The financialisation of housing land supply in England

Abstract

The aim of this article is to identify the calculative practices that turn urban development planning into the supply-side of land financialisation. My focus is on the statutory planning of housing supply and the accounting procedures, or market devices, that normalise the practices of land speculation in the earliest stage of the urban development process. I provide an analysis of the accountancy regime used by planning authorities in England to evidence a 5-year supply of housing land. Drawing on the work of Michel Callon on market framing, I assess the activities of economic agents in performing or 'formatting' this supply, its boundaries, externalities and rules of operation. I evidence the effect of this formatting in normalising the treatment of land as a financial asset and in orienting the statutory regulation of land supply to the provision of opportunities for the capture of increased ground rent at a cost to the delivery of new homes.

Keywords: town planning, land value, financialisation, housing supply, housebuilding.

Introduction

The liberalisation of town planning systems has been a necessary accompaniment to the increasing financialisation of land and housing markets (Rydin, 2013; Savini & Aalbers, 2016). Rather than serving to moderate "the increasing tendency to treat the land as a pure financial asset" (Harvey 1982: 387), town planning is now seen as instrumental to property market growth. In many countries in the Global North planning for the provision of new housing and public infrastructure is largely determined by the pursuit of ground rent by private developers and landowners (Christophers, 2017; Robertson, 2017). The marketisation of a public service ostensibly intended to ensure the just distribution of costs and benefits from the development of land has been achieved most effectively through the incorporation of 'market devices' or modes of evaluation drawn from the accounting and asset management practices of finance markets (Callon, 2016; Callon, Millo & Muniesa, 2007). As these market systems are adopted and embedded in practice they come to construct the realities and norms of land use planning and to determine the values and judgements applied by planning authorities in regulating development (Miller & Rose, 2008).

My aim in this article is to direct attention to the calculative practices that render town planning the supply-side of land financialisation. I provide an analysis of the accountancy regime used by planning authorities in England to allocate, maintain, and evidence a 5-year supply of housing land. The focus of study is on the "invisible power of an inscription" (Latour, 1987: 14) – in this case an annual monitoring account of housing land supply – to not only shape choices and influence decisions but to transform the world it describes and to obstruct the policy goals it is intended to help implement (Miller, 2001). The argument I advance is that the accounting procedures for a 5-year housing land supply in England normalised land speculation as the condition for housebuilding while instituting perverse incentives for landowners and developers to reduce the supply of new homes.

The article contributes to an evolving literature on the "thread of networks of practices and instruments, of documents and translations" that establish the conditions for the financialisation of land and housing (Latour, 1991: 121). I am concerned with the technical procedures or self-steering mechanisms that substitute "a logic of exchange value for a logic of use value in land-use decisions" (Haila, 1988: 97). I draw on Michel Callon's (1998) definition of markets as calculative devices to interpret the 5-year housing land supply regime as the accountancy, coordination and framing of a market in land speculation (Callon & Muniesa, 2005). I investigate the distribution of power relations within the market frame, the activities of the economic agents in manipulating the calculation and their work in performing or 'formatting' the market, its boundaries, externalities and rules of operation (Araujo, 2007: 220). The literature on financialization has focused on the performative role of calculative devices in enabling real estate to be rendered liquid and globally tradeable. The financial instruments that facilitated the securitisation of mortgages and collateralised rental streams ushered in a new wave of housing speculation; the calculation of development viability recalibrated the town planning system to privilege the requirements of global capital flows (Blakeley, 2019; McAllister, 2019). The role of the state in licensing these devices of financialization has been central to the process. The deregulation of the mortgage market by statutory regulators, the privatization of public land by state agencies and the introduction of new accounting practices in public services have created the conditions and supplied the components for financialization (Aalbers, 2016; Christophers, 2018). This paper makes a significant addition to existing work on the role of the statutory planning system in facilitating the financialization of landed property (Waldron, 2019; Ward & Swyngedouw, 2018). It identifies these processes at the earliest stage in the urban development process and in the market in land separable from, and at the expense of, the supply of housing. It demonstrates the performative impact of statutory planning practices in formatting the market for the speculation in land and in establishing the supply-side conditions required for landowners to treat their property as a financial asset (Crosby & Henneberry, 2016).

