

Housing, Communities and Local Government Committee

Oral evidence: Delivering 1.5 million new homes: land value capture, HC 672.

Tuesday 10 June 2025

Ordered by the House of Commons to be published on 10 June 2025.

[Watch the meeting](#)

Members present: Florence Eshalomi (Chair); Chris Curtis; Maya Ellis; Mr Will Forster; Naushabah Khan; Andrew Lewin; Mr Gagan Mohindra; Joe Powell; Sarah Smith.

Questions 49 - 96

Witnesses

I: Robbie Calvert, Head of Policy, Royal Town Planning Institute; Cllr Richard Clewer, Housing and Planning Spokesperson, County Councils Network; Will Jeffwitz, Head of Policy, National Housing Federation; Melanie Leech CBE, Chief Executive, British Property Federation.

II: Avril Roberts, Senior Property and Business Policy Adviser, Country Land and Business Association; Paul Brocklehurst, Chairman, Land, Planning and Development Federation; Emily Williams, Director, Residential Research, Savills UK Limited.

Examination of witnesses

Witnesses: Will Jeffwitz, Richard Clewer, Robbie Calvert and Melanie Leech.

Q49 **Chair:** Good morning. I am Florence Eshalomi. I am the Chair of the Housing, Communities and Local Government Select Committee. Welcome this morning to our evidence session on land value capture. This is session three of four. Can I ask our guests to introduce themselves, please?

Richard Clewer: I am Richard Clewer, County Councils Network spokesperson for planning.

Melanie Leech: Good morning. I am Melanie Leech, chief executive of the British Property Federation, which is the trade association for the UK property sector.



HOUSE OF COMMONS

Will Jeffwitz: Morning. I am Will Jeffwitz. I am head of policy at the National Housing Federation, which is the trade body for housing associations.

Robbie Calvert: Morning, everyone. I am Robbie Calvert. I am the head of policy and public affairs for the Royal Town Planning Institute.

Chair: Thank you. Can I ask my colleagues on the Committee to introduce themselves, please?

Mr Mohindra: I am Gagan Mohindra. I am the Conservative Member of Parliament for south-west Hertfordshire.

Mr Forster: I am Will Forster for Woking.

Chris Curtis: I am Chris Curtis, the MP for Milton Keynes North.

Joe Powell: I am Joe Powell, the MP for Kensington and Bayswater.

Naushabah Khan: I am Naushabah Khan, the MP for Gillingham and Rainham.

Sarah Smith: I am Sarah Smith, the MP for Hyndburn.

Andrew Lewin: I am Andrew Lewin, the MP for Welwyn Hatfield.

Maya Ellis: I am Maya Ellis, the MP for Ribble Valley.

Q50 **Chair:** Thank you very much. You will be aware that we have been looking at the issue of land value capture. It came up yesterday in the first stage of the Planning and Infrastructure Bill in terms of how we are going to reach this ambitious target of 1.5 million new homes. I wanted to start off with an opening question to the panel. Another issue that has been in the news recently, as you will all be aware, is the issue of section 106. We have heard in our inquiry from a number of people who tend to favour reforms to section 106 and CIL, rather than introducing a new mechanism of land value capture. In your view, do you think that this approach is the right approach, or do we need to look at something more radical?

Richard Clewer: If we are going to deliver the level of infrastructure that is needed, I think the evidence is that we are going to have to be more radical than that. If you look at infrastructure lists that councils have across the country, the amount of funding that comes in through 106 and CIL is never on a scale that will match the infrastructure demands that are there, particularly when you look at how dominant affordable housing is in terms of 106 funding. Then there are the viability arguments.

Something that is much more joined up is needed, looking at all Government Departments and the infrastructure that needs to be provided collectively, for example, GP surgeries. It is a persistent complaint that we are not able to provide GP surgery infrastructure. Yet,



HOUSE OF COMMONS

funding for that may come through 106, but the operational funding comes through integrated care boards, and you try joining those together. In Wiltshire Council at the moment, we have at least three GP surgeries that need to be built and that cannot be built, because there is no ability to actually operate them once they are built.

If you look at highways, there is a need for the Department for Transport to properly integrate the infrastructure needed to facilitate development in order to then make that development occur, and you are not going to get funding on that scale. Salisbury, for example, is essentially locked in terms of housing. There is some coming through in the current local plan. Beyond that, there is very little scope for additional housing because of highways capacity issues. You will not unlock the kind of funding needed to adjust the A36—and this is a small issue around a relatively small market city in a part of the UK—without some cogent Department for Transport funding going in to solve those problems. At the moment, none of that is joined up. To the idea that tinkering with 106 or CIL can resolve that, I do not think that it is of a quantum or scale to be able to address that kind of problem.

Melanie Leech: My starting point is that the quickest way to stall development and stop anything being delivered is to inject huge uncertainty into the planning system. Our view would be that section 106 is and can be a better tool for delivering social value and, in particular, affordable housing. It is actually quite a good tool, particularly on larger sites, for enabling local authorities and developers to come together to manage what is a long and complicated delivery process, but making sure that the affordable housing in particular is delivered.

We would support some reforms to section 106. We think that those negotiations can get very long and complicated and there is a lot of scope to simplify them, but we would support section 106 as a tool for delivering affordable housing in particular.

Q51 **Chair:** Will, would you say that some developers sometimes negotiate out of their obligations when they are carrying out those long, protracted negotiations, and then the argument of viability comes up?

Will Jeffwitz: On the overall question of section 106 and whether we should scrap it and start again or continue to improve it, our members are pretty united that we should continue to improve it. It delivers about half of all affordable homes each year. As Melanie says, there is a big risk with starting again that you create huge amounts of disruption and stall things for a long time.

