to fund retrofitting or other works on existing homes. This makes neighbourhood regeneration in many places impossible, reinforcing a focus on building entirely new housing estates to meet need while existing homes and neighbourhoods are allowed to decline. A July 2022 report of the Levelling Up, Housing and Communities Committee criticised these funding rules for contributing to the declining quality of some social housing, and called on government to restore dedicated funding for regeneration projects²⁰.

The result is a system for making decisions about how we use our land that fails to meet individuals' needs for homes to live in, communities' needs for regenerative housing development or the need for nature recovery. With mounting pressure on local authorities to grant planning permission for as many homes as possible, few controls on where homes should be built beyond green belt and other imperfect land designation tools, and a host of incentives to prioritise new development as part of sprawling greenfield schemes over investment in existing homes and places, central government policy has set housebuilding on a collision course with nature and the ambitions set out in the Environment Act 2021.

HOUSING NEED VERSUS HOUSING DEMAND

The approach described above is fundamentally market-led, focussing on increasing demand for market homes and satisfying that demand. However, satisfying housing demand is a very different thing to satisfying housing need. Housing need can be understood as the amount and type of housing space required to meet social and economic needs, so that households can live in decent, dignified conditions close to work opportunities and personal networks. This is different to housing demand: the amount of housing space that people will choose to buy (or rent), given their preferences and ability to pay. A policy focus on housing need specifically, rather than on ramping up market supply, can help to reduce the aggregate impact of new housing on nature.

In most local housing markets, there will be examples of need for particular homes which are not currently delivered in sufficient numbers, or at all. For example, while unmet need for social rent homes has grown in local authorities across the country, annual supply across the country hasn't exceeded 10,000 since 2013-14. In 2020-21, England built a total of 5,955 social rent homes. Only a little over half of all councils (175 of 315) saw any social rent homes built in this year, and only a little over a third of councils (110 of 315) saw more than 10 built across the whole year²¹.

Effective demand for social rent housing is depressed far below need, because today's local authorities and housing associations lack the capital grant and affordable land necessary to provide social homes at anything like the levels required to meet housing need.

While at the beginning of the 1990s grants covered around three-quarters of the costs of building new affordable homes, this fell to 39% after the financial crash and to around 14% in the following years²². Many social housing providers have responded to the decline of grant by building more market homes for sale or rent, the income from which can be channelled into social housing. This 'cross-subsidy model' has undergone rapid growth in recent years. However, the model leaves social housing providers more far exposed to market risk, and it cannot be used in places where market housing prices are too low to generate subsidy, a common situation for many northern local authorities in particular.

Likewise, social housing providers' access to land priced at levels that make social housing-led schemes possible has dwindled. In the immediate post-war period, social housebuilders benefited from legislation which decoupled land costs for social housing-led schemes from those prevailing for market-led schemes²³. This stabilised the costs of developing social housing, avoiding land market inflation and providing a secure supply of affordable land on which truly affordable housing could be built. The modern land market was defined by the 1961 Land Compensation Act and subsequent case law, which have added 'hope value' into the price of land, so that residential land is priced at levels that assume it will be used to build schemes dominated by market sale housing²⁴.

As a result, those building social housing-led schemes have been forced to compromise on quality, design and density to cope with escalating land prices. The provision of natural green space is squeezed out, resulting in the lowest access to nature for the people who need it most. Social housing providers today either need an unusually affordable source of land — for example land owned by a public body with an interest in seeing social housing built, such as a local authority — or they must find the money to compete with those buying land to build the most profitable kinds of homes for sale.

Without the crucial inputs of capital grant and affordable land, organisations which have in the past provided social housing at scale face higher land and total development costs, which have to be paid using a mix of borrowing, meagre capital grant allocations from government, and cross-subsidy from building market housing²⁵. This limits the numbers of social homes which can be delivered. It also results in higher levels of debt attached to homes, which must be paid back via higher rents through 'Affordable Rent' and other less affordable alternatives to social rent homes, putting them out of reach for many low-income households at greatest risk of homelessness. Similar mismatches between housing need and housing delivery exist for many other types of housing, with widely reported shortages of specialist housing for older and disabled people and homes for larger families in some places²⁶.

On the other hand, some local housing markets also feature high levels of demand for homes which make no clear contribution to meeting local housing need. In 2018/19, 495,000 properties in England were primarily used as holiday homes or other types of secondary homes,

including future retirement homes. While second homes are not always in the right places to meet housing need, it is nonetheless striking that there are roughly twice as many second homes in England as there are homeless households. 27% of these second homes were in the South West region alone²⁷.

Even before the pandemic, places such as the Yorkshire Dales National Park saw the number of existing homes transferred to holiday homes in any given year cancel out completions of new homes²⁸. The tax system incentivises such transfers, as homes let for at least 105 days a year are liable for business rates rather than council tax, and business rates bills can in many cases be waived through 100% small business rates relief. Some places, such as St Ives in Cornwall, have introduced policies to try to restrict the growth of holiday homes, but the powers currently available to local communities are too weak to tackle the problem effectively²⁹.

The pandemic has seen reports of spikes in demand for second and holiday homes in many rural, coastal and scenic places, from Cornwall to Northumberland³⁰. This trend was linked to restrictions on foreign travel and was spurred on by the government's decision in 2020 to cut the amount of Stamp Duty paid by most buyers, including for investment purchases, until October 2021. July 2021 saw an average house price increase of 8.0% across England, but in holiday destinations like North Devon and the Yorkshire Dales prices increase over 20%³¹.

Similar examples of demand for homes which does not map simply onto housing need exist in communities across the country. Short-term lets (like Airbnb) have grown significantly in popularity over the past decade, often involving the conversion of a home from long-term let³². More worryingly, market housing which does remain available for long-term let through the Private Rented Sector (PRS) has become less and less effective for meeting the housing needs of people on low incomes.