The article begins by providing a definition of financialization in the context of housing development planning. My intent is to identify the role of residential planning permission in creating and enhancing value distinct from the financial rewards of development. I then introduce the accountancy procedure for housing supply adopted in the English town planning system and review it through the literature on calculative practices and particularly through Michel Callon's work on market framing. I evidence the relationship between housing development and land speculation and identify the externalities included within the frame of housing supply that tilted the accountancy procedure towards financialization. I support this analysis with a details of the expansion of financial markets in residential planning permission and review the response in housing policy to the growth in the trading of residential planning permissions. Finally, I explore the performative effect of housing land accountancy in embedding the use of land as a financial asset in the urban development process and I conclude by assessing the impact of financialization on the rate and scale of housing development.

Town planning and the financialization of land

The land market provides a consummate model for the theory of financialization since its measure of value depends on pulling future profit into present-day circulation (Ryan-Collins, Lloyd & Macfarlane, 2017). Landownership is a monopoly on space that enables landowners to charge ground rent or its capitalized equivalent for the use of their land. Since land itself does not embody value, and is a natural and finite resource that cannot be replicated, this ground rent must be treated as a transfer of value created elsewhere (Christophers, 2010). "What is bought and sold is not the land, but title to the ground rent yielded by it," David Harvey (2006: 367) wrote. "The buyer acquires a claim upon anticipated future revenues, a claim upon the future fruits of labour." The concept of financialisation is already implicit in this division between the utility value of land as a prerequisite for life and labour and its exchange value as a charge on the fruits of that labour. To treat land as a pure financial asset is to privilege its potential yield in ground rent rather than its usefulness as a productive resource (Haila, 1988). Land treated as a financial asset has no use other than to bear exchange value calculated in the expectation of steadily increasing rents due to the labour of others (Massey & Catalano, 1978). The income from it is a rentier claim on the production process. It is a supply of credit secured on putative profits from potential production (Christophers, 2018; Gunnoe, 2014). The treatment of land as a financial asset has driven the expansion of global financial markets and the focus on real estate and especially housing stocks as opportunities for investment (Aalbers, 2016; Ward, & Swyngedouw, 2018). Immobile and finite, land nevertheless becomes a liquid asset, its monopoly rent tradable on global markets, resulting in the ascendancy of "financial markets, financial motives, financial institutions, and financial elites in the operation of the economy" (Epstein, 2005: 3). It is the force behind house price inflation and the growing problem of housing affordability (Murphy, 2019), and while the impact of financialisation is felt in high household debt, wage stagnation, and regional economic inequality, an ever-increasing share of economic output accrues to rentiers who reap 'unearned' profits from monopoly rents (Blakely, 2019).

This ‘unearned’ increment in land value has long been a central concern of town planning since the grant of planning permission enables the expectation of increased ground rent. Planning permission unlocks the value of infrastructure improvements serving the location of land as well as the potential increase in ground rent from the actual change of use (Crook, & Whitehead, 2019). The challenge for town planning has been to capture and fairly distribute this ‘betterment’ or land value uplift to recognize the part played by public investment in bringing about increased land values (Catney & Henneberry, 2019). This problem came sharply into focus in the controversy over the use of development viability assessments in the English town planning system. The introduction of a standard approach to valuation in an assessment of development viability prioritized private profit and recognized the landowner’s right to a commercial return from the uplift in land value (Christophers, 2014). The effect of this calculative practice was to distribute betterment to the developer and landowner leaving little or nothing to pay for the increased public infrastructure costs and contributions to affordable housing (Crosby & Wyatt, 2016; McAllister, 2017). As a market device, development viability assessments are widely understood to have embedded the values and expectations of the speculative house-building industry in the statutory planning system, normalizing excessive profits for developers, and creating an expectation among landowners of extravagant uplift in land values consequent on the granting of residential planning permission (Crosby, 2019; McAllister, Street, & Wyatt, 2016).

