



Built Environment Committee

Corrected oral evidence: New towns: practical delivery

Tuesday 3 June 2025

10.45 am

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Members present: Lord Gascoigne (The Chair); Baroness Andrews; Lord Bailey of Paddington; Lord Cameron of Dillington; Lord Faulkner of Worcester; Viscount Hanworth; Lord Mawson; Baroness Miller of Chilthorne Domer; Lord Porter of Spalding; Baroness Warwick of Undercliffe; Viscount Younger of Leckie.

Evidence Session No. 6

Heard in Public

Questions 67 - 82

Witnesses

I: Caroline Foster, Development Director at Urban&Civic; Melanie Leech, Chief Executive at the British Property Federation; Charlotte Neal, Director of Professional Practice & Research.

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Caroline Foster, Melanie Leech and Charlotte Neal.

Q67 The Chair: Good morning and welcome to the sixth meeting of the House of Lords Built Environment Committee. We are looking, as everyone knows, into the Government's announced new towns and expanded settlements. The first element of our inquiry is specifically looking at the practical delivery of that programme. Today I am delighted to welcome the three guests before us, where we are going to be focused on private sector delivery. In effect, how do we raise the private capital needed to build these new towns? Perhaps, we could turn to the guests to introduce themselves.

Melanie Leech: Good morning, everyone. I am chief executive of the British Property Federation, which is a membership association for all parts of the UK property sector, including investors, developers, lenders to the industry as well as the whole range of advisers to them, including architects, planners and so on.

Charlotte Neal: Good morning, I am a chartered surveyor and director of professional practice and research at the Royal Institution of Chartered Surveyors. We represent approximately 140,000 members globally. They operate in infrastructure, management of land, development, real estate and construction. Our data and insight help form policy and give guidance on delivering positive societal change and a foundation for confident markets. We are under a royal charter, which means that everything we do must have a public interest consideration within it.

Caroline Foster: I am a development director with Urban&Civic, which specialises in large strategic sites. I have worked on a number of different types of projects but, probably most relevant today, is the development in Waterbeach, near Cambridge, which is a new settlement of 6,500 homes. I am currently the operational lead for Urban&Civic on our new sites.

The Chair: Thank you again. We will kick off with Baroness Miller and Lord Porter.

Q68 Baroness Miller of Chilthorne Damer: Good morning. I am pleased you are going to address one of the most critical issues that we have been tussling with, which is that previous generations of new towns have had significant funding from the Treasury. But in the current climate, we know that there will have to be other mechanisms and the private sector is going to be really important. Can each of you give a picture of how you see new town delivery and finance actually working—or not?

Melanie Leech: Thank you for the question. The first thing to say is that we all recognise that public sector funding is not going to be available in the same way as previously. Obviously, if you look back at history, significant amounts of public funding did go into some of the great examples we have of new town development over the 20th century. Nor do I think that the private sector can wholly fund. So there will need to

be a partnership approach. Within that, there are lots of innovative ways of thinking about that partnership, and we are already seeing that in the market before you get to the scale of a project of a new town. The BPF and I can share some of our reports with the committee if it is helpful. We have done a lot of work over the years on what makes a good public/private partnership, how they are evolving, how they are becoming more innovative to deal with the market conditions that we are in, and the constraints in particular that local authorities have been under over the past few years.

I guess there are some key features that lend themselves to thinking about new towns, because you need to have high levels of confidence and trust. You need a long-term approach on both sides, and that is quite challenging. I recognise that on the political side in particular, but I know, when we are talking about investments potentially for years and years, you are not paying back for maybe 40 or 50 years. You need, as an investor in the private sector, to have some kind of confidence that the framework within that is stable, and you need to have, therefore, a lot of trust. Similarly, the public sector rightly requires and needs to demonstrate a high degree of confidence in the private sector partners it works with in order to be accountable, as it should be, to local communities. So building that degree of confidence and trust in the partners you work with is critical.

The first thing I would say is: do not rush into it. Take some time to build those levels of trust and confidence because if you do not get that right from the start, then something will go wrong fairly quickly during the process. You need an alignment of values, and the kind of capital that I typically represent is long-term patient capital. That is our pension funds, our savings funds, insurers and so on. They have an interest in place-making—not just wanting to invest our money and make a return for it for us as pensioners and savers, but they also have an interest in place. They want a double delivery, if you like, because they want to deliver the places that the people who they represent, or those who will be the beneficiaries of the money that they represent, will want to live in, work in and find great places to live in over the future. There is, if you like, a dual motivation. So my counsel to the public sector would be to pick your private sector partners carefully and look for the kind of investors that have that long-term patient outlook. Partnership is going to be the approach. How can the public sector invest in a way that it needs to without needing to put in significant amounts of the capital deployed?

There are mechanisms for doing that through lending. Our preference would be for central government lending to be multi-decade, long-term, and it could be secured against the land and the buildings so you can classify it as an investment in an asset rather than as a loan. I am assuming that grants are not going to be in great supply, so we have to think in terms of lending and how that can be paid back. There is a recent report sponsored by one of our members, the Pension Insurance Corporation, which I can make available to the committee if you have not seen it. It suggests some options that could be better for central

government, including something called regeneration leases, which are effectively a sale and leaseback agreement under which the public sector body gets up-front capital from the private sector investor and repays that over time through the income arising from the homes, workplaces and so on that are built.

Ultimately, if the committee wanted to be even more imaginative—this is not the position on behalf of my members, but just thinking about it—there are models around creating infrastructure in particular. Think of the Dartford Crossing or toll roads, et cetera. If you can do that in infrastructure, could we think innovatively about doing that at a bigger scale around a new town? I do not have the details of how that might work but we could create mechanisms whereby the private sector could be repaid for more than just the infrastructure through some kind of additional levy, whether that is on community assets, part of the business rates surcharge or something like that. You could think quite creatively about extending that model beyond infrastructure into the whole place. That is perhaps another thing to think about.

Charlotte Neal: I agree with everything that Melanie has said but it is also about de-risking the private investment within scheme—potentially providing infrastructure up front. For example, if you put a flyover in, you could release parcels of land that previously have not been available. So you can capture some uplift in that land value to help put that back into the development through, say, Section 106 or CIL payments or something similar. I agree, we need innovative funding. You could be looking at development bonds or municipal bonds whereby they are issued and backed by the Government, so the security is there for the investor to know that they will get repaid. That pays out a coupon throughout the period to the bond holder¹. That is a potential way of funding.

We need to create planning certainty to de-risk the process as well. Obviously, master planning helps with that but it is important that the decisions about that are joined up, and the people have a clear vision and strategy for the place that they are looking to create and develop. There is a fine balance between providing income generation early on in the development to allow the investors and developers to start seeing returns, because we have to accept that they are private companies that have to report to their shareholders and deliver a return on their investment. Equally, you need to create the community and public space early on to create that cohesive new town and make it successful. You could then link the success to a return for the equity that has been placed in by the private partnership.

It is also important to remember that we have a huge amount of sub-quality housing stock existing at the moment, and there is a danger that you create a new area, an extension or a new town and leave a problem

¹ Correction submitted by Charlotte Neal: The phrase "to the bond holder" should read "to the issuer."

that will just be exacerbated by not considering funding and regenerating existing stock.

Obviously, new towns take a long time to develop and build, both in terms of physical structures and the communities that are needed to make them successful. If we already have existing stock, that is much quicker to deliver on if you can get private investment attracted in there—again, in the same way as de-risking.

Caroline Foster: I would add this, from a practical point of view. We at Urban&Civic have 20 large strategic sites now, and 11 are in delivery, so we have basically created our own master developer economic model. That does not rely on public sector support, other than Homes England loans. Its support has been absolutely valuable throughout—and we are not asking for the funding but for the loans. There are some challenges around the flexibility of those loans and making sure that you can repay them and then redraw them back down at the right time for the life of the project—for example, in the second phase, when you have a large payment for a secondary school. There is that revolving aspect to a loan. The public/private partnership is absolutely key. This is a huge opportunity to do that.