The Benefit Cap has withdrawn support with housing costs from some household types, while this measure and restrictions to Local Housing Allowance payments have reduced support to others. The design of Universal Credit, and in particular the rule that claimants must wait five weeks for their first payment, have also made support riskier, more complex and more expensive from the perspective of both landlords and tenants. As a result, research is now identifying a reduction in the supply of housing to low-income households in the private rented sector³³.

In summary, while it is necessary to expand housing supply to meet housing need, the current approach concentrates delivery too narrowly on the most profitable homes and will not tackle unmet housing need effectively. For this, a more targeted approach is needed.

THE LONG SHADOW OF THE LAND MARKET

While local housing need itself is made up of a complex picture of demand for housing of particular types and tenures and at particular price points, the government's 'standard method for assessing housing need' expresses this as a single unit target. When developers apply for planning permission to build on land identified as part of an area's 'five-year land supply', the schemes they propose maximise the role of market sale housing at similar prices to existing, unaffordable second-hand market homes – even when there is a high need locally for social rent or other specific kinds of homes.

This limits the rate at which sites – especially large sites – can actually deliver housing, as demand for market sale housing at existing prices is limited by the number of households ready, able and willing to buy market sale homes at existing prices. In theory, a developer could choose to reduce the prices of new homes to sell them faster, but in practice developers instead control the pace at which they build homes to maintain prices, as Sir Oliver Letwin's Independent Review of Build out Rates found in its interim report in 2018³⁴. The reason is to be found in the invisible hand of the land market, and the long shadow it casts over decisions about what types of housing are provided, at what price points, where and for whom.

Developers decide how much to bid for a plot of land by targeting the highest realistic sales values for that local market, with reference to existing house prices in that area and any policies which affect buyer demand, such as Help to Buy schemes or changes to Stamp Duty Land Tax. A developer that targeted lower house prices, or set out to build a scheme with high levels of social rent housing and opportunities for nature recovery, would not be able to bid as much for a given piece of land as another developer planning to build a profit-maximising scheme, and so would lose out on that land. Once the price of land has been set by anticipated sales values in this way, developers must realise those anticipated sales values to deliver a profit.

As a result, it is simply not profitable for private housebuilders to build so many market homes that prices will fall in any given housing market; to do so would risk failing to recoup their initial land investment and failing to make a profit. The recent drive to increase the amount of land with residential planning permission according to 'standard method' assessments of housing need has therefore increased developers' choice over where to build, without incentivising much increase in overall supply, because overall supply remains over-concentrated on market sale housing for which demand – and therefore build out rates – are limited by affordability constraints.

ALTERNATIVE APPROACHES TO UNDERSTANDING HOUSING NEED

The government's approach to understanding housing need in England has been criticised by academics, campaign groups and other commentators.

First, using projected household growth figures as the basis of the 'standard method for assessing housing need' risks reinforcing the effects of historic undersupply of housing. Projections don't attempt to accurately forecast future changes – such as when an area that has been in economic decline has plans to return to growth. They also do not take account of the backlog of housing need – including overcrowded households, those living in homes they cannot afford, young people living with their parents for longer, and older and disabled people living in homes unsuited to their needs. One estimate puts the number of such 'concealed households' at 2.4 million³⁵.

Research from Heriot-Watt University, commissioned by the National Housing Federation and Crisis, aims to account for this existing backlog of housing need, as well as future household growth. Published in 2018, the research estimates that 4 million households in England are in housing need. It proposes that around 340,000 new homes need to be supplied in England each year, of which 195,000 should be market homes and 90,000 should be social rent homes affordable to those on the lowest incomes. A further 30,000 homes should be for 'intermediate rent', and 25,000 for shared ownership³⁶.

Second, many commentators have questioned how the 'standard method' accounts for affordability pressures by adjusting housing need figures upwards for places with high house price to income ratios. Research from the UK Collaborative Centre for Housing Evidence has discussed the limitations of house price to incomes/earnings ratios for understanding housing need and properly assessing housing affordability, particularly in areas of the country with relatively large differences between the average incomes of homeowners and renters³⁷.

In the same vein, a number of organisations and campaigning charities have pointed to the need for social rent homes to meet the needs of low-income renters. In 2019, the final report Shelter's social housing commission identified 3.1 million households in England in need of social housing and called for a 20-year programme averaging 155,000 new social rent homes each year to meet this need³⁸. IPPR's Priced Out report from 2017 also

points to the significant need for social rent homes in particular, finding it to be the only tenure affordable to lower-quartile wage earners in many areas of the country³⁹.

Third, and more fundamentally, not everyone agrees that significant additional housing supply, of whatever tenure, is the most important response to unmet housing need. Economist Ian Mulheirn has pointed to evidence of a growing housing surplus in most places, with new housing supply outpacing household formation, for England as a whole and for most regions. He argues that blame for acute housing affordability problems lies with historically low interest rates and readily available mortgage credit over the last decade, and the impact of foreign investment in property in some places⁴⁰.

Academics Christine Whitehead and Geoff Meen have likewise emphasised the role of demand-side factors – e.g. low interest rates – in driving up house prices and creating affordability barriers for first time buyers⁴¹. Research published by MHCLG in 2018 on the determinants of changes in house prices noted the complex interplay between population growth, interest rates, income growth and new housing supply in producing current prices. All factors considered, it found the effect of additional housing supply in England between 1991 and 2016 had been to moderate house price growth from the giddy levels it would otherwise have reached, driven by low interest rates, population growth and household disposable income growth⁴².

This echoes the conclusions reached by other studies, such as the 2016 Redfern Review into the decline of homeownership, which drew on Oxford Economics modelling to find that, 'Housing supply does matter to house prices, but only has a meaningful effect in the long-term'. Instead, it emphasised the significance of more expensive credit for First Times Buyers and lower rates of wage growth amongst those aged between 28 and 40 in explaining declining homeownership rates for England; relative to the population as whole, prospective First Time Buyers have missed out on the benefits of demand-side factors while still having to find property in a market where prices have been boosted by those demand-side factors⁴³.