In the unequal distribution of betterment brought about by development viability assessments, the uplift in land values was dependent on a development proposal, and it was the future increase in ground rent (or income from the sale of houses) that landowners and speculative builders aimed to capture. The expectation of betterment locks-in particular approaches to investing in and producing the built environment that have implications for any future development (Crosby & Henneberry, 2016). The speculative housebuilding industry developed in England in order to minimise the loss of potential building revenues to landowner profits. This industry, now largely dominated by ten companies, straddles land and housing markets in order to capture both building profits and the capitalised ground rent from house sales (Ball, 1985; Edwards, 2015). Ground rent and house value, however, are two quite distinct components making up house prices. The uplift in the exchange value of land brought about through the planning system can be calculated separately to the value of the housing built on it (Smith, 1984). The award of planning permission may enable a landowner to profit from increased investment yields without any development necessarily taking place. Most land in

England is still owned by the aristocracy and other wealthy individuals, and by property companies and the financial services industry, represented by pension funds, insurance companies and hedge funds (Shrubsole, 2019). Their interest is in increasing the yields from land ownership and in maximising asset value to finance new acquisitions. It is the expectation of future increases in ground rent that ensures the rise in land values and finances their borrowing (Massey & Catalano, 1978).

Land is financialized to the extent that landowners can separate exchange value from use value and reap the benefits of future ground rent without making the investment that generates this uplift in value (Christophers, 2010). The grant of planning permission becomes a promissory note, a marker or claim on the future income accruing to land that itself becomes an object of exchange (Ward & Swyngedouw, 2018). Land whose increasing value has been certified through the grant of planning permission can be traded or used as collateral and leveraged to access credit. The town planning process becomes instrumental to the creation and enhancement of financial markets in land and housing, and because these markets are global, land with the gift of planning permission is detached not only from the locale in which it is situated but from the productive use to which it, and its putative development, may contribute (Savini & Aalbers, 2016). In its role in allocating the land and permitting the proposed development, town planning then becomes the supply side of land financialization.

A 5-year housing land supply

A housing land supply that is increasingly organised around the appropriation and maximisation of ground rents is likely to impact on the supply of housing, influencing not only where houses are built and at what price they are sold, but whether homes are built at all (Robertson, 2017).

Planning policy in England is overwhelmingly concerned with providing a supply-side stimulus to the private housing market. While ostensibly administering a plan-led system in which development can be directed to achieve long-term public interest goals, this regime works to facilitate the market by lifting the environmental restrictions that ration the supply of developable land (TCPA, 2018). The role of local planning authorities is to deliver a reliable pipeline of permissioned land to enable the speculative housebuilding industry to increase the delivery of housing (Cochrane, Colenutt & Field, 2015). The requirement to allocate and account for a 5-year housing land supply is a feature of this deregulatory agenda and its neutral recording function operates within a disciplinary regime that evidences the role of accountancy as a technology of liberal governance (Miller, 2001). Failure by local planning authorities to maintain and annually update a 5-year supply of housing land enables developers and landowners to override local land use regulation through a clause in national planning policy called the 'presumption in favour of sustainable development' (MHCLG, 2019 para. 11). "Framed in unprecedented language" this policy makes it difficult to refuse speculative housebuilding applications that go against the local plan (TCPA, 2018: 124). Developers and landowners who appeal to the Secretary of State against the refusal of planning permission can argue that a local planning authority does not have a 5-year housing land supply. Failure to demonstrate the required account of land has become the most frequently given reason for the granting of residential planning permission against the refusal of the local authority (Lichfields, 2018). This linkage of accountancy with responsibility introduced a range of intended and unintended incentives into the housing supply market. Local planning authorities were incentivized – through the threat of sanctions – to pro-actively allocate housing land and privilege the release of land for new homes over other policy concerns. Developers and landowners were incentivized to find evidence that the accounting for 5-year housing land supplies was inadequate.