It is obviously not perfect. The big advantage is that it allows for a very site-specific assessment of how much value could potentially be captured. In theory, it therefore allows that flex according to the specifics of each individual site. The downside is that then there is less certainty and a bit more room for negotiations to sway that one way or the other. That is where strengthening section 106 can help, because it could do more to



HOUSE OF COMMONS

provide more certainty up front and remove or lessen the scope for unnecessary negotiations.

Q52 **Chair:** Do you think that there is ever a way that section 106 could be used and improved to deliver high-quality affordable housing?

Will Jeffwitz: Absolutely, yes. At the moment there are lots of great examples where section 106 delivers really good, high-quality affordable housing. It delivers it onsite in the main, which is another really important part of it, because it delivers mixed communities. It is also really important for securing community support for new housebuilding. We know that one of the biggest drivers of community support is high levels of affordable housing and the necessary infrastructure. Where you see most opposition to housebuilding is often when there is a perception that developers have watered down the amount of affordable housing that is playing a part. In achieving the 1.5 million homes target, or getting towards that, it is a vital part of securing public support for housebuilding.

In terms of improvements and how you could strengthen it further, we would point to three things. The first is simple and well rehearsed, but better resourcing for planning departments would genuinely make a difference. It is the single most significant factor that our members raise, above any issue of actual policy, which we spend a lot of time thinking and talking about. Having enough people with the right skills, not just in the planning department but also across the local authority, is absolutely crucial to achieving good outcomes in section 106.

The second is trying to make the plan-making stage as robust as possible. The more you can set out with higher levels of analysis and data up front, the less room there is for site-by-site negotiations down the line. That is again partly about capacity in planning authorities, partly about strengthening the guidance around viability and then also maybe learning from examples of best practice from around the country. There is huge variation in how section 106 is applied and there are great examples of where it works well. One approach is taking a zoned approach to affordable housing targets across the area. Rather than having a flat percentage, you specify different areas that have different target percentages. Another would be the threshold approach that is being used in London and considering where that can be used more widely. That is the second part, making that plan-making stage really robust.

The third is the process itself, the nitty-gritty of it. A template 106 agreement, I think, would really help speed up negotiations. Perhaps a bit less ambitiously than the whole thing, just addressing particular clauses that cause specific issues would really help: there is the mortgagee in possession clause and the nominations clause, one around CIL relief for affordable housing and things like that.

Q53 **Chair:** Do you think that templates would address the issue of variation



HOUSE OF COMMONS

across England that you have just highlighted? We see a situation where in the south-east and London you see bigger return in terms of that land value, whereas I think our data shows that section 106 accounts for 9% in north England and as low as 5% in the north-east.

Will Jeffwitz: No, a template certainly would not help with that. That is a reflection of how much value there is to capture on sites and how that differs across the country. That is where I agree with Richard that you cannot rely only on section 106 and CIL to deliver the affordable housing and infrastructure you need across the country. In some areas you will be able to rely on it more heavily, where there is more value to capture, and in other areas you might need to rely more on grant funding, whether that is for affordable housing, infrastructure or other things. Having a strategy that is clear about how that plays out across the country and across Departments could be really helpful. The long-term housing strategy, which the Government have pledged to publish, could be a good opportunity to do that.

Q54 **Chris Curtis:** Jumping back to the question, you have these viability assessments and there is, broadly, a conversation that happens around, as far as I understand, the 20% profit margin on each site. It is said to me by many people who have gone and looked at this that developers will go and have those negotiations with councils about 20% profit margins. But the moment you look at a company report from any of your members, they are not really aiming for that 20%. They are aiming for 30% or even higher.

Do you think your members are always acting in good faith when they are entering those conversations about viability? If not, do you think that there need to be improvements to the system in order to ensure that it is working as intended at a 20% margin and not ending up at the higher margin that your members are clearly aiming for?

Will Jeffwitz: Our members are housing associations, so we represent not-for-profit. When our members are building out their own sites, they will usually be doing that with a very high proportion of affordable housing above and beyond the section 106 that they are delivering in agreement with local authorities. Our members also buy section 106 houses off developers at a discount. The question about developer levels of profit is probably one more for the developer side.

Our members' experience of viability is that it varies hugely across the country, but often it works really well. Where it works best, in terms of us being able to buy section 106 homes off developers, is where we can engage very early on in the process. Where it really falls down is if there is a house that is being built, the developer has tried to set the price already, it has set the spec and it is already there. That does not work very well. When housing associations can partner with a developer very early on, pre planning application, and agree the spec of the houses, the price they would pay for them et cetera, that is where section 106 works really well.



Melanie Leech: Chris's question is probably one for me. Maybe a bit of context is helpful. When we talk about developers, who are we talking about? I represent, by and large, long-term pensions money and savings money, so it is our money working for us. As a prospective pensioner and a saver, I want that money to be working as hard as possible for me, but I also want it to be working hard to deliver good outcomes for the country. That is the approach that the pension funds, savings funds and investors that I represent take to development.

They also very much want to build relationships of trust with local authorities. One of the keys to this is building that partnership and relationship of trust between the developer, the investor, and local authorities. If you get to that, you deliver outstanding outcomes for everybody, from the people whose money is being put to work to the people whose community the development will impact upon.

Is that always perfect? Of course it is not. I am not going to argue or pretend that it is. That is why the kinds of things that Will was talking about, where we can streamline and standardise the process, and make more transparent exactly how those negotiations are happening, can play a really important part in building that trust with the individual local authorities but also with communities in particular.

Richard Clewer: I wish the system worked like that. It does not. Developers will tell you, when the planning application comes in, "Yes, 40% affordable housing. We will deliver it." Then, suddenly, viability starts creeping in. Between the approval of planