

Royal Institute of British Architects

Housing, Communities and Local Government Committee inquiry on
delivering 1.5 million new homes: Land Value Capture
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The Royal Institute of British Architects is a global professional membership body driving excellence in architecture. We serve our members and society in order to deliver better buildings and places, stronger communities and a sustainable environment. Being inclusive, ethical, environmentally aware and collaborative underpins all that we do.

The Royal Institute of British Architects (RIBA) welcomes the opportunity to respond to the Housing, Communities and Local Government Committee's inquiry on delivering 1.5 million new homes and the role of land value capture.

We support the Government's ambition to build 1.5 million homes over the course of this Parliament. With [almost 1.3 million households](#) in England currently on social housing waiting lists, the scale of need is clear. To help meet this need, there is a role for innovative new models of housing delivery, such as the model explained in our 2024 policy report, [Foundations for the Future: a new delivery model for social housing](#).

RIBA recommends that the Government:

- Commits to piloting the model outlined in this response to deliver new, urgently needed housing for social rent and for market sale.
- Works with the housing sector to examine how this model could be adapted to facilitate the further delivery of social homes.
- Ensures that architects are involved in the delivery of social housing to deliver high-quality, sustainable homes.
- Comprehensively resources local planning authorities so that all local authority housing delivery benefits from qualified design expertise.
- Examines how local authorities can retain and reinvest all proceeds from the sale of local authority-owned stock.
- Ensures that the delivery of new homes is accompanied by the necessary amenities and infrastructure to create well-connected, healthy, and well-designed places.
- Ensures that publicly-owned land is used for delivering public good.



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The scale of need

For years, we have failed to meet our housebuilding targets. Over the last decade, [average delivery has been 28% below the previous Government's target](#) of 300,000 new homes per year.

Recent [research identified a need for 145,000 new affordable homes per year up to 2031](#), including 90,000 for social rent. However, over the last decade, only 36% of the identified need for affordable housing has been met.

This has left local authorities having to spend a significant amount on homelessness reduction measures. Not only does ongoing spend on homelessness reduction not provide a permanent solution to the shortage of suitable, available accommodation, but also contributes to the funding pressures that many local authorities are facing.

Historically, the private sector has not delivered the numbers of social homes needed, and this is unlikely to change in the future. This means that public sector provision is the only way to build social housing to meet the challenge we are facing.

Outlining our model

To meet this need, we require a range of innovative new approaches. We have identified a way to deliver more social homes via a new model.

The model requires an initial investment from central government to local authorities. This is then used by local authorities to build homes for both social rent and market sale on land which is free at the point of use, such as local authority-owned land.

The receipts from market sale homes are then reinvested to build further homes for both market sale and social rent. Not only does this promote mixed-use development, but reduces reliance on continuous central government funding to secure social housing provision.

Our new model is based on the following assumptions:

1. The land being used for development is publicly owned and free at the point of use. As land cost is eliminated or substantially reduced, the cost of delivery is driven down.
2. Local authorities will deliver the housing stock, so the proposed model does not account for profit.
3. With land cost and profit being removed, the only costs remaining are the construction costs of building the new housing stock.
4. The market value of new homes is considerably higher than build costs in each region because land and profits are excluded. This means that in each region, for every market home sold, more than one home can be built. Our analysis shows that the ratio ranges from 1.4 new homes for every home sold in the North East, to 2.8 in the South West.
5. All revenue from the sale of homes on the open market is retained and reinvested for local authorities to use to build more social homes at a lower net cost.

Illustrating outputs

To demonstrate the potential of the model, this example uses an equivalent of the £1.24 billion homelessness reduction spend referred to earlier in this response as a one-off investment by central government.

This initial expenditure is split between regions in England to deliver an equal number of homes. All profits from the sale of homes on the open market are then reinvested by the local authorities to build more housing stock.

With this initial investment, and a 50% initial sell off and 25% ongoing sell off to the market, over 10 years 13,475 homes available for social rent are delivered. Over 30 years, 23,105 homes are delivered – 15,550 social rent homes and 7,555 to be sold on the open market.

Further considerations

The model outlined in this response is indicative of what could be achieved within specific parameters and has the potential for flexibility. Other bodies, such as housing associations, may be able to take elements of the model and adapt them to allow for further delivery.

Several new policy mechanisms and approaches would be required to enable this model to reach its full potential. For example, a mechanism would be required to allow local authorities to retain and fully reinvest all proceeds from the sale of homes on the open market. There is some existing research in this area, including proposals from the [Local Government Association](#) calling on the Government to allow local authorities to permanently retain 100% of receipts from Right to Buy and remove restrictions on their ability to combine receipts with other funding, and on the percentage of new homes that can be funded by receipts.

The viability of the model may also be impacted by local authorities across the country experiencing funding difficulties, with a funding gap [estimated](#) at £4 billion over the next two years. As a result, some local authorities may prefer to maintain reserves of land to help “balance the books”.

Funding shortfalls also impact local authorities’ ability to develop land in other ways – for example, most local authorities do not have the resources nor in-house expertise to directly deliver the construction and maintenance of major projects, including housing.

There is also the issue of development viability. It is important to note that with the proposed model, there will be regional and site-specific nuances to take into consideration:

- **Regional variation:** In areas where low sale value already impacts the viability of schemes, including reducing affordable housing delivery, similar viability challenges may impact delivery via this model.

- Remediation: The extent of land remediation needed to make a site suitable for development would impact viability. For sites that require extensive remediation, viability and as such, delivery, will be lower.
- Build cost: There may be areas where build cost remains higher than the final market value of the home, rendering viability challenging.

The wider picture

Housing delivery must be accompanied by the amenities and infrastructure communities across the country need to thrive – public transport links, green space, and access to retail, community, and civic life. Achieving this on a broad scale requires an overhaul of how we think about, resource, and understand the creation of the built environment.

Local authorities must be allocated significant investment from central government to deliver the high-quality, sustainable homes and places we desperately need.

Planning services have experienced a more severe cut than many other local authority services – [evidence](#) suggests that councils across England have disproportionately cut “housing, cultural and planning services” in comparison to cuts to other departments.

At present, many local planning authorities do not have access to qualified design professionals such as architects. [Data](#) from the Ministry of Housing, Communities and Local Government from 2023 showed that 54% of local authorities reported skills gaps in urban design and architecture. To ensure that development is scrutinised, and that the Government’s aim of creating well-designed homes and places is reached, providing this resource is vital.

A well-resourced planning system, with access to not only adequate capacity but also the relevant skills, will give local authorities the knowledge and confidence to create and build high-quality, well-designed developments.

Allocating resource to planning departments in order to build new homes and places will also have the benefit of creating economic growth in line with the Government’s growth agenda: new housebuilding [generated](#) £53.3 billion for the economy in 2023.