The calculation of a 5-year supply of housing land was accounted for by local planning authorities in an annual monitoring report identifying sites with residential planning permission and those allocated in development plans for house building. The documentation included a spreadsheet identifying sites and their anticipated housing output allocated across a five year period. Each site was annotated with evidence in support of its housing contribution gathered from discussions with landowners and developers and observations of site conditions and stage of production.

In the work of Michel Callon (1998) markets are defined by the calculation of supply; they are a "space of goods" or a catalogue of products classified according to their qualities and characteristics and ordered in a single space conceived of as the account (Callon & Muniesa, 2005: 200). This calculative space provides a coordinating function; it enrolls economic actors who seek to define the boundaries of the market by manipulating and modifying the characteristics of the products supplied. "The qualification of goods is at the heart of economic competitions and the organization of markets," as Callon explained (Callon, Meadel &

Rabeharisoa, 2002:200). The 5-year housing land supply served to coordinate economic actors – the owners and developers of land and the planning authority – around a calculation of the local land market (Callon, 1998). A minimum number of sites had to be identified in the spreadsheet to provide the level of housebuilding sufficient to meet the annual target of the authority's assessed housing need over a five year period. The key criteria for these specific sites was that they were 'deliverable' and the interpretation of this term and arguments over the admissibility of sites provided landowners and developers with an opportunity to define the market according to their strategic interest. Land considered deliverable that could be included in the 5-year supply chain had to be "available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years" (MHCLG, 2019, para. 67). The definition made site deliverability dependent on changes in housing markets and on the behaviour of landowners and their agents in site promotion. As the main providers of housing, the speculative housebuilders held a significant advantage in characterising land as deliverable: they were able to influence housing delivery over a five-year period through the time taken to build-out sites.

'Buffers', 'slippage' and unimplemented permissions

The "poor supply responsiveness" of the private builders was identified as a problem in the Barker Review of Housing Supply (2003: 5), and the Calcutt review (DCLG, 2007) confirmed the tendency of housebuilders to deliberately restrict build-out rates in order to maintain prices (Archer & Cole, 2014; Adams, Leishman & Moore, 2009). A "drip-feed" of between 30-60 homes completed per year per sales outlet was evidenced across all housing sites, with large sites building out most slowly (Adams & Leishman, 2008: 7; Lichfields 2017; Letwin, 2018). The perennial assertion that housebuilders were land-banking, that is profiting from increased land values rather than actually building houses, was more difficult to prove. The top housebuilders in the UK hold an average supply pipeline of six years' worth of land with planning permission (Chamberlain Walker, 2017) with options to develop a further six or seven years of sites (Jefferys, 2016). Competition between the ten companies that dominate the industry is predominantly over access to land supplies, rather than over the price or quality of housing sold (Cochrane, Colenutt, & Field, 2015). Research from the Local Government Association and others pointed to an increasing backlog of land with unimplemented residential planning permissions (Bentley, 2016; LGA, 2018; Shelter, 2017). In 2018 it was estimated that there was a stock of 850,000 unbuilt permissioned homes (TCPA, 2018). Research by the development consultancy Lichfields (2017) identified what the industry called a 'lapse rate' in residential permissions, with as many as 40 to 50 per cent of homes given planning permission never getting built. Earlier research by the Department of Communities and Local Government confirmed that 10-20 per cent of permissions each year were never implemented while a further 15-20 per cent were subject to major changes with new permissions sought. A study commissioned by Barratt Homes identified a lapse rate between 16 and 20 per cent of all permissioned sites, with around half the lapsed sites sold by the developer or landowner at a value inflated by the grant of residential planning permission (Chamberlain Walker, 2017).

The scale of unimplemented residential planning permissions in the supply chain pointed to speculation by housebuilders on the uplift generated by planning permission. Lapsed sites were stalled for financial reasons rather than because of site development issues (McAllister, Street & Wyatt, 2016). Although land purchase and development were more profitable than land dealing alone, the speculative housebuilding model demanded limited production runs to maintain pricing and a substantial cash flow to operate in both land and housing markets (Ball, 1983; Edwards, 2015). Sites selected for housebuilding were those that offered the highest margins and the decision to 'lapse' permissioned land suggested it offered a better return as a tradable asset than as a resource for production (Griffith, 2011). The uplift on greenfield land in areas of high housing demand in England could be more than 100 times existing use value (DCLG, 2015). Agricultural land in Oxfordshire for example, typically worth £25,000 a hectare, might be valued at £5.6 million a hectare with residential planning permission – an increase of 224 times (Murphy, 2019).

The treatment of land as a financial asset rather than a productive resource was facilitated by the accounting policies of the 5-year land supply. Planning authorities were mandated by government to allocate a land supply that was calculated to respond to the current supply responsiveness of the housebuilding industry (DCLG, 2012). They were directed to add a 'buffer' of between five and 20 per cent more land to their supply of deliverable sites depending on the rate of housing completions over the preceding years, "to ensure choice and competition in the market for land" (MHCLG, 2019a: para. 73). In addition they were advised to allow for 'slippage' on the standard build-out rate and to provide significantly more land than needed in order to accommodate the lapse of unimplemented permissions in their region (Chamberlain Walker, 2017; Lichfields, 2017). The 5-year monitoring report intended to calculate a land supply for housebuilding included in the frame what might otherwise have been considered externalities (Callon, 1998): the shortfall in housing production and the lapse rate in unimplemented planning permissions. These items were factored into the overall housing land requirement and framed the market as inclusive of demand for land as a financial asset as well for housing production. The 5-year supply regime formatted a market in land that enabled and, it could be argued, positively encouraged the producer to become a rentier.

The ability of landowners and developers to influence the characteristics and qualities of sites positioned in the "space of calculability" of the 5-year supply was facilitated by the sanctions regime of the presumption in favour of sustainable development (Callon, 1998: 22). Planning Inspectors at appeal heard arguments that sites identified as deliverable in the 5-year supply were in fact lapsed or stalled, would be built-out at a slower rate than predicted, or that the builder had provided evidence that they intended to deliver a smaller number of units than that given planning permission (CPRE, 2014a; TCPA, 2018). Success at appeal enabled developers and landowners to secure residential planning permission on more greenfield sites and thus to secure an uplift in value that could be capitalized against future ground rents. 'Planning by appeal' in turn led to 'planning by surrender' and local authorities allocated sites for housing even when they did not meet the requirements of planning policy in the knowledge that to refuse permission would result in a challenge to their 5-year land supply (CPRE, 2014b). The only response available to local planning authorities was to increase the amount of permissioned land beyond the scope of any challenge. The number of homes awarded planning permission doubled in the five years following the introduction of the housing land supply regime in 2012. By 2019 local planning authorities in every region except London were approving far more homes than required to meet their assessed housing need (Hampson & Ward, 2019).

The account of land assembled to deliver a sufficient supply of housing over a 5 year period concealed within its frame a parallel supply of land allocated for financial appreciation and exchange rather than housebuilding. An account or a spreadsheet appears transparent, but conceals the subjectivity of the actors and the actions behind the numbers (Mennicken & Miller, 2012). Quantification has an impersonal logic that produces objectivity and invisibility at the same time. The accountancy of the 5-year supply effectively normalized the treatment of land as a financial asset and expanded the supply-side of land financialization. The most compelling evidence for this expansion was the emergence of a new speculative industry in land promotion.

The rise of site promoters and the market in permissions

The calculative regime of a 5-year housing land supply created a particular way of understanding and representing the housing market (Miller, 2001). It rendered an apparent problem of housing supply, and an actual crisis of affordability, as a shortage of permissioned land. In accounting for land, but not housing supply, it created uncertainty in the space between permission and completion, developability and deliverability, and framed a market in which land trading and speculation on permissions became an accepted component of the urban development process. Local planning authorities made more land available for development but witnessed only marginal growth in the number of homes built and no improvement in their affordability (Gallent, 2019). What local planning authorities were required to do in accounting for a 5-year housing land supply was to itemise sites that were deliverable. Whether or not those sites actually delivered was not in the control of the local authority. This conundrum was succinctly expressed by Lord Justice Lindblom in a landmark ruling in the Court of Appeal in 2017 when he noted that, "the assessment of a housing land supply does not require certainty that the sites will actually be developed within that period" (Court of Appeal 2017, para. 51). This legal judgement went to the heart of the problem of the 'space of calculability' in the 5-year land supply. The focus on the deliverability of sites had symbolically detached a market in permissioned land from any subsequent responsibility for developing homes.

The number of non-builders securing planning permission for housing grew rapidly under the 5-year housing land supply accountancy regime (Wilding, 2018). This market was spearheaded by site promoters who obtained outline planning permission on behalf of landowners and took a 25 per cent cut of the consequent uplift in land value realised when the site was sold. The interest of site promoters was in obtaining outline planning permission not in developing the site. Once outline permission was obtained the site promoter would engineer a competitive auction for the permissioned land, generating higher values for the landowner than if the site had been optioned to a single developer (Richborough Estates, 2017). Once a housebuilder bought the site, they had to make a reserved matters application to address any planning obligations negotiated by the site promoters or make a completely new application to tailor the development to their needs. By 2017 site promoters held around 13 per cent of all residential planning permissions (Chamberlain Walker, 2017). The number of outline rather than detailed planning permissions increased markedly, from only 26,000 in 2015 to over

40,000 by 2017, significantly lengthening the time taken to develop a site. Outside London, site promoters were responsible for more than 40 per cent of all outline planning permissions (Lichfields, 2018b). They made speculative applications for land normally excluded from development under planning policy, targeting local planning authorities with out-of-date Local Plans or gaps in their 5-year housing land supply (CPRE, 2018). Land values were raised through competitive auction and the increase passed on to the homebuyer in higher house prices (Fraser, 2017). In London, where over 25 per cent of all sites with residential planning permission were held by non-developers, outline planning permission became a tradeable asset (Jefferys, 2017). Site promoters financialised the planning permission process and created a profitable market in outline permissions. The requirement on local authorities to calculate 'deliverable' sites, rather than completed homes had opened a market in 'deliverables' as a commodity: one that could be traded without ever being turned into completions.

Focusing on land release and 'deliverability' the housing supply accountancy regime created the conditions for the expansion of land investment markets. Acknowledging the inclusion of "perverse incentives in the housing supply regime" (May, 2018), government amended the accounting procedure and changed the definition of a 'deliverable' site to exclude sites with outline planning permission (MHCLG, 2018). Local planning authorities were advised to include in their account of housing land supply only those sites with detailed residential planning permission unless they could provide convincing evidence the homes would be built in the five year period. They were obliged to revise their 5-year housing land accounts and remove from the list all allocated sites without confirmed build programmes. To compensate for this reduction in the overall calculation of supply, planning authorities were forced to accelerate the approval of housebuilder applications (Connelly, 2019). The requirement to plan for deliverability was now to be accompanied by a responsibility on local authorities to account for delivery. The connection between accountancy and this further responsibility was enforced by new sanctions introduced in a Housing Delivery Test.

The normalisation of planning for land speculation

Launched by government in 2018 as a standard approach to measuring the delivery of completed homes, the Housing Delivery Test was a percentage measurement of the number of homes delivered against target. It came attached to a package of sanctions that were increasingly onerous on planning authorities as the policy bedded in over a three year period

(MHCLG, 2018). By 2021, when the sanctions reached their most challenging level, it was estimated that almost 40 per cent of all local planning authorities would fail the Housing Delivery Test on the basis that housebuilders in their area had not provided the homes needed (Hampson & Ward, 2019). This would give developers and landowners another route to trigger the presumption in favour of sustainable development, overturn local planning policy and gain access to a wider range of permissioned land.