When we were putting in our application, it was with the Secretary of State for Defence. We worked closely with local authorities on that cohesive, master plan approach. You also have to be absolutely rigorous about the locations that you are working in, be sure there are sufficient levels of demand, and be really careful about the facilities that you are bringing forward at the very beginning of a development, because there is this tendency to load up—saying that we need four schools, a secondary school, loads of transport and community facilities, and that it all has to happen at the beginning. But the impact and the risk on the developers is really significant. There are so many competing priorities and competing demands locally when you are working on these projects, so you have to work in partnership to decide what that priority is from day one—what the local amenity is around you and how you build on the existing local community facilities. On all our 106s, I think 80% goes to education and transport. For Waterbeach, I think there was £100 million going for education alone. These are really significant sums, which can make a huge impact. Where you start to work together and look at viability reviews through the life of the project, and you start to think about phasing, that is where the revolving loan comes in and you can start to think about what happens next and what we need next.

We have some great examples of where we have done that: working with the Department for Education at Rugby, we knew a secondary school was required later in the development, but local demand already existed, so we brought that forward early and took the risk on it. We are delivering it and taking the design and delivery risk.

It goes back to that point about placemaking, about getting the right amenities in really early. Where it starts to get really challenging is where you say that the developer or master developer is taking the risk on that up front, but then you also need to bring forward 40% affordable at the very beginning of the development. That is where I think we would struggle with the Homes England loan facilities and where you would need that additional up-front support. Generally, with the loan structure, our sites can work off about 10% or 20%, maybe 25%—it varies depending on location and pressures—but once you get to 40% at the beginning of a project, it is increasingly difficult. I think you would have to question whether it is the right thing to do, depending on the tenure and the level of support available, because there is a risk that you accidentally put a disproportionate cost on the local authority to support that affordable housing as well. It is a very fine balance, and I agree that you have to work in partnership to define that at the front end of a project very carefully.

Charlotte Neal: There needs to be national, as well as local, government backing for these schemes to be brought forward. On Caroline's point, is 40% the right amount of affordable? Viability these days is really challenging: we have supply constraints, material costs and construction cost inflation. If it then makes a site unviable, you get nothing delivered, whereas, if you reduce that affordable amount, it might make something viable and you at least get delivery. We need to be careful, rather than just putting a blanket amount on, to really look at what makes it viable for the private sector to get behind, because there are lots of other options where you can deploy capital, particularly if you are a pension fund or an institutional investor, so we have to make this an attractive prospect for them.

The change in politics is also concerning. For example, at Thamesmead, the concept came about in the late 1960s, but it was not delivered because political changes meant that the backing that was originally there was diminished—and we are now thinking about Thamesmead again in 2025. There needs to be some certainty that, if people invest at the beginning, 20, 30 or 40 years later, there is still going to be a will and a desire for that new town to be delivered. On the innovative structures, there could be a way that, potentially, local authorities or Government could back and underpin rental so that, if developers invest, they know they are going to get a guaranteed return, or an investor would get a guarantee of X rental return on investment.

Q69 **Baroness Miller of Chilthorne Domer:** Caroline, I will ask one follow-up question that came to me out of your introduction. Where you then develop the fully serviced parcels of land and offer them to developers, is there more demand for that, or is it a hard sell to developers?

Caroline Foster: No—I mean, it is our model. That is exactly why we were set up. We look at the master planning, we bring forward the infrastructure, we think about the placemaking, and then we sell the serviced parcels of land. We do it in a variety of ways so that it is attractive to the large developers and housebuilders, but we also create

that equal playing field for the SMEs to be able to bring forward housing on our developments.

The early days of a development are always tricky. Young families are our pioneers in moving to these new sites, so we work hard to make sure that the amenity is in early. Then, as you get momentum, it gets easier and easier. I think there is always a little challenge where it gets quite dense and you are not doing traditional housing, and you need to think about that carefully, particularly the timing of when you start to do that density. That can add in extra challenges for the housing associations as well, because you end up just saying, "Here are more apartments", and you actually want to give them a really good mix of housing. It is our entire model. We have some fantastic partners across our sites. We work repeatedly with the same housebuilders across a variety of our sites, and they are, effectively, our customers.

We talk about the capital and how we get it into the sites, and that is really about understanding the risks attached at every stage and who those risks apply to. I picked this graph up before I came out, so I am not too sure if you can see it all, but it basically sets out the kind of risks at every stage of our development. I do not know if this works—we are not very technical today—but you can see how the J-curve absolutely drops. This is our outline planning. You know, this is £5 million or £10 million up front on a large outline application that we are putting forward. It can take years of work. It takes absolute expertise and the right teams in place to be able to think about the cohesive master plan that Charlotte was talking about, and to be able to deliver the technical infrastructure. The cost challenges on developers at this stage, and the risk attached to it, are really significant. There are infrastructure costs, not just within the site but in connecting to the power, the reinforcement that is required offsite, and challenges with clean water supply and foul water. Looking at the scale of work at this stage, this is entirely at risk. That is money out for probably five or seven years to get to the point of consent.

Then you are working through your 106 agreement, which we should touch on as well; Melanie made a really interesting point about tariffs, which worked quite well in Milton Keynes.

Then you get to the infrastructure stage. You probably cannot see it from there, but I will send this graph over to you so you can see how our economic model works internally. At this stage, your average capital spend is about £75 million for the first thousand units. That is the kind of investment you are looking at when you are bringing forward infrastructure at scale and thinking about delivering a new settlement, but doing it in phases in a way that is futureproofing and flexible enough to adapt to new technologies as they come forward. We also start to think about increased costs, obviously, for sustainability. That is really where the risks are quite significant.

The skills that are required at that stage are really quite intensive. You are not only doing a detailed design with housebuilders, housing associations and stakeholders around all the utilities, you are also

thinking about how you turn the flood defences or the sustainable drainage into beautiful landscaping and places where people want to live. There is a huge amount of expertise, but a significant risk at this stage, in terms of the scale of capital required.

Then it is only really at the first residential delivery, seven years on, that the money starts to drip through, as the houses are sold during the life of the project—10, 15, 20 years—and you start to get to a more stable state. But even then, external factors can have an impact; you are led by the market at that point. Sometimes something happens; we launched Waterbeach, our infrastructure was ready—and we went into lockdown. That was a really challenging time for us—it was almost as challenging as the homeschooling I was doing at the same time. You cannot influence those kinds of factors.

At the moment, we are seeing the challenges for the housing associations influencing our sites. They are in desperate need of support right now, because they are really struggling.

Q70 Lord Porter of Spalding: Thank you for what you have said so far. It makes it a bit difficult for me to come in, so I might have to choose a different angle. You have covered a lot of where we would have gone in a deeper conversation. It is fair to assume that you have implied that, if the Treasury is serious about this, it has to stand behind developments at scale, but on the basis that the private sector will almost certainly come in and do considerably more than it did in previous new town rounds. I am going to come in at a different end and ask why we need the private sector. That is completely off where I am supposed to be but, on the basis that it is going to be so risky and so long, why can the Government not do it? Why can the Government not just print a load more money and say that their number one priority is making decent homes for decent people, so they are going build these new towns? Then the Government can take their money back over the next 50 years. Why do we need the private sector?

Melanie Leech: That is a choice the Government could make. It is not for us to say whether they should or not. As someone with a pension pot and some modest savings, I want that money to be working for me so I get a return from it. I want it to be working for the community, because I want to feel that it is doing some good and being invested in a positive way. For me, that is why we need the private sector, because we want that money to be working for all of us in two ways: giving us the returns that we want, but also giving us the returns for the UK that deliver both economic benefit and social fabric.