When understanding housing need is so complex and contested, it is no surprise that successive governments have struggled to find ways of meeting it. However, there are policy tools available that can allow us to truly meet housing need – and free up much-needed space for nature in the process. We explore these in the recommendations section.

2. Housing and Nature: Building homes with nature's consent?

The crisis in the availability of housing that meets people's needs is paralleled – both in aggregate and at the level of individual developments – by an acute nature crisis. As the Wildlife Trusts says in its recent briefing focussed on major infrastructure:

'Despite concerted efforts to designate and protect areas of the UK's land and territorial waters, and the popularity of nature conservation, the UK has only half of its entire, pre-industrial biodiversity left, making it one of the most nature-denuded countries in the world⁴⁴. 41% of its species are in decline and, on average, species abundance has fallen by 13% since accurate record-keeping began in the 1970s⁴⁵.

Like the climate system, nature is in crisis due to human activity. Onshore, the catastrophic decline in biodiversity is due to 'habitat destruction and agriculture⁴⁶,' as the Natural History Museum's researchers recently put it, and offshore due to a combination of drilling, mining for minerals and large-scale fishing practices⁴⁷. Climate emergency and biodiversity loss are interacting to accelerate one another, for instance through increasing wildfires. But equally the solutions to the climate and nature crises are intrinsically intertwined.

In this context, it is no longer acceptable to give consent to any form of development unless it can have a net positive impact on nature and climate targets. Since the natural world is a complex set of interdependent systems and is not contained within a single field, brownfield site or parcel of land owned by a developer, the state and its agencies and institutions must take on the role of ensuring nature is 'conserved and enhanced' across all development, as is required by the recent Environment Act.

One key provision within the Act, upon which much of its success will hinge, is the obligation to develop 'local nature recovery strategies⁴⁸.' The precise dimensions of local nature recovery strategies are to be determined, but they must cover the whole of England and are expected individually to be broadly based on county or unitary authority areas. Local authorities are required by the Act to collaborate with one another and with other agencies, including Natural England, to develop biodiversity priorities for each area and a 'local habitat map for the whole area⁴⁹.'

This has significant implications for local plans, the process by which local authorities currently set out the priorities for development in their area, including for housing. The strategies could inform positive planning for nature, enabling the strategic design of green infrastructure and providing clarity on nature constraints and opportunities for developers. The obligation to map habitat is also based on the presumption that there is adequate environmental data in most areas in England. This is far from the case. National data sets are often inaccurate and too granular at the local level to inform good decision making. Local data sets can be patchy and are absent in some areas. They are usually held by Local Environmental Record Centres – charitable organisations that could be better resourced and supported to collect and manage the environmental data needed to produce robust local nature recovery strategies.

Wildlife Trusts across the organisation's network report that the capacity of local authorities to carry out surveys is very limited. Indeed, 1 in 4 local authorities have no access to ecological expertise at all⁵⁰. According to an investigation by BBC's Countryfile, only 1 in 5 councils have access to an in-house chartered ecologist⁵¹. Exceptions, such as Warwickshire County Council, have comprehensive and up-to-date surveys of their whole area, but for the most part neither the infrastructure nor the data that is needed to develop local recovery strategies currently exists. It will need to be built.

CUMULATIVE IMPACT

Housing developments, though posing significant onsite risks to nature, are taking place alongside other locally-consented developments, such as commercial and public-sector construction, Nationally Significant Infrastructure Projects (NSIPs) and other uses of land, such as farming, which together have a cumulative impact. Nature's recovery will be dependent on how successful measures in the Environment Act, such as species conservation strategies, are at taking a landscape-wide view of how to address cumulative impact and not only focussing site-by-site.

The UK Centre for Hydrology and Ecology has calculated that, between 1990 and 2015, 2,505km² of grassland (about the size of Dorset) and 1,121 km² of arable farmland (almost the size of Bedfordshire) have been converted to urban use (i.e. developed)⁵². Grasslands are key havens for wildflowers and pollinating insects and, though arable land can often have relatively poor biodiversity, its loss to development can deprive species of important interconnections between wilder spaces.

The county of Kent has seen the largest net change with 136km² being converted to urban development between 1990 and 2015⁵³. Yet development of the Thames Estuary continues apace, with, for example, an eventual 15,000 homes planned for Ebbsfleet Garden City⁵⁴.

There is great pressure to meet house-building targets⁵⁵, leading to proposals such as the construction a 4,000 home 'garden city' on 550 acres of farm land at Mountfield Park near Canterbury, Kent⁵⁶ or 1,000 houses on Middlewick Ranges south of Colchester on the other side of the estuary in Essex⁵⁷. These developments are concurrent with large NSIP applications in the area include Highways England's Lower Thames Crossing, the currently paused proposal for Bradwell B nuclear power station, the expansion of Tilbury Port and the proposal for a theme park on Swanscombe Peninsula in Kent.

BIODIVERSITY NET GAIN IN THE ENVIRONMENT ACT

The Environment Act makes a 10%⁵⁸ net gain for biodiversity (Biodiversity Net Gain or BNG) a condition of all planning permission in England – including housing developments⁵⁹. There will be a two-year phasing in period and, in theory, the BNG requirement should have a marked impact on the relationship between nature and development.

Schedule 14 of the Act sets out amendments to the Town and Country Planning Act (1990), stating that:

*'The biodiversity gain objective is met in relation to development for which planning permission is granted if the biodiversity value attributable to the development exceeds the pre-development biodiversity value of the onsite habitat by at least the relevant percentage [i.e. 10%]'*⁶⁰.

There are three ways in which the BNG objective can be met by developers, which can be used in combination. The biodiversity value of the site itself can be improved by the development; developers can register gains on other sites; or they can purchase credits. Any habitat enhancements must be maintained for 30 years. The biodiversity value of land and of any enhancements are to be calculated using Defra's new Biodiversity Metric, which is an accounting standard developed specifically to support BNG⁶¹.

Clearly the pre-development biodiversity value of a piece of land is key as this will establish the required gross ambition to achieve 10% net gain. This should act as an incentive for developers to find land that is lower in value for biodiversity in the first place, which should help push development away from sites that are more important for nature and towards those that have a low biodiversity value. However, because of the paucity of pre-existing ecological surveys of much of England, it may not be apparent upfront how valuable any one piece of land is.

For instance, Swanscombe Peninsula in Kent, which is post-industrial land on the Thames estuary to the east of London, has been slated for redevelopment as a theme park under the NSIPs regime. The London Resort, the proposed developer of the site, chose Swanscombe for a variety of reasons, one of which was its presumed low natural value (in relation to other locations it considered). And yet, as a consequence of the firm conducting ecological surveys to support its NSIPs submission, Natural England has recently confirmed a Site of Special Scientific Interest covering the 260 hectares of the peninsula⁶².

In addition, in the context of such a deep crisis of nature and in a nation in which biodiversity is so denuded and in which so much habitat has already been lost, even locations that may score relatively poorly on the Defra metric can be vital spaces to rewild and to help reconnect other, more nature-rich land.

The parameters of BNG are nevertheless increasingly clearly defined⁶³ and it is subject to a recently-developed British Standard (BS 8683)⁶⁴. Best Practice on BNG makes it clear that the mitigation hierarchy must first be followed, and therefore sets it as part of a discipline that prioritises avoidance and minimisation of harm above efforts to restore or replace habitat⁶⁵. While some developers are no doubt deepening their commitment to conserving and enhancing nature⁶⁶ BNG should not be used to excuse harming important habitats upfront or

as a way to circumvent onsite avoidance and mitigation measures. Similar issues are at play in the government's approach to tackling nutrient pollution of sensitive water environments resulting from new housing and other types of development. In July 2022, the government announced new plans for a national nutrient pollution mitigation programme, including allowing developers to "offset" nutrient pollution from a given housing scheme by purchasing credits created by the formation of new wetlands, meadows or woodlands offsite.

BUILDING HOMES FOR NATURE

Depending on its current use, developing land will often carry a significant and immediate downside for nature, even if the site has a relatively low biodiversity value. The best option, in many cases, is for land to remain undeveloped. But as we have shown in the first section of this report, there are urgent housing needs and building new homes that meet these needs is one of the ways in which these needs will be met.

In parallel with the Environment Act, Natural England has been developing its new Green Infrastructure Framework (GIF), which was promised as part of 'Our Green Future', the Government's 25 Year Environment Plan, published in 2018⁶⁷. The full GIF will be launched later in 2022, but Natural England has already published the principles that underpin the framework alongside a beta version of a mapping tool that will help local authorities and developers begin to include green infrastructure in local plans and planning applications⁶⁸.

The mapping tool, which brings together more than 40 environment and socio-economic datasets⁶⁹ provides a high-level picture of the locations in England where green infrastructure, including open countryside, civic facilities such as parks and playing fields, nature reserves and gardens, is abundant and where it is not. The GIF and mapping tool are intended to enable the prioritisation of provision of new Green Infrastructure where it is most needed, either to meet Access to Natural Greenspace Targets or to provide natural capital assets such as natural flood storage. It does not provide the more detailed view required for accurate calculations of biodiversity pre- and post-development, for which the Biodiversity Metric is required.

When fully available, the GIF is likely gradually to become a mandated approach as a growing number of local authorities will seek to incorporate its approaches into local plans and, therefore, require developers to incorporate its standards into their plans, alongside their calculations for BNG. Already, London's Urban Greening Factor includes guidelines and a calculator tool to help developers comply with the latest London Plan, which *'requires all major developments to include urban greening as a fundamental element of site and building design'*⁷⁰.

Voluntary standards and certification schemes to help developers incorporate nature and wider ecological, health and wellbeing measures into their plans include:

- The National House Building Council (NHCB), RSPB and Barratt Developments' **Biodiversity in New Housing Developments**, which is a set of guidelines aimed primarily at housing developers who have an *'opportunity to create not just houses, but sustainable communities, where people thrive alongside wildlife'*⁷¹.
- Gloucestershire Wildlife Trust's **Building with Nature** initiative, developed with the University of the West of England, *'which provide planners and developers with evidence-based, how-to, guidance on delivering high-quality green infrastructure'*⁷².
- The Building Research Establishment's **Environmental Assessment Method** (BREEAM) which *'helps clients manage and mitigate risk through demonstrating sustainability performance during planning, design, construction, operation or refurbishment.'*

As well as the need – and now legal requirement – to conserve and enhance nature in order to reverse biodiversity loss, there are well-known benefits of nature for people and communities and a clear short-term value of using green infrastructure to increase climate resilience. These are profoundly intertwined, for instance through the provision of tree canopy, which not only has proven human wellbeing benefits⁷³ but can also help reduce air pollution, provide shade and cool neighbourhoods as summer temperatures increase, mitigate flooding and help sequester carbon⁷⁴.

One recent study was able to map the precise location of 530,000 trees and compared them to the health records of 30,000 residents. They found that 'people who live in areas with higher street tree density report better health perception and fewer cardio-metabolic conditions compared with their peers living in areas with lower street tree density.' Another recent London study found an association between the density of street trees and the rates of antidepressant prescribing⁷⁵.

THE VALUE OF LAND FOR NATURE

Twenty-six percent of land in England is protected either by statute or in policy, for its landscape or nature value, Areas of Outstanding Natural Beauty, National Parks and Sites of Special Scientific Interest⁷⁶. These designations do not prevent development altogether – and they have been in place throughout a period when biodiversity has declined significantly – but the picture would almost certainly be worse if it was not for the protection that designation offers.

Another land-use designation, green belt, is the most consistently contested and perhaps most emotive and controversial. Green belt covers 1.6 million hectares in England, equivalent to 12.3% of all land, and 19 local authorities have at least 75% of their land designated as green belt⁷⁷. It is not a legal designation as such, but

a policy for controlling urban sprawl. Rather than the landscape quality or nature value, the most important quality of the green belt is its openness. Green belt is demarcated as much for political as it is for policy reasons.

The purpose of green belt is not nature conservation or preservation of natural beauty; across England, only 3% of green belt is also designated as part of Sites of Special Scientific Interest and 9% as part of an Area of Outstanding Natural Beauty⁷⁸. Around one-third of the land now covered by green belt is intensively farmed and probably not nature-rich, which almost certainly means that it is not a designation that is going to drive nature's recovery. In addition, it is far from impossible to build housing on green belt land; numbers of homes built on green belt are small – around 24,000 in the past decade – but many of these are recent, suggesting that councils are granting more permissions on local green belt than before⁷⁹.

Beyond green belt, only around 8% of English land is protected for reasons of nature conservation⁸⁰. These areas include internationally protected sites, such as Special Areas of Conservation and Ramsar Sites, and nationally protected areas, such as Sites of Special Scientific Interest (SSSIs) and National and Local Nature Reserves⁸¹. Local Wildlife Sites (LWSs), which are usually identified by Wildlife Trusts and approved through a local stakeholder partnership to be recommended for local authority protection, are often of the same conservation value as SSSIs, but do not enjoy the same legal protection. Large developments, such as the construction of the High Speed II rail line, are often planned and delivered with little or no regard for LWSs⁸².

The 2021 Planning Guidance directs local authorities and developers towards the use of brownfield⁸³ first – a policy also supported by countryside-focussed groups and many communities living in green belt areas. This is done by both restricting planning access to green belt and encouraging the use of derelict urban sites. Though one permitted exceptional use of green belt is for 'limited affordable housing that provides for local community needs' as per policies set out in a local authority's development plan⁸⁴.

On the other hand, the 2021 NPPF urges councils to prioritise the use of brownfield sites within urban areas, to meet as many of their identified development needs as possible, including housing⁸⁵. And yet as Buglife, the UK's main invertebrate conservation organisation, has shown, derelict urban sites can often support great biodiversity than other open areas of land, including intensively-farmed green belt. In some cases, the richness of brownfield biodiversity may only be equalled by ancient woodlands, which often enjoy LWS or even national protection⁸⁶. CPRE (2021) points out that: "Local authorities are required to exclude brownfield land (from brownfield registers in local plans) which, if redeveloped, would have adverse environmental impacts from their brownfield land registers, which were used in this study⁸⁷." However, given the lack of reliable data and information about the environmental value of land identified above, it is difficult to see how this is wholly possible or enforceable.

Beyond the areas of land specifically designated for conservation, it can therefore not automatically be assumed that either green belt or brownfield is of higher or lower value for nature. The key principles for ensuring biodiverse land or important habitat are identified in local plans, therefore, are:

- Local authorities need the resources to embark on frequent ecological surveys to understand how valuable open land in their area is for nature. Warwickshire County Council has pioneered surveys of the entire county, divided into polygons with each surveyed at least once every five years, on a rolling basis⁸⁸.
- This data needs to be available to inform local development plans and to feed up to the national level to inform the development of local nature recovery networks.
- The UK government needs to aim for at least 30% of land in England designated as for nature's recovery⁸⁹.
- At the nature recovery network (i.e. regional, but as yet to be defined) and national levels the location of the nature recovery designated land needs to offer nature the opportunity of connectedness so that species can move easily between designated areas.
- To help reconnect nature, and reconnect people to nature, Government needs to set mandatory standards for access to nature and local plan policies should support the provision of sufficient accessible natural greenspace. Development scheme design should include private and communal gardens and natural green spaces.
- All other opportunities to interconnect nature, such as encouraging and incentivising people to wild their gardens and councils to provide natural corridors through public green spaces, should be maximised.

The Levelling Up and Regeneration Bill, introduced to parliament in May 2022, should provide a framework to put nature's recovery first and all development, including housing. Currently this is missing from the Bill. (See recommendations in section 3).

BUILDING HOMES FOR NET ZERO

Chancellor Gordon Brown introduced a 'zero carbon homes' standard in 2006, which aimed to use building regulations, planning rules and new certification to ensure all homes were carbon neutral by 2016⁹⁰. It also included 'allowable solutions' permitting carbon offsetting by developers, which would have been used to fund emissions reduction in other parts of the energy system or built environment⁹¹.

The regulations needed to achieve the zero carbon homes standard, along with allowable solutions, were abolished by George Osborne's 'Fixing the Foundations' 15-point plan in July 2015⁹². Subsequent research from the Energy and Climate Intelligence Unit found that this effective scrapping of the standard is likely to have cost the owners of new-build homes up to £200 per year on their energy bills⁹³. The building of hundreds of thousands of homes that do not meet a zero carbon standard has also added – and will continue to add – further to the stock of CO₂ emissions for their lifetime or until homeowners invest in retrofitting insulation, low carbon generation and heating.

The current cost of living crisis, of which a large component is rising energy prices, further underlines the short-sighted nature of the changes made in Fixing the Foundations. Households now face average annual bill increases in 2022 of at least £1,500⁹⁴. Government payments announced in May of between £400 and around £1,200 (for the most vulnerable households), will still leave most significantly out of pocket⁹⁵.

While the greatest policy failure is probably the continued absence of a comprehensive retrofit scheme to insulate existing homes and provide them with low carbon heating – particularly acute with rising fossil fuel prices⁹⁶ – every new home built today that would have failed the zero carbon homes standard adds further to current and future emissions. Insulation standards for walls and roofs in the current building regulations still lag behind the levels recommended by the Zero Carbon Hub, which was established in 2008 to take day-to-day responsibility for delivering the Zero Carbon Homes standard. Passivhaus standards for most types of property are lower still (See table 1).

Insulation standards U Value (W/m ² K) ⁹⁷	Zero Carbon Hub Recommendation (Spec 'C') 2010 ⁹⁸	Passivhaus Standard ⁹⁹	Current Building Regulations ¹⁰⁰
Walls	0.15	0.10	0.18
Floor	0.15	0.10	0.13
Roof	0.11	0.10	0.13

Table 1: A comparison of current minimum insulation standards in new buildings in the UK compared with the level of insulation that might have been required had the government introduced a zero carbon homes standard.

Current regulated levels of new build insulation are of course much better than untreated older building stock (for instance, a typical solid brick wall conducts around $2\text{W/m}^2\text{K}$)¹⁰⁰. However, it is no better than retrofitted older stock (for instance an insulated cavity wall can have a value around the same as the current regulation for new build). But reaching net zero emissions will require the best insulation available and had the zero carbon homes regulations been adopted, a growing number of newly built homes would be emitting less carbon and costing less to heat; by contrast, Scotland tightened its requirements in 2015, which means that new build homes emit 22% less carbon than their English equivalents¹⁰¹.

Similarly, had the Westminster government adhered to the planned zero carbon homes regulations, the requirement to reduce the emissions of each new development would have provided better incentives for the use of onsite renewable power generation and heating. After four years of the tighter standards in Scotland, 80% of new build developments featured solar PV, though the regulations apply to whole developments and not individual homes. However, according to the Solar Energy UK, had the same approach been applied across the whole of the UK, this could have led to more than 200,000 new domestic installations (i.e. of less than 4kw) per year; in 2020, only 24,000 were added to the grid, most of which will have been in Scotland¹⁰¹.

The announcement in June 2019 of net zero targets for the UK brings a new urgency to the decarbonisation of

sectors such as housing. Much of the attention rightly remains focussed on retrofitting existing homes, for which a comprehensive policy framework is still lacking. But new homes must also be brought into line with net zero in what the Committee on Climate Change has said must be 'a new approach that will lead to the full decarbonisation of buildings by 2050'¹⁰².

In early 2021, the UK government completed a consultation on a proposed Future Homes Standard, which aims to bring new build housing into line with net zero targets¹⁰³. Now called the Future Homes and Buildings Standard (because of further plans to apply a net zero standard to non-domestic buildings), new building regulations will be introduced in two steps, with a tightening of insulation and efficiency coming into force in June 2022 and a requirement for full 'net zero ready' homes, which will include a requirement to install low carbon heating, in 2025.

In practice, though, the sum of the regulations under the new standard is expected to reduce emissions from new homes by 75-80% compared to homes delivered under current regulations. While welcome, as the Royal Institute of British Architects (RIBA) argues, targets should be absolute — i.e. expressed in maximum permissible emissions per home — and not relative to current, underperforming new build homes. RIBA also points out that the standard is not 'circular' and so does not incorporate embodied emissions in building materials or during construction¹⁰⁴.



3. Conclusions and Recommendations

The current way in which the government is attempting to ramp up housebuilding is not only failing to meet housing needs, but it is also on a collision course with the newly passed Environment Act. Nature cannot be conserved and enhanced, and nature recovery networks cannot be developed and sustained, unless large amounts of land – at least 30% in England by 2030 – is connected and protected for nature.

The cumulative pressure on land in England, not only from new house building, but also from other development, nationally significant infrastructure and intensive agriculture, has pushed nature to the margins. The first step in addressing this is to take a land-system-wide view and prioritise nature across this whole system. In effect, with its promise in the Environment Act to create local nature recovery networks (which are likely to be regional in scale) the government has committed itself to prioritising nature across the English landscape. But this will not be effective in underpinning nature's recovery unless other policies are aligned. At the moment, the policies that influence housebuilding are not.

The introduction in November 2023 of an obligation on housebuilders, other developers and later on national infrastructure projects to achieve 10% biodiversity net gain and to sustain any measures for 30 years adds to this imperative. However, site-by-site measures, which will include developers purchasing credits where gains cannot be made onsite or nearby, will not guarantee nature's recovery. Reducing the pressure on nature from development will require choices to be made between types of development and within each type. For instance, in national infrastructure, the government will need to prioritise low carbon energy projects at the expense of the large number of road and gas power schemes that have been consented through NSIPs.

In housebuilding, the choice that must be made to limit the pressure new developments will place on nature and allow space for recovery networks is between prioritising housing demand and prioritising housing need. As we

show in section 1 of this paper, the current tax and planning systems combine with central government housing policy and funding decisions to disincentivise improvements to and reuse of existing homes and developed land. Local authorities are given housing targets to meet via the government's 'standard method', but are not given the funding or policy tools needed to meet these targets in ways which directly meet housing need while protecting and enhancing nature, for example by driving up the supply of social rent homes affordable to those on lower incomes as part of sustainable communities with access to natural spaces. Instead, local authorities must rely on private developers building market sale-led schemes to meet central government's Housing Delivery Test, or otherwise lose their powers to refuse private housebuilders planning permission at all.

England's housebuilding system attempts to meet demand for housing, with varying degrees of success in different parts of the country. Meeting housing need is not an explicit aim of this system, which instead results in growing affordability problems and escalating levels of unmet housing need in many communities across England. Land which could be used to revitalise nature is instead diverted into new unaffordable housing development, at considerable cost to nature.

Greening a housing market with these characteristics – which is what housebuilders are currently gearing themselves up for – is certain to continue to fail households with the most acute needs and is unlikely to measure up to the equally acute needs of nature, especially if net gain measures prove hard to achieve onsite and the need for offsite measures and credits grows, but available space for delivering gain does not.

The Environment Act is a visionary piece of legislation that promises a genuine turning point in the relationship between human development and nature, but to be effective it must be flanked by equally visionary policies at local and national level that seek to bring aspects of our development back within natural boundaries, such as land availability.



RECOMMENDATIONS

1. A spatial Strategy for English land

The Environment Act commits the government to nature's recovery, but it lacks an overarching spatial strategy through which it can set out how this will be achieved. Ideally, therefore, all spatial planning should be governed by a single, overarching strategy in which nature and climate are the top, overarching priorities.