The Housing Delivery Test imposed constraints on local planning authorities at the other end of the supply pipeline from the allocation of sites. It located responsibility for a failure to develop homes on planning authorities already held culpable for rationing the supply of deliverable land. In order to induce housebuilders to actually deliver homes, planning authorities were advised to make sure the profits from development were more attractive than those to be earned from land speculation. They were told to make more commercially desirable greenfield land available for housing and to remove planning obligations in order to increase the residual ground rent taken by landowners from the proceeds of development (PAS, 2019). Together the Housing Delivery Test and the regulations for the 5-year housing land supply summoned planning authorities to accept the financialisation of housing land as an inevitable part of the housebuilding business model. The expected response at both ends of the supply chain was to reduce regulation and release more land and both actions only served to increase the opportunities for financial speculation.

The 5-year housing land accountancy regime was introduced on the understanding that the town and country planning system was primarily responsible for the slow supply responsiveness of the housebuilding industry (Barker, 2004). The fact that the Housing Delivery Test penalised local planning authorities for the failure to deliver of private housebuilders came in the face of compelling – and acknowledged – evidence that the problem of unresponsive housing supply was not wholly related to restraints on the supply of land (NAO, 2019). Accounting for new housing supply on a site by site basis, and monitoring starts and build-out over a five year period, planners were acutely aware of the structural problems in the urban development model and the impact of financialised land strategies on the delivery of new homes (DCLG, 2017). The effect of the accountancy procedure, however, was to abstract from the policy goal of increasing housing supply and render it a technical calculation involving the updating of a spreadsheet (Callon, Millo & Muniesa, 2007). The task of maintaining a policy-compliant 5-year land supply required planners to monitor progress in permissions and commencement works, identify and replace lapsed sites and calculate slippage, re-calculate supply and make substitutions. Planners had to be aware of the changes in land market strategies and the emerging interests of all economic actors convened around the 5-year account. The account itself, the 5-year space of calculability, became the measure of the success of the housebuilding market. Local planning authorities were held to account for their account of housing supply. The policy discourse on housebuilding was framed by the evidence provided in the spreadsheet. What was immediately calculable, and therefore visible, was the success or failure by a planning authority in maintaining a deliverable land supply. The supply manipulations and land machinations behind the account were not in sight.

The accountancy regime normalised the process of financialisation as a characteristic of the development process. It fed the market with an increased supply of land as, in order to deliver their 5-year supply and avoid sanctions, local planning authorities boosted the number of permissioned homes (NAO, 2019). By 2019 local planning authorities were awarding planning permission for almost 400,000 homes a year, more than twice as many as were being built (TCPA, 2018). From 2012 to 2019 the number of permissioned homes in England increased by over 200,000 while the number of private sector homes actually built rose by only 48,530 (MHCLG, 2019b, 2019d). Increasing supply to compensate for land speculation legitimised the development 'lapse rate' or the percentage of unimplemented permissions traded for their betterment value. The consultancy Lichfields (2017) maintained that for the development industry to meet the government's 300,000 annual housebuilding target would require a pipeline of permissioned land sufficient to build one million homes. A report for housebuilder Barratts argued that a stock of 1.25 million permissions was needed just to complete 250,000 homes a year (Chamberlain Walker, 2017). What had formerly been perceived as evidence of dysfunction in the development industry – a backlog of unimplemented permissions – was presented as no more than the minimum necessary supply. The industry now demanded a stock of permissioned land that was at least four times the size of its annual production run.

The size of the finance market in permissioned land created by the 5-year accountancy regime is difficult to estimate since the ownership and transfer of land titles continues to defy attempts at transparency (Shrubsole, 2019). Some indication of its significance can be deduced from the impact on the numbers of homes built and the change in the production time for housing completions. It is evident that the trade in land with residential planning permission increased at a cost to the development of new homes. Private sector housebuilding grew slowly in the years following the introduction of the 2012 accountancy regime, recovering from the slump of the global financial crash, and by 2018 had begun to plateau. Annual new build starts by the speculative housebuilding industry in England totaled 140,020 in 2018, and had started to fall in 2019, while completions appeared to have peaked at 134,400 (MHCLG, 2019b). In 2012 it took housebuilders an average of two years to complete a site once full planning permission had been obtained. By 2017, the build-out time had increased to four years (Chamberlain Walker, 2017). By then, almost 60 per cent of all residential planning permissions were held by non-builders: site promoters, landowners and their agents, who then sold the undeveloped land to capitalise on its uplift (Winterburn, 2018). The length of time taken to build-out sites, and the number of sites with unimplemented permissions increased dramatically under the 5-year housing supply accountancy regime. A lapse rate of unimplemented residential planning permissions averaging between 20 and 50 per cent of total annual permissions, depending on location, suggests that land for approximately 150,000 homes was taken out of production annually and sold without being developed (Lichfields, 2017).