Charlotte Neal: I absolutely agree with what Melanie is saying, but on top of that we have a massive skills shortage in this country in construction and delivery. We welcome that there are going to be 300 new planners but, as far as I am aware, there are a thousand vacancies. We need building control officers to sign off as soon as you start doing the work, otherwise there are delays which cause financial problems. We need people who understand placemaking and have experience.

Unfortunately, on the whole, the private sector traditionally pays greater salaries than the public sector to those with experience. That needs to be addressed, because if you are creating new towns, you need that experience and understanding, and the best people in town—excuse the pun—to deliver the best quality. We cannot just deliver units; we need to deliver high-quality homes that are more sustainable. For example, if your home is more energy efficient, there is some evidence that suggests that that would reduce the capacity you require from the grid by half, if it is a high-quality home with energy efficiency. As Caroline said, we have problems with the grid and capacity as it stands, so it needs to be good-quality housing, and communities that work and provide the commercial side that stacks up with that. There needs to be some thinking about how the person in the affordable housing gets to their job and can deliver their children to their nurseries in reasonable time and cost. The infrastructure, such as public transport and community centres, needs to support that. You need experience to understand how that works properly.

Caroline Foster: I agree. Being able to bring forward a deliverable planning consent and then think about how you work with your partners comes down to experience. It is not only technical experience. We learn on every single development that we do and there is a wealth of experience from those lessons. I do not know why you would not want to utilise that. This is a superb time for the public and private to work together in a way that brings forward skills, partnerships and lessons to learn.

On all our projects, we work in that way, to some extent, with the local authorities. On our viability reviews, which Charlotte mentioned, we work on an open-book basis, so at every phase we come back and report on our costs. We have already agreed land values and what would be an appropriate return. We are working hand-in-hand at every stage, for every decision, with the local authority—and it works. With the scale that we are working at, there is some really important data coming out of the sites. At Waterbeach, we have ANPR counting cars coming out of the development at peak times. We look at movement in a completely different way to make sure we are investing in the right transport improvements. All that feeds back into the local authorities. It is such valuable data to have and everyone keeps improving from the lessons we learn from site to site. It is really important.

There is an upside as well, in terms of the viability review. We work on an open-book basis, so that means if, at a certain review point, we think, "Okay, the number of children on this development is not as high as anticipated"—which is a challenge we have on a number of sites—that goes back into the viability review. When it hits a certain level, the upside is shared and it goes back into the affordable housing, so you start to get that incremental increase as the development progresses, but in the right way, at the right time, when you have amenities, the social infrastructure and support in place.

Lord Porter of Spalding: I was not advocating that the state did it on its own without the private sector, but it was useful to have that articulated so that people understand why this needs to be a genuine partnership. It works for people who have money invested in a pension pot, it uses the experience in the private sector, and it is good for the future.

Caroline Foster: That future piece is so important. It is the flexibility in these large consents. If we try to define this all now, we are certain to get it wrong. It is working together to make sure that what is consented at that stage ensures that the right parameters are in place and the quality of the development is at the right scale. That is the important piece.

What you then need to do is allow it to be flexible so that you can genuinely work together to bring it aboard at the right time and respond to what is happening around you, whether that is the market, challenges with technology, great improvements in technology or challenges with utilities in a different way. It has to be that partnership approach.

Lord Porter of Spalding: So we should not take the Government as serious unless the Treasury is prepared to stand by it and de-risk it so that the private sector can deploy what it is good at with the minimum amount of risk and will, therefore, need to make the minimum amount of margin over the top of that.

Charlotte Neal: De-risking is really important.

Caroline Foster: It absolutely is.

The Chair: I am conscious of time but Lord Mawson wants to ask a very quick question.

Q71 **Lord Mawson:** Some of us had the privilege of visiting Houlton in Rugby. We were very impressed by what had been done and the quality of the development. There was a clear sense of long-term relationships in a place with people, residents and officers; you have already indicated some of that. How important is it to have long-term relationships with business partners? What are you actually seeing in the public sector? I am conscious of the endless churn in the public sector of councillors, officers, planners and all of that stuff—even up to the Cabinet Office, where people are there for three years then clear off to somewhere else. What is your sense of all of that, because these long-term projects are so dependent on those relationships at a fundamental level?

Caroline Foster: They really are. If I had a wish list, cross-departmental co-ordination would absolutely be at the top of it. The churn is huge and, obviously, constant. You go through a process, then you start all over again. You then go to the bottom of the pile and, because someone has not been briefed in a different department, you have to explain it again. You also have your statutory timescales, and things just go round and round. I sometimes think that, if we could all just get in a room and have a conversation about what needs to happen, so that everybody is starting

off with the right briefing, that would be of huge benefit to any large-scale development because you cannot bring forward these sites in the same way as you do a small consent. They are completely different.

It absolutely takes local authorities' expertise as well. I have worked in Cambridgeshire for the past eight years. It is amazing how many of the same people are probably still there; they are just in different roles or in different parts, whether it is moving between councils or moving to transport or whatever. A lot of the same people are there, which is absolutely key because I know that I can pick up the phone and we can have a practical conversation about where the challenges are and how we can work together. In terms of the plans for the future, that local knowledge is so valuable.

Lord Mawson: Has the Civil Service ever come to you? You are responsible for many millions of pounds of the development that is now at the core of this Government's programme—many of us welcome that and are very happy about it—but has anyone in the Civil Service ever come and had a discussion with you about the practical realities of delivery and what it looks like when you are trying to get this stuff done? Has that ever happened?

Caroline Foster: This is fantastic. I would say that we have a very strong relationship locally. We recently had this conversation with South Cambs District Council. It asked, "What more can we do to help support you?", which is fantastic for us to hear. That is from years of working together closely but, no, that is certainly not happening at this scale. It is great; it is really positive.

Melanie Leech: Before we move on, may I add one point in defence of the Civil Service? I should declare an interest as a former civil servant. At the BPF, we periodically run sessions for civil servants in central government for them to understand more about how the market works and how development works; we also take them out on site visits when we can tempt them out of central London. So a bit of that does go on, but the underlying premise of the question—that we should do a lot more of that and invest more in it, as should the public sector—is a really well-made point.

Lord Mawson: Is it fit for purpose? That is the question.

Q72 **Baroness Warwick of Undercliffe:** I have a quick follow-up to Lord Mawson's question. Can any of you say whether you have talked to the New Towns Taskforce prior to it making a decision about its choice of sites?

Melanie Leech: We certainly submitted evidence to its inquiry. Four of my members are represented on the task force, so we have not spoken to it formally—it did not hold oral evidence sessions, I think—but I am confident that it has gained a lot of insight into some of the issues that we have been talking about, both from the people on the task force and from the evidence that has been submitted to it. Obviously, Sir Michael

Lyons and Kate Barker, the two leads, have decades of experience around this—as do people such as Bill Hughes from Legal & General, in my membership, and Helen Gordon from Grainger. I will not reel off all of the names but there is on that task force a huge amount of expertise in and experience of exactly the kinds of things that we have been talking about.

Caroline Foster: We have submitted sites as part of that, and there have been ongoing questions going back and forth.

Baroness Warwick of Undercliffe: So there has been dialogue.

Caroline Foster: Absolutely.

The Chair: This is related to what we have talked about previously. Have there been conversations with Ministers and the Government? Obviously, the task force will submit locations in due course, but are you aware of any conversations with the Government, who will ultimately decide how to fund it?

Melanie Leech: The department—MHCLG—has asked us more than once to submit lists of sites that could be unblocked if differing challenges relating to viability or other issues could be dealt with. Homes England has also done that, I think. The department and Homes England have a very good understanding of the sites that our members think could be unlocked for development and of the challenges relating to each site. Those may be different for different sites, but they have been asking for that information and they have a lot of it to hand.

Q73 **Baroness Andrews:** I have a couple of quick questions—actually, only one is short; the other may be much longer in terms of interpretation—on co-ordination. You mentioned Homes England and the difficulty of getting capital up front and in sequence, as well as the whole business of 40% affordability and how you judge what is going to be viable in changing circumstances. Do you find that the co-ordination between Homes England and the rest of your investment packaging is sufficient, or is that one of the problems you face in terms of certainty and clarity as you do your placemaking?