The provision of underlying analysis to ensure enough space is set aside for nature's recovery should be led by Natural England, who would be instructed to draw-up and consult on a temporal and spatial plan, with a proposal for new swathes of wild belt designation. In consultation with local authorities, this would form the basic rationale for local nature recovery networks and for helping achieve the aims of the Act.

The primary role of this strategy would be to answer the question **how much ecological space is available for development – including new housebuilding – in England once nature's recovery is safeguarded?** Its aim would be to assess cumulative development impact and to ensure the vision of nature's recovery can be achieved. This would also trigger prioritisation both within and between categories of development.

The Wildlife Trusts are calling for at least 30% of land ecosystems to be connected and protected by 2030. This is already supported in principle by the Government and should be the minimum standard met by the strategy.

2. Take a 'needs first' approach to housing provision targets

New housing is urgently needed, but precisely what is needed will vary from place-to-place; national targets which do not distinguish between different types and tenures of housing provide little incentive for local housing need to be met and, within the wider spatial strategic approach outlined above, **tenure-blind, single-unit housebuilding targets should be scrapped**. Instead, combined authorities (or local authorities where no combined authority exists) should be required and supported to assess the local need for different tenures, types and sizes of housing, including for social rent and other types of affordable housing.

Local authorities' assessments of housing need should be made with reference to factors including:

- the number of homeless households,
- the number of those in priority need who are currently housed in temporary accommodation,
- the number of households in overcrowded housing,
- the number of concealed households; and
- the number of existing affordable housing tenants in need (i.e. households currently housed in homes unsuited to their needs)

These assessments of local housing need should then inform new, tenure-sensitive housing targets for combined authorities and local authorities to meet through planning policy, direct delivery and partnerships with private developers, housing associations, community-led housing groups and others. Targets for housing provision should of course be sensitive to land, environmental and capacity constraints, with local authorities required and supported to plan to meet housing need at the regional level. Housing need arising in one part of a local authority, or in one part of a region, will often best be met in a different part of that local authority or region in order to prevent the loss of ecologically valuable land and safeguard nature's recovery.

3. Enable social rent housing to be prioritised where it's needed by increasing capital grant

Housing providers have flagged serious concerns that they are reaching the limits of the cross-subsidy model, particularly for delivering social rent, and that capital grant is now needed to drive up the supply of homes at costs affordable to low-income households¹⁰⁵. Because the government has access to the cheapest finance available to any actor in the social housebuilding process, capital grant is the best mechanism available to the country to meet this subsidy gap.

To support local authorities to ensure identified housing need is met, central government should therefore increase capital grant allocations for social rent and other types of affordable and specialist housing from their current low levels. In line with recommendations from Shelter and many others¹⁰⁶, this should include both increasing the total number of homes supported by capital grant and increasing the proportion of delivery costs supported by capital grant allocations, to lessen social housing providers' dependence on cross-subsiding delivery costs from building homes for market sale. Together, these measures will allow local authorities, and indeed all actors in England's housebuilding process, to focus on meeting housing need rather than on ramping up market supply, reducing the aggregate impact of new housing on nature through a more targeted approach.

4. Incentivise retrofit and reuse of existing buildings by equalising VAT for renovation and new build housing

Building new housing when existing buildings could potentially meet the same need consumes land which might otherwise be used to support nature's recovery. Wherever we have the option to meet housing need by improving existing homes and repurposing existing buildings, we must do so. This means changing VAT policy to equalise the tax treatment of reuse and new build. This is also essential for supporting the United Kingdom's transition to net zero as part of the broader response to the climate crisis. Using RICS standards and guidance, the final report of the government's independent Building Better, Building Beautiful Commission estimated that constructing a new two-bedroom house uses up the equivalent of 80 tonnes of CO₂, a staggering ten times the CO₂ produced by refurbishing a two-bedroom home¹⁰⁷.

In line with recommendations from Architects Journal¹⁰⁸, the Building Better, Building Beautiful Commission, the UK Green Building Council, the Home Builders Federation, Historic England, the TCPA¹⁰⁹, the No Place Left Behind Commission¹¹⁰ and many others, we recommend government aligns VAT for core improvements to existing domestic buildings (excluding DIY and interior decoration) with VAT for new building, on both materials and labour.

Reducing the VAT rate to 5% on the labour element of housing renovation and repair alone has been estimated to provide a £15.1 billion stimulus to the wider UK economy and 95,480 extra jobs over five years – as well as saving almost 240,000 tonnes of CO₂ and reducing 92,000 households' energy bills by retrofitting existing homes¹¹¹. Treasury could offset the tax revenues which would otherwise have been paid by retrofitting and improvement works by raising the level of VAT charged on demolition and new build works from 0% to 5%, removing the disincentive against making the best use of existing buildings in the process.

While an assessment of the amount of housing need which could be met in this way – and thus the amount of land which could be kept out of development – is beyond the scope of this report, it is clear that in an age of nature and climate crisis there is no role for tax policy to incentivise demolition and new build while actively disincentivising a 'make do and mend' approach to housing provision.

5. Incentivise better uses of existing homes and land which has already been developed by removing the requirement for all capital grant for housing to achieve 'net additionality'

There are further opportunities to meet housing need more effectively and to reduce pressure on England's land system by ensuring that capital grant for housing and development is available for regeneration projects which do not achieve 'net additional' homes, particularly in lower-demand housing markets where achieving 'net additionality' is often unrealistic. In line with recommendations from the Levelling Up, Housing and Communities Committee¹¹², we recommend that the government and Homes England identify opportunities to allocate housing funding focused on regeneration outcomes rather than net additionality, whether using existing funds like the Affordable Homes Programme, or using new funding streams.

One opportunity to do this is found in the complex rules governing how social landlords deploy their existing resources, which should be made more flexible to allow them to invest more in retrofit, renewal and regeneration of existing buildings developed land. As the No Place Left Behind report recommended, government should take the revenue-neutral action of permitting social landlords flexibility to use the Recycled Capital Grant Fund – which was worth around £700m to private registered providers alone (excluding local authorities) in 2019-20 – to fund regeneration works¹¹³.

