



Spatial Economics Research Centre

Thursday, 2 June 2011

Nature and planning

Lots of [coverage](#) this morning for the [National Ecosystem Assessment](#) which tries to assess the economic value of nature. We are told that ministers will use the assessment to help reshape planning policy. In principle, this is a good thing. Whether it is in practice depends, as usual, on the details.

The first issue concerns the accuracy of the valuations. I haven't had a chance to read the 2000 page report yet. Excuses: website crashed, length - not necessarily in that order. [Disclosure: Researchers at SERC [contributed to the report](#), so I am familiar with some of the calculations.]

In the absence of a more thorough assessment, let's assume that the underlying numbers are reasonably accurate. The next question is how to embed them in to the planning system. If memory serves, some first steps on this path by DCLG or its predecessor managed to take the underlying numbers and calculate a value of green belt land that was infinite (by using a social discount factor that was negative in a net present calculation). In short, make the "right" assumptions and you can use these numbers to justify the ban on building on greenbelt land, rather than improving the functioning of the planning system.

Assuming that is not the current government's objective, how could these prices be used to improve the planning process? They are supposed to capture the value of natural amenities that would be ignored by developers (i.e. externalities). There is a possibility of double counting here because, as [SERC research](#) shows many of these amenities will be capitalised in to house prices and so will *not* be ignored by developers. Assuming we can isolate the genuine externalities then we should abolish [all green belt and other restrictions](#) and instead base planning decisions on [land price signals incorporating these externalities](#).

Would this lead to more, or less, building on current green belt (and other protected land)? According to the Valuation Office Agency Property Market Report (Jan 2010) agricultural land prices varied from about £21k per ha around Oxfordshire to £16k per ha around Suffolk. 'Suburban' land for housing varied from around £4,000,000 per ha at edge of Oxford to £1,700,000 at edge of Norwich; £2,900,000 at edge of Cambridge. Unless the externalities associated with one hectare of greenbelt land near Oxford are valued at £3,988,000 then we should be building on it (or possibly converting it to some other use with externalities worth more than £3,998,000). I have always struggled to imagine what these externalities might be that could possibly total £4m per hectare for agricultural land. Now the National Ecosystem Assessment gives us the chance to answer that question.

Of course, it would be a brave government that took these calculations of externalities and used them to justify more building on some previously protected land ...

[If you are interested in the way amenities and other things get capitalised in to house prices see SERC research on [football stadiums](#), [transport improvements](#), and [central government grants](#)]

Posted by [Prof Henry G. Overman](#) on [Thursday, June 02, 2011](#).

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[These Interminable Creatures](#) said...

I don't think the NEA is going to have quite such an impact on planning. The environment white paper is going to be pushing habitat banking isn't it?

So there might be more building on green spaces but only if they replace it with much larger areas of high quality habitat.

I think planning is a bit of a red herring for the NEA. It will be used more extensively in the UK's broader based Green Accounts I think as well as in assessing the benefits of agri-environmental schemes or other public funded environmental improvements.

Might be wrong though

2 June 2011 at 11:02

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