My second question—I am fumbling around here a bit—is this: if housing were defined as infrastructure, would it be easier for you to get, or more likely that you would get, investment on a more certain and more opportunistic basis in terms of getting land value capture or whatever out of the agencies that we presently have, which are attached to infrastructure? Really, that is one question for Melanie and one for Caroline.

Caroline Foster: I will take the Homes England one. I have lost track of how many facilities we have with Homes England; it must be 10 now. It has been a superb support for us. The challenge for us is the lack of flexibility, which can cause some challenges for us when we are looking at our contracts with our housebuilders. It is certainly not perfect; it definitely needs to be altered.

The key point, going back to the previous point, is having that revolving credit to allow for the repayment to happen then to redraw down that loan facility. Otherwise, you just end up with significant levels of very expensive capital being tied up and sitting there. It is not an efficient way of working. There are some terms that definitely need a bit more flexibility as well, for the longevity of these sites, but that revolving credit is the biggest one for us at the moment.

Baroness Andrews: So the processes could be improved.

Caroline Foster: Absolutely. Taking what we have as a starter, it has been great. We have 11 large strategic sites moving with the work that we have done with Homes England and with its support. It is getting harder, though. We absolutely need to look at how we can improve the current facility to make it more flexible so that we can use it for the life of the project, in effect—at least, for future phases.

Baroness Andrews: Do you use the money for remediation?

Caroline Foster: Yes. The loans go for, I guess, everything that would come under infrastructure. We would not borrow money for buying land but we would use it for everything related to infrastructure, including remediation. For example, at Waterbeach Barracks, there was remediation to do with the airfield; it was the same at Alconbury. The remediation concerned infrastructure, roads, utilities, green spaces, parks and sustainable drainage—everything that you need to bring forward to create that place and that real sense of home and arrival, which we talk about so much.

Baroness Andrews: And nobody else would pay for that?

The Chair: Sorry, Baroness Andrews, I am conscious of time. We have spent about 40 minutes on this first question. It has been very interesting, but there are a load of other questions, some of which are related, so perhaps we can keep questions and answers as tight as possible. We will move on to Lord Faulkner and Viscount Younger.

Q74 **Lord Faulkner of Worcester:** Mine is a simple question. Patient investment is something that we are hearing about, which I had never heard of before we started looking at the funding of new towns and big infrastructure projects. As far as I can see, it essentially means that you go to the Government and they will patiently say, “Yes, we will lend you money for up to 60 years, and we do not want a return during the process”. The Government may have done that in the post-war period and indeed in the 1950s and 1960s, when the new towns programme was being developed. But if they will not do that, do you think there is any prospect of other organisations, possibly even your members, being interested in being patient investors?

Melanie Leech: Yes, when I talk about patient capital, I am talking about private sector capital; I am not talking about government capital.

Lord Faulkner of Worcester: I am asking about patient capital, which

could be either, could it not?

Melanie Leech: Yes, it could be either, but, very specifically, those are typically the investors that I represent. I think there is a real appetite and desire to be involved. The new towns programme, and the kind of schemes that Caroline has been talking about, are about placemaking schemes.

They are about trying to deploy large amounts of capital up front for a long-term return; it does not have to be a stellar return but it has to be predictable. Then you can match it actuarially against the future pension commitments that you will have to meet, and future liabilities, and so on.

It is exactly the right pool of capital to be looking at in relation to these huge-scale, long-term types of projects. There is absolutely the appetite; the question is: how can we create the right climate for that capital to be deployed, and where do we start with that?

As we have touched on already, you have to pick the right places, and you need to have high levels of public acceptability around the prospect of development and delivery, particularly of homes.

You need to have the ability to find a way through the viability challenges, if they exist. You have got to have a shortage of housing supply. You need a location close to economic hubs so that you know that the jobs will be there, because jobs and homes need to go together, and all those kind of things.

Critically, the first thing that national government can do is pick the right sites when it makes its conclusions.

I am remembering the chair's exhortation to be brief. If I may, I will ask for his indulgence while I deal with the question around housing as infrastructure; we think that it is. We also think that sectors such as the logistics sector are infrastructure. A community would fall over very quickly if we could not get our Amazon deliveries or we could not get supplies to stores, or hospitals, or doctors' surgeries and so on.

For me, what is key is that, when the Government come forward with their housing strategy, their infrastructure strategy and their industrial strategy—it is the joined-up point again—all of those need to join up effectively.

If they do that, then the kind of capital that I am talking about that wants to be interested in placemaking, and all the elements that go into making a place, can align. If those things align, you can then deploy capital to meet all of those needs.

Increasingly, our members do not think about property and infrastructure. They think about real assets. They are thinking about how we create place and all the physical elements that go into that. It is those physical elements that are a good vehicle for the long-term capital.

Charlotte Neal: That is why development corporations have worked in the past: they have had delegated powers to make those decisions and bring things together.

Q75 **Viscount Younger of Leckie:** What is clear, and has come out from previous evidence that we have received, is that the partnership approach is essential. You have said this, and it is clearly important.

I have a couple of questions linked to previous experience. Can you give us some examples of where patient capital has really worked? Milton Keynes has been mentioned. With that in mind, or perhaps in relation to some other new towns or developments, what has the return been? Can we define what that return is?

You have already made clear that it is not just about ROI money, but it is to do with place—being seen to have embedded oneself into a particular place. Linked to that is this very interesting concept of the use of pension funds and surpluses from pension funds leading from the Mansion House accord. It would be helpful for you to tell us what you think about that.

Crucially, my next question is to do with the barriers. Some barriers have been mentioned. Following up on Lord Mawson's question about leadership, leadership varies and I think Lord Mawson and I would see this as crucial. The quality of leadership is essential for this to go through.

Then, as has already been mentioned, there is the question of spanning Parliaments. Charlotte, I think, mentioned this. It is crucial. How do we get around this? But my question really is to do with further barriers that have not been mentioned.

Finally, I want to ask: why now? Over the last 14 years, the previous Government were madly keen to build lots of houses. We know what the figures are. They did not entirely succeed. So why now? What is different? Sorry, those are lots of questions.

Melanie Leech: I will go first with a few examples. The example that you hear a lot, and you have probably heard already, is King's Cross, with BT pension money initially as part of that. Also, there is Paradise Circus in Birmingham, with the same pension fund; Liverpool ONE, which is managed by Grosvenor; and Brent Cross, where Argent is now working, reimagining Brent Cross; and there is Canada Water.

I hope you will forgive me for being London-centric. There is a lot that needs doing in London, but there is a lot that needs doing around the country as well, and hopefully I have given you a couple of examples outside London.

I guess what characterises the success of those schemes is that long-term commitment, but also, and to your one of your other points, land assembly. You are managing the whole place and you have got control of the whole place across the partners that are involved, and that has to be public and private sectors.

That is a critical success factor. You are not pepper-potting with individual parts of the scheme; you have to create the whole place before you can start to work on it.

As regards spanning Parliaments and spanning local authority and local government changes, that is where the development corporation model can be critical. So far as possible, you want to create a governance framework that is de-risked from political change so that you can have that long-term focus. That is not possible to do entirely, but what has happened in Manchester is a great example of how you can work across party-political boundaries to create a long-term and continuing project.

I think the committee is going to move on to look specifically at governance. The role of the new combined authorities and the elected mayors is really interesting. Where do they fit into this? What is the national level? What is the regional level? Where do local authorities fit in?

I do not have a blueprint for that, but critical to success will be creating a governance structure within which there is flexibility, as we have talked about, but also which as far as possible can “immune itself”—it is a terrible phrase, is it not?—from political changes.