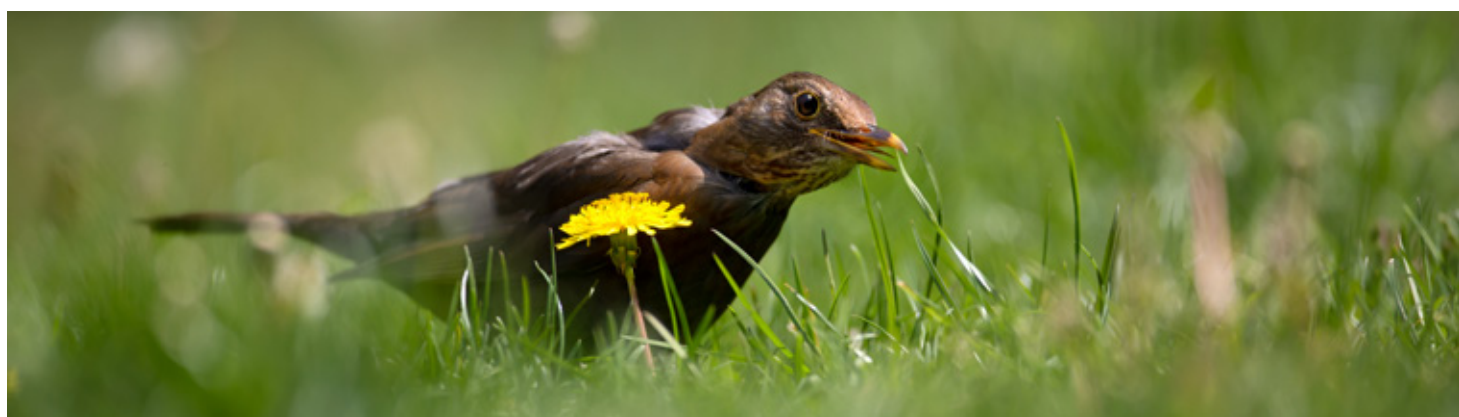
6. Ensure new housing development targets housing need and leaves space for nature by reforming the Land Compensation Act 1961

To take a 'needs first' approach to new housebuilding, government must take action to reduce the price at which land comes into development, enabling a greater diversity of homes to be built. This should include powers for a public body – like a council or a development corporation – to compulsorily purchase land at prices which exclude 'hope' value, by reforming the Land Compensation Act 1961, following recommendations from Shelter, the National Housing Federation, centre-right thinktank Onward and many others¹¹⁴.

This would allow new housing development to take place on land which does not need to be protected for nature's recovery, as per our first recommendation, whilst ensuring that land which is appropriate for new housing comes into development at a value which enables genuinely affordable housing schemes to be built, led by social rent housing and designed to support wildlife recovery and build climate resilience. This could include, for example, integrating trees, hedgerows, wildflower verges, water and other habitats into developments, and designing bat roosts, bird boxes and other wildlife features into buildings¹¹⁵.

7. Invest in baseline data for nature in developments through local authorities

A full program of investment is required to establish high quality ecological data to inform strategic planning and decision making.



Appendix 1: 10 Principles for House Building for People and Nature

Drawing on the policy recommendations in this report and the various frameworks and standards — statutory and voluntary — reviewed during its preparation, we suggest the following principles should form the spine of the government's, combined authorities', local authorities' and developers' approach to building new homes in the context of the climate and nature crises:

1. **Only disrupt nature if necessary:** No construction is possible without impact on nature and in many cases, including on brownfield land, the best option for nature is not to build. Therefore, when new homes are built, they must only be built if they address the housing needs of people in the area in which they are being sited.
2. **Build affordable homes as the priority:** In most places, genuinely affordable — often meaning socially rented — homes are what is most needed. In defining local housing need, planning authorities and developers must put affordability first and prioritise the needs of those on their housing lists.
3. **Minimise disruption and add value to nature onsite:** Recognising that all construction will disrupt nature, the priority should be to build the homes people need in a way that minimises habitat and biodiversity loss in relation to the pre-development baseline and aims to meet or exceed the 10% BNG requirement onsite on completion.
4. **Build to the highest possible standard of fabrication:** The new Future Homes and Buildings standard should ensure most homes have higher levels of insulation and low carbon heating, but developers should go further and as close to Passivhaus standards as possible and, in addition, should reduce the life cycle emissions of new homes.
5. **Ensure new homes are climate resilient:** New homes and communities must be built to withstand a climate that is already likely to change significantly. Places with a future flood risk must be avoided and natural solutions to aid climate resilience, such as infrastructure to retain, store and reuse water locally, or tree canopy and building design that assists with cooling of homes and neighbourhoods, should be incorporated.
6. **Build places not just houses:** As RIBA's Ten Characteristics of Places Where People Want to Live illustrates, building places is as important as building homes. Green spaces, abundant nature, access to services, activities for children and community facilities all help contribute to a sense of place and will help people build community.
7. **Design out car reliance:** New places need to be well-connected for wider services and access to jobs, but mobility and accessibility should be designed around active travel and public transport links, with the need for private cars — which many on low incomes can ill-afford — designed out from the outset.
8. **Include wild space as well as private gardens:** As well as recreational green space, new homes should have space reserved for wild nature, in which residents and others can experience wildness and enjoy its many health and wellbeing benefits. This must include a variety of locally-appropriate habitats, almost always including trees, and will help developments achieve BNG.
9. **Ensure long-term management and protection:** The Environment Act requires developers and planning authorities to safeguard measures introduced into developments to reach net gain to be managed for 30 years. This should apply to all development and any measures in local and national development plans.
10. **Future Proof Everything:** New housing must be ready to provide homes for generations of people and families with as little alteration and retrofitting as possible, noting that all such changes will have an impact on nature. While perhaps requiring more investment upfront, future-proof homes will be more desirable, affordable to live in and offer long-term health and wellbeing benefits to occupants as well as minimising the current and future disruption of nature.



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