The financialisation of housing land supply: conclusions

In Michel Callon's (1998) characterisation, markets are not already existing structures and processes. They function in an economy of movements and are constituted by the calculative practices of economic actors. It is the distribution of power relations within the network of actors and their strategies to influence the calculations and change the criteria of the space of goods that defines the rules of the market. The point at which the market is codified and its norms established, Callon referred to as framing, but the term formatting used by Araujo (2007; also Crosby & Henneberry, 2016) more closely captures the performative process of market formation and the constitutive role of accountancy. Calculative practices "do not merely record a reality independent of themselves; they contribute powerfully to shaping, simply by measuring it, the reality that they measure" (Callon, 1998: 23). The calculations of supply, and of the criteria, qualities, and values used to account for that supply, constitute the rules and expectations of the market which, in turn, shapes the way the economy of supply is understood and acted on (Miller & Rose, 2008).

The requirement on local authorities to maintain and report on a 5-year housing land supply appeared a necessary technical process to ensure a reliable pipeline of residential planning permissions. It provided a calculative procedure that framed the housing supply market and convened its economic actors around a ‘space of calculability’. The act of framing, however, could not wholly detach these economic actors from their relationship with land as a financial asset (Callon, 1998). Partly by policy design and partly by actor manipulation, externalities were included in the frame so that the account was formatted to include a supply of land that could be used as a financial asset as well as, and often instead of, a resource for housing delivery. The linking of accountancy and sanctions in national planning policy tilted the balance of power relations inevitably in favour of the landowners and developers who, in any case, already exercised considerable economic influence (Waldron, 2019). Their ability to shape the course of housing delivery over a five-year period through the time taken to develop sites, and by doing so, gain competitive advantage in access to additional ground rent, gave house-builders a perverse incentive to reduce responsiveness further. The accountancy of a 5-year land supply provided a market device that enabled the uplift in land value to be captured independently of, and as a separate commercial practice to development value. It privileged concepts of investment yield, viability and commercial return at the earliest stage of decision-making in the development planning process and applied those concepts as criteria for land supply targets that had little resemblance to any assessment of housing need. The housing land account was calculated to deliver a sufficient number of sites to satisfy the requirements of land speculation as well as housebuilding and it became a normal expectation in urban development that landowners and developers would treat land as a financial asset rather than, or as well as, a productive resource. In this decision-making framework the existence of a shadow market in the trade and investment of residential permissions was cast as an accepted feature of the development process to be compensated for by increases in the supply pipeline. The role of planning authorities under this procedure was to provide the stipulated supply of permissioned land whatever market it was intended for, and to compensate with further allocations for those sites withdrawn from production for investment yield or market sale. A narrowly defined role for the town planning system as the mere licensing of private sector growth was embedded in the calculations (TCPA, 2018). The cost of this accountancy procedure in its approach to the resource management of environmental assets, in its failure to significantly increase housebuilding, in the delays it caused in the development process and its consequent impact on housing need, went largely unchallenged in town planning practice (CPRE, 2014; Murdoch & Abram, 2017; Spiers, 2018).

In this study I aimed to demonstrate the performative power of a market device in displacing the urban development planning system from its public interest goals and orienting the statutory regulation of land to the supply-side of financialisation. The incorporation of accountancy practices has been instrumental to the liberalisation of town planning systems in the Global North and has impacted on the values and judgements applied to housing and development markets, facilitating financial speculation in the market for land as well as housing. When planning for housing is understood as the deregulation of land markets and the provision of opportunities for the private capture of ground rent, the resulting increase in speculation comes at a cost to the delivery of new homes.

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