Charlotte Neal: Creating areas such as the former enterprise zones will be important as well, where there is a timescale attached and you know that you will get, for example, tax incentives to invest in that area. It gives that certainty, which helps de-risk for those investing or developing within the area. That can be helpful in encouraging people.

On the point about spanning Parliaments, if the development corporation, or whatever entity is created, and it is given power around planning, for example, and it can master plan and put design codes in place, and we can ensure that the quality is there, that is all de-risking for the developers. It will help increase the viability and the investor’s confidence in delivery and achieving the returns. It will help with things like underpinning rents and backing rents as well, or capital, at some point in the future.

Caroline Foster: I am not sure I have much to add. My point would have been about that empowered decision-maker being absolutely crucial to getting this to work. There are so many examples I could give where you have the commitment for Section 106 funding but actually just understanding what is needed is important. Health is probably one of the best examples across all our sites in that it is a really difficult issue. The funding is there, but it is about understanding what needs to come forward. That is absolutely, as Charlotte said, where a development corporation could work whereby you have that leadership that spans Parliaments, which can be empowered to make those decisions. It is about bringing forward the right facilities, at the right time and in the right location. That is critical.

Charlotte Neal: Perhaps I may add to Caroline's point on Section 106. For example, the developers pay the money over, and too often it sits in a pot and is not deployed in the correct way at the right time. It is really important that, as part of this, consideration is given to making sure that the money paid over is delivered fast for what it is intended for within those communities and new towns.

Caroline Foster: That is such a good point. We tend to deliver a lot ourselves to avoid the money being paid and sitting in a pot. So where it comes to things like transport, road improvements on site works or the facilities at the community centre, we will get on and build it and take the risk on the design and construction cost. At least in that way we can be guaranteed that the facilities will be in place for our residents. That is a perfect example. I would also say in relation to Section 106, Waterbeach is great. It has a data-driven Section 106 but on other sites that have both Section 106 and CIL, we are not in favour because you end up paying a lot of money. CIL is a real challenge because the money can sit in a pot and be used in a much wider geography, so you do not really feel the benefit. It is absolutely right for that money to go back into the place and that development for our residents. Where you have both, you have to accept that you are not going to get the same percentages of affordable housing.

Q76 **Lord Bailey of Paddington:** Good morning. I am going to start with Caroline. We are talking a lot now about de-risking the situation and what the Government can do to make investors feel like they can de-risk. In the course of this conversation, we have talked about the Government delivering some of the infrastructure, sewers, electricity, et cetera so that private money can come in behind that. But in what you have seen recently, would you point to the Government looking in the right direction to de-risk? I will also add: is there anything in the upcoming Bill that you think that your members and businesses would look at and feel like that is de-risking the situation? Also, has anybody spoken to the Treasury? In the course of this conversation, you said that you speak to the Civil Service about how it could be a bit more entrepreneurial. But, ultimately, if the Treasury is not involved in these conversations, it really does not matter. Have any of you, from a professional point of view and certainly your wider membership, had conversations with the realities of delivering on the ground with the Treasury, particularly where it focuses on de-risking for private investors?

Caroline Foster: We have talked about risk and how you can encourage more private capital by de-risking at each of the three stages. One point that we have not really touched on is that early planning risk. The timescales can take five, six or seven years of work with no guarantee that you are going to get a consent. In trying to get the right consent, flexible consent is absolutely key. The impact of where you have statutory consultees that simply do not reply within the timescales, and then you have to wait and eventually chase repeatedly, is on us as much as the local authority or the local planning authority. Are you are chasing just to get a response before you can even think about what medication

they might be asking for? That is a real challenge for us. It can really delay the process significantly. Having those statutory timescales, which means that everyone must respond to an application, is key. On consultation more widely, anyone will know that consultation and engagement are absolutely at the heart of our business. We are not just consulting to get an outline application through. It is right from day one and, through the application, really understanding the concerns of the local community through the detailed design. For our new residents, our quality of life surveys that we do every year with them gives us great information about what we do on our next site as well. But when you are at the outline stage, the weighting of opinion—often local opinion opposed to development—in relation to then determining the application and its impact requires a better balance.

Lord Bailey of Paddington: Can I ask you to focus on the impact that the Bill might have on de-risking private investment in particular?

Charlotte Neal: Facilitating the infrastructure and allowing people to have the confidence over what is going to be delivered de-risks and makes a huge difference. As I was saying, if you can then have certainty that that infrastructure is going to be available and delivered, it has to be a good thing. We welcome the Bill.

Lord Bailey of Paddington: Is there anything that you would like to see delivered through the Bill that you do not see currently?

Charlotte Neal: I am afraid I would have to come back to you on that.

Lord Bailey of Paddington: That is absolutely fine.

Melanie Leech: One thing I would say on the Bill comes back to the governance point. We really welcome the moves to reintroduce spatial and regional planning tiers, which are really important. But we need to make sure that, whatever structures are set up to deliver new towns, they do not compete with that. We need that absolutely, because otherwise you might end up in a situation where you have a regional plan and a spatial plan saying different things. Within a development corporation, the rules are different. You do not want to suck in all the investment and activity into the into the part that has the better rules, if you like. We need to make sure that we do not hollow out opportunities elsewhere because there are lots of existing towns. Charlotte made the point up front. There are lots of existing towns and places that desperately need investment, too. We do not want to create a two-tier system where everybody goes in one direction because it looks like you are going to get a better outcome if you go there. We need to make sure that we do not disincentivise investment from other parts that need it desperately, too.

Lord Bailey of Paddington: Is putting 40% affordable housing in a development size of 10,000 a risk? Is that something, Caroline, that your business would look at and feel slightly panicked about because it is uniform across the country, or do you expect greater flexibility?

Caroline Foster: With the challenges that we are seeing with the housing associations at the moment, it would be difficult for them to provide 40% affordable housing. In all honesty, they absolutely need support. We know that 10%, 20% or 25% is doable under Homes England loans. That is our model at the moment. If you start to specify 40%, then absolutely it will need additional funding and support in a variety of ways. Whether that is the impact on the local authorities that are now providing support, or accelerating social infrastructure, that might not work through viability. If it is funding for housing associations to buy the homes and then providing the support, particularly when you look at tenures at an affordable rent, obviously and rightly that is a priority. But high-dependency households will require more support. We are not helping anybody by allocating homes in new settlements where they do not have the right support or the right infrastructure in place. So there is a much bigger story to saying it is 40% from day one.

There are lots of different ways we can look at providing affordable housing at the right time. If you look at some of the intermediate products, for example, although I know that they do not go to the heart of tackling the issues in a way that affordable rent does, they do help young families get on to the property ladder. It might just be a discount to market, but because it can go through the housebuilder rather than requiring support from a housing association, it is a positive at the beginning of the development. Generally, people in those situations will be going out to work every day and their income will be steadily increasing. It might be a rent-to-buy scheme or a shared ownership. Whatever it might be, the really important point is to genuinely look at the tenure mix and the right timing to introduce the tenures when you have the social infrastructure in place, or to be prepared to put some significant funding now into having support for them. But, regardless, housing associations definitely need some support at the moment.

Charlotte Neal: A 40% blanket across everything is a challenge, without a doubt. You need to look at the metrics of the area and location, and the requirement within that area. In some areas, you could possibly offset where they do not need quite so much with somewhere that needs more, and try to somehow balance that. Forty per cent is great, but going back to my earlier point, if it means that a scheme is unviable, you get nothing.

Q77 **Baroness Warwick of Undercliffe:** I am particularly interested in exploring the 40% concept. We have looked at risk. I am sure all of you have a view about the issue of existing stock, because if the new towns are built on to existing settlements, which seems likely, then you are bound to be dealing with a lot of existing stock, in at least some parts of the areas you will be looking at. Can you say more about that, and how it fits in with the current strategy on affordable homes? The Government are clearly being pressurised because of the stress of housing lists and the numbers of families who are on those lists, and have been on them for a very long time. The pressure on the Government to produce homes for social rent is considerable, and that means the pressure on them in

terms of policy development is going to be considerable. I will turn the question around and ask how can you best help the Government deliver on that policy? What is the best way of achieving that, given all the issues we have raised about risk—and perceived risk?

Melanie Leech: I will answer the last bit first, because Charlotte should speak to the issue that she raised around retrofitting and so on. On the delivery of affordable housing, I agree with everything that has been said about having a blanket rule, because not every area needs 40% affordable housing; the need might be very different. We produced a report last year, and I am happy to share it with the committee, and I am afraid this is where the Government do need to grant fund. That is the only way that you can deliver the amount of social housing that is needed. Again, the patient capital that I talked about is keen to come in and support. Our assessment is that if the Government were to increase subsidy levels by between £9 billion and £14 billion—it is a ballpark figure, so let us call it £10 billion—broadly speaking that could unlock the same amount of capital from the private sector, so you would get twice as much delivered. That equates to something like 145,000 affordable homes a year, so there is a big prize there, but you cannot, almost by definition, deliver homes at sub-market return from the private sector, because the private sector needs to make a return. But there are ways in which the private sector can come in and provide the kind of support that Caroline was talking about, to underpin the housing association model, if the Government put in the grant that they need to fund the bits that cannot be made into a market product.

Charlotte Neal: I agree with what Melanie was saying about funding, but there also needs to be clarity. When you are talking about retrofitting or regenerating, there needs to be clarity around the standards that are going to be required in the future—for example, linked to net zero, or the EPC requirements that are coming in—but I do not think there is confidence in the market that they are going to remain. It requires heavy investment, and people need to be confident that if they start investing now, in five years' time the standard and the way in which they are constructing things is going to be fit for purpose. We need to be creating resilient homes that deliver for the future.

There needs to be more around skills. We have just introduced a retrofit standard to give guidance to professionals within our industry around what they consider and need to advise on when looking at retrofitting homes. There needs to be more encouragement of skills within the sector. For example, a built environment GCSE to encourage young people to consider our industry would be very helpful to explain, from a consumer point of view, what is expected from your housing and cities, your built and natural environments. It is also important that, if we are going to be expanding areas, we protect them from flooding and protect our ability to produce food, and keep green spaces, because there are obviously a lot of benefits to having natural land as well as the built environment. It is really important that people understand that from an early stage, because they are more likely to support the changes in their

communities that will be required in future decades and generations if they understand that interplay, and why decisions are being made. They would therefore help support the planning process rather than delaying it with local objections that, with more understanding, could be navigated more quickly.

Caroline Foster: I have nothing to add; my points would have been the same, including the one on grant funding. The quality of the product is key in terms of making sure it becomes investable and that it is creating the place. The term “tenure blind” gets used a lot, but it is incredibly important, especially in new towns and new settlements, that you do not have that distinction in the quality of the product.

Q78 **Lord Mawson:** I want to drill into some things that were said earlier about getting replies from the public sector and local authorities. As someone who operates in the practical world, it is a mystery when you get replies or follow through. Yet we have a Government that are talking about building 1.5 million homes, which is correct, and I am very supportive. A lot of money is being given to local authorities and the public sector, but, as far as I can tell, without any real demands on the public sector at a really basic level to follow through on the very details that you describe. What is your advice? We are in a position to make points about this to a Government, in terms of what they need to do to really up the ante on local authorities and the public sector about delivery. What do they need to do?

Caroline Foster: We have a very strong relationship with local planning authorities across our sites. It is important, because we are in it for the long haul; we are here for 10, 15 or 20 years. I have probably touched on most of the points, including the focus on de-risking early on. In terms of planning, capital investment into infrastructure would be great, but I appreciate that comes with its challenges. There are a whole host of changes that are needed, including clear, empowered leadership that can make clear decisions. Cross-departmental work and consultation are incredibly important. We need to re-examine the balance—that line—to allow these sites to progress at pace.

Melanie Leech: I would add a couple of things to that. It is important to recognise the pressures on local authorities. We know that planning departments have been hollowed out more than any other as they have faced increasing pressures over the past few years. So the first thing is everything that we have talked about in terms of raising money, whether it is public sector loans or private sector capital. Ring-fence the money for the purpose. We talked about the fact that, if you raise money through developer contributions—particularly with CIL—it can go almost anywhere. So you do not see that direct benefit back, which is really important to getting public consent for development. If you are raising money from developers, make sure that that stays within the project so that you can actually get on and deliver it. That is the first thing.

Secondly, I have had some interesting conversations in the past with local authority leaders around accountability. We recognise that we need

to be held accountable as the private sector for what we do, how we act and what we deliver, but there is not really any accountability for local authorities. They would be up for this, I think; I tend to talk to more pro-development authorities, I suppose, but they should be accountable for where that money has gone. If they are sitting on millions of pounds that have come from developers, they should be accountable to their community as to what they are doing with that money and why that money has not been spent. As I say, the local authority leaders I have spoken to would certainly be very up for that, because it is all part of a conversation with the community about what is being done with them but also to them. This is how they are going to feel—that it is being done to them—so, the more we can do to explain the benefits, the better.

Lord Porter of Spalding: I have a couple of points to make. First, local authorities are accountable because we have things called elections. Every four years, you are accountable to the electorate. Unlike any business, you are directly accountable to people you cannot even have a conversation with half the time.

However, that is not why I wanted to come back in. There is this weird belief that local government is awash with central government's money, but that is not the case. Central government has massively underfunded local government at least since 2008, probably, so local authorities do not have loads of central government money to do things with. If anybody needs pulling up on the statutory body side, it should be by the Environment Agency and people like that. If they do not respond within the set period, that should be taken as a nil response on the basis of, "We couldn't find anything to object to because we did not have anything to say to you". Where we could speed up the process by quite a lot of time is if those other statutory bodies were forced to respond or, then, not to respond.

Baroness Miller of Chilthorne Domer: Like Lord Porter, I want briefly to come back to the point about local authorities not being accountable. From my time as the leader of a council, I remember endless audits over just about everything. Quite apart from the ballot box and election time, things had to be open and accountable. So I am quite surprised. Is there any particular reason why you feel like that?

Melanie Leech: I guess I chose my words poorly. Of course, I accept everything that you have said. What I really meant was about reporting specifically—that is, reporting what they are doing with the contributions that come in and what they are doing around particular projects. It was a granular point rather than a general point about accountability; I apologise for choosing my words poorly. As I say, I have spoken to a number of local authority leaders about being really transparent—perhaps that is a better word—in terms of what is coming into the local authority as a result of the development process and what they are doing with it.

Baroness Warwick of Undercliffe: I have a question here, because I do not know the answer. Is not money from Section 106 and CIL earmarked for the development projects? Or does it go into a general

pot?

Lord Porter of Spalding: Section 106 is designed to mitigate the harms, or perceived harms, done by the development. CIL is just a roof tax.

Baroness Warwick of Undercliffe: That is what I thought, but 106 does, does it not?

Lord Porter of Spalding: Yes, but sometimes that means this: if the council collects money off a developer for a doctor's surgery, say, until the NHS says, "We're going to put a doctor in a doctor's surgery", what is the point in building a doctor's surgery? There are lots of things out of sync in that process. If I were able to deliver a doctor's surgery because I took the money off a developer, the National Health Service should put a doctor in there.

The Chair: Let us move on; it is great that we are having this conversation.

Q79 **Viscount Hanworth:** Can land value be captured effectively to finance new towns? If so, by what mechanisms? How should the resulting revenues be deployed? If I might add my own commentary, it strikes me that, in the post-war new town developments, the potential uplift in land values was effectively captured by compulsory purchase. This is going to be the topic for another question, I think, but some methods that have been developed subsequently—such as the betterment levy of 1967 and the development gains tax of 1973—have not endured for long and appear not to have been particularly successful. So what are we left with? We have Section 106 planning obligations and the community infrastructure levy. Are they enough?

Melanie Leech: As you might imagine, we are cautious about the use of both CPO and land value capture mechanisms, but, when you are talking about investment and projects at the scale that we are talking about when we are looking at new towns, there should be and would need to be some kind of mechanism. There should be CPO powers that can be deployed, and there should be mechanisms for land value capture. Exactly how that should be done goes back to the whole point about governance—that is, who the acting competent authorities are—but you are not going to get the investment in the infrastructure at the scale that is needed. By that, I mean infrastructure broadly: homes of all types; logistics facilities; and office facilities, because there is the economic heartland as well. You are not going to do that without the ability to make sure that as much of the benefit as possible, while still allowing the private sector to deploy capital and make a return, is captured and reinvested or invested back into that development.

Viscount Hanworth: We would like to hear your suggestions as to how this could be achieved. Do you have any mechanisms that you would favour?

Charlotte Neal: It is important to recognise that, obviously, infrastructure and planning permission can dramatically increase land value. There are examples, such as Bertha Park near Perth, where the construction of a new, publicly funded junction, flyover and road alignment allowed the development of 2,500 homes that would not have been developed there previously. In Inverness, there have been similar things where there has been land value capture.

On your point about deployment, if you are going to capture that land value and uplift—a lot of that comes from increased house prices across the country over the past few decades; the house price increase directly leads to an increase in land value—it needs to be deployed for things such as affordable housing to allow schemes to become viable. This is so that that money goes back into creating those communities, enabling development and better built environments as a result.

Viscount Hanworth: So the uplift is quite diffused, but how could it be captured? That is the burning question.

Caroline Foster: I think that we need to start recognising the Section 106 agreements and infrastructure investment as value capture. It is education. It is transport. It is your highways improvements. It is community facilities. It is health. That is value capture.

From our point of view, we talked about the open-book approach on viability. The figures going into that viability review are the land values that we pay after you have planning consent. If you then start to look at the CPO point with the landowners, doing that early on will undoubtedly cause delay.

It is slow. Legal challenges will cause delay. I am sure that you could create some sort of framework, agreeing—I am not saying this is the right answer—three times agricultural value or whatever. You let the land remain with the farmers to farm it because you do not need to buy that land immediately.

These are long-dated sites; so it will be 15 or 20 years of development. My view is that you want to be buying that land quite progressively. Otherwise, it is just going to sit on the books.

As regards the value capture, we need to start talking about these large towns in relation to the facilities that are coming forward; that is the value capture element. You do not see the value capture or these windfall gains in the way that you do on small sites.

If there are fewer than 1,000 homes, you will probably get that value capture in a different way, in that windfall, because they will not have the scale of infrastructure cost associated with the development. They will not have the primary school; that is £15 million probably, straight away, as soon as you say you need a primary school. You will not have the scale of infrastructure for those smaller sites. So, we just need to start

looking at larger sites in a different way when we talk about land capture.

The Chair: Thank you. Lord Cameron will subject you to further duress, I think.

Q80 Lord Cameron of Dillington: I would like to talk about the viability test in all of this. As you rightly say, land value capture post the Planning and Infrastructure Bill, and the changes to the compulsory purchase rules, will almost certainly deliver a huge amount. In other words, the development corporations will buy the land at agricultural value—this is the intention but, as you say, it may change—and then the uplift will go into the fund to build the infrastructure. Section 106 and CIL are still in the armoury but, after the Planning and Infrastructure Bill, we will get the nature restoration levy as well; that will be another demand on the developer.

Under Section 106 and CIL, developers sometimes go back to planners and say, “Hey guys, you are charging too much. This will make the whole project unviable. I can’t do it. So, unless you change some of the rules, on affordable housing, perhaps, or whatever it might be, I am not going to go ahead; I am not able to go ahead”.

I notice that the viability test is written into the nature restoration levy under the Planning and Infrastructure Bill. If Natural England is charging too much and that makes a project unviable, then it will have to adapt. It is written into the legislation.

I wonder about all this. If we are going to get these new towns, is the viability test a sensible system? Do the development corporations or the local authorities have the necessary expertise to challenge the developers on the reliability of their viability case?

Thirdly, how does patient capital overcome the hurdle of viability, and the problem of the high expectations of locals and future inhabitants vis-à-vis the huge amount of infrastructure that they expect to see in a new town that may make the whole thing unviable?

Who wants to have a go first? Melanie, you seem to go first normally.

Melanie Leech: It must be me then. I suppose the answer to your last question on how patient capital overcomes the hurdle of viability is that it cannot do so on its own. There are places that are unviable for investment and possibly always will be.

On a case-by-case basis, how do we create viability? It comes back to partnership; I will not rehearse all those things again. You find ways through it. Whether that is through existing powers of the local authority to create innovative funding mechanisms, or whether it is through the structure of the partnership, people find ways to create viability where it is very fragile.

However, as we have talked about quite a lot in the last hour and a bit, if things keep changing along the way, viability disappears very quickly. I

have an example that I might be able to share with the committee from one of my members, which was taken into the Treasury, in relation to an earlier question, as well as into MHCLG.

It shows how that viability disappears as additional regulatory burdens arise. Each in themselves seem quite small but, if you layer them on top of what is already quite a fragile project, and you then import delays and you do not meet statutory timescales, money just haemorrhages out of these projects.

From memory—forgive me if I have got the numbers wrong—a project where you are going to make a £10 million profit then becomes a project where you are making a loss of £10 million. You would not have started it had you known that you would end up there, because of the layering of new requirements, on top of all the cost pressures and inflationary pressures that the market is bringing to you.

The answer is partnership. The Government are doing a lot of things that we support to try to reduce the regulatory burdens. That is not necessarily to say that you take them away completely, although that might be the right answer in some cases.

It is about certainty around meeting statutory timescales. It is about certainty around how judgments and priorities are being made, and so on. Then I think it is about enabling those development corporations, or whatever the structure is, to be flexible and responsive to changes, and to conditions that generally mean that things will have to change.

On the other part to your question, viability tests, I am not sure whether, in parts of the public sector, there is the expertise that is needed to go through those in depth. I guess it is the same point about the framework of a development corporation. What do you import into it that is a national scheme, and what do you relieve within that development corporation to make progress more quickly?

Within the development corporation, you could see, for example, a situation where, at one extreme, all the planning rules are relaxed. All the money raised within that development corporation area stays within that development corporation area, so there is no central business rate to return; all the money is retained.

They can raise money in different ways through tax increment finance or mechanisms like that, and viability is entirely determined within the framework of the partnership that is in place within the development corporation. At one extreme, that is what you could do.

It is a question of thinking through how much flexibility is needed to allow the structure that you put in place to manage a new town development to operate effectively and be responsive to changes and conditions that impact both on the public sector and the private sector.

Charlotte Neal: I would just add to the point about the skills side of things. We have got to recognise that there are some good people in the

local authorities who are very capable but, equally, a lot of it comes down to experience, and recent experience. That is obviously difficult if you are, for example, a planning officer who is not working in delivery, as it were.

I think we could do more to build that public-private relationship where, for example, people nearing the latter years of their career as a surveyor or a planner could go and support local authorities and help them with the experience that they have had of translating policy into practical implications.

There are lots of people in our industry who are very willing to give back and have had very successful careers with huge amounts of experience. If there is a way that we could encourage those relationships, that would be really valuable.

You mentioned the nature restoration fund. There is a huge lack of ecologists. To my earlier point around private versus public sector salaries, often those people are encouraged into the private sector where they can earn more, unfortunately. So there is a challenge, but that is not to say that there are not some very highly skilled people within those local authorities.

Caroline Foster: I would just make the point that viability establishes your benchmark but, with these large-scale sites, the word "flexibility" is absolutely key. The world changes and you might need to put that contribution into something different. It works both ways. For example, at Waterbeach, we want the school delivered because we know it is at the heart of the community and we want it open, and we have paid our contribution, but that is not a location where we were enabled to build the school; on our other sites, we would build it ourselves. For various reasons beyond lots of people's control, the school has been delayed. It will be open next year, and it will all be fine, but that does impact on things for us as well, around our promises to residents and people who moved there for school.

I do not think it is one-sided and is always a developer saying that we do not want to do something. It can work both ways. As a rule, we tend to deliver as much as possible ourselves. Where we make contributions to highways improvements, we tend to do that ourselves because it tends to be quicker, and then we are confident that we can get that cycle or pedestrian infrastructure or whatever the changes to a junction might be.

I add that a great example of that flexibility is Milton Keynes, which I know gets mentioned quite a lot; I was chatting to a colleague about it yesterday. That tariff is designed to be flexible and to understand the changing demands in a new community and make sure the money is going to the right facilities at the right time. I do not think change or flexibility is a negative all the time.

Q81 **Lord Mawson:** What roles could and should compulsory purchase play in land assembly, and is there sufficient professional expertise at the

moment in the planning sector to deal with these processes?

Melanie Leech: I can be brief here, because I have already broadly said that, in general, we think CPO powers should be used carefully and sparingly. The last thing this Government, or any Government, want to do is destabilise the land market and discourage landowners from bringing forward land for development. But, in the circumstances we are talking about, as I think I already said, land assembly and controlling the land are important parts of the critical success factors for new towns. In clearly defined circumstances such as we are talking about this morning, we see that CPO will be important to make sure that we can get land assembly without losing value that should properly be captured within the development.

Charlotte Neal: There is a fundamental need for CPO. To Melanie's point, it helps with fragmented land ownership and sometimes can release land that has perhaps been land banked and that nothing is going to happen with for a long time. Another benefit CPO can provide is clean title, and it can remove restrictive covenants and override third-party restrictions. It also allows promotion of land. If you can build that land assembly, then it allows a greater promotion, which can provide uplift. You can gain vacant possession where there are tenanted buildings, but it needs to be equitable to both sides. It needs to be thought out—on Caroline's point, is this land really required and when? There is nothing worse to create negative feelings around CPO than having a site or your home taken from you and it then sitting there with nothing being done to it. Also, the compensation around it needs to be fair and equitable. Otherwise, in providing something to one group of society, you are taking away from another, and that does not work well.

Lord Mawson: Is the expertise there to be able to do that when you have to?

Charlotte Neal: We know that there is a lack of planners, but we have many members who are experts and professionally experienced within compulsory purchase. There is lots of guidance: we have just updated our compulsory purchase standards around this within the RICS.

Like everything within our industry, there are skills gaps right across the board, and we just need more people and upskilling in this area. Unfortunately, our industry is not sold to children coming up through education in the same way that, say, being an accountant, a doctor or a lawyer is, and we need some support and understanding of the opportunities within the industry around that.

Unfortunately—dare I say it—there is a bit of a perception that developers are the big bad boys. We have to realise that, without those developers, you do not get the affordable housing in the quantities that are required or new town centre regeneration. There needs to be a bit of a reset on the rhetoric to make people more inclined to come in, and that works both ways, because of this feeling that developers are coming in and going to do dreadful things and that all they want is money. Well,

unfortunately, they do want money, because they are business entities and need to make returns for their shareholders and investors, et cetera, but they do a huge amount that is very positive for the natural and built environment. That needs better recognition.

Caroline Foster: At some point down the line, you need CPO, but you also have to acknowledge that that will take time and will lose you time at the front end if you genuinely want to move at pace. It is incredibly important to buy that land progressively and in a fair and respectful way to the landowners. That is all I will say.

Q82 **Baroness Andrews:** Are you saying that nothing can be done to improve or speed up CPO processes—that we do not need any more guidance or to change the legislation to make it easier? It applies not just to rural acquisition of land, of course, but to urban MDU properties. Are you recommending no change to the process because it is so difficult and contentious? Is that what you are all saying?

Caroline Foster: My point was really that I guess it tends to be fraught with legal challenge and slow. I am not saying it is not something that should be progressed; I just think it would take time and it needs to be done carefully and in a considered way. But that was the only point I was making.

Charlotte Neal: CPO is highly emotive as well, and that is challenging. That is why it is really important that it is fairly delivered and that those people who are subject to CPO feel that they have a fair price being paid. To Caroline's point, while I say that there is obviously a place for CPO, if you can land assemble in collaboration, that is far better than having to use CPO powers. There is more about that collaborative piece up front, explaining the vision and trying to also get people, particularly if you are a large landholder, involved in the process, and maybe they retain equity stakes while others do the development and—

Baroness Andrews: Sure. There are better ways of doing it.

Charlotte Neal: Yes.

Baroness Andrews: Is there a real issue with the new towns in the context that, if you have actually commandeered land, then you start off with an in-built hostility? Do you think that is an exaggeration or do you think it is a real issue for local communities if developers or local authorities are seen to be getting their hands on land in an aggressive way? I think that is what you were implying.

Charlotte Neal: It is very specific to the individual pieces of land and the local authorities. It is not a "one size fits all".

Caroline Foster: It is very emotive. It just goes to that point of when you need that land, because what adds to that emotion is really where they are watching that land and nothing is happening on it for 10 years.

Baroness Andrews: That is part of the problem, is it not? There is

nothing to show for it. Can I just ask one question on land assembly then? Well, maybe two. Is there any idea how much land is already, as it were, assembled? Someone said to me the other day that one of the problems about the new towns is that a lot of land has already been assembled, and local authorities will not be able to get their hands on it; it may be just in those places where new towns might want to be built. Has anybody got any idea of how much land is in the hands of developers and has already been assembled opportunistically?

Charlotte Neal: I can see if there is any information from our members. I am not sure whether we have specific figures but, if we can get hold of that, we can write in with that information. Yes, some people sit on land but, on the whole, if you are going to assemble land, it starts costing you money the moment you purchase that land, because either your capital could be deployed elsewhere or you have finance on it. The problem is the viability of developing, not the want to develop, and that is something that we need to overcome. There is a perception that people land bank and sit on land for years and years just because they fancy doing that, and that is not the reality. It is about viability and about planning consent. You could sit for 10 years on a piece of land and still not be getting your planning consent through.

Baroness Andrews: The popular mythology is that developers sit on land because of hope value, and for years people have struggled intellectually to try to find a solution to hope value, not least to make housing more affordable. Do you think that there is anything that the development community itself would be able to do to recognise the problem of assuming a certain proportion of hope value?

Charlotte Neal: Ultimately, transactions take place at market value and that is created by sellers and purchasers. It would be quite a dangerous place to be if you start trying to manipulate market dynamics. If people had more certainty, they might consider realising their development opportunities sooner, but it is just so costly to go through the planning process. I know that is being addressed and there is a desire to improve that, but you put your planning application in and you just do not know if it is going to be approved. Caroline could talk more to this.

Baroness Andrews: Indeed. Caroline, you quoted a figure for the cost of your development application. Was it £6 million for Waterbeach?

Caroline Foster: I think the average is around £5 million to £7 million by the time you get consent and your legal agreements in place.

Baroness Andrews: In a way, you could argue that any expectation around hope value is written off.

Caroline Foster: At that stage, absolutely, we are actively incentivised to see the pace of sales go as fast as possible, because we do not see any returns until we start to sell some homes, or in our case we are obviously selling service land parcels to housebuilders and they are selling their homes. But that is when you start to see the returns being

generated. In that model, and particularly on larger-scale sites, once you start that capital spend—

Baroness Andrews: That money is lost, obviously.

Caroline Foster: You want to go faster.

The Chair: Thank you very much, everyone. Thank you so much to the witnesses. You will be pleased to know that we have finally limped over the finish line there. It has been lengthy but it has been, certainly for me, a very fascinating and worthwhile conversation that we have had there, and we appreciate your time very much. That is the end of the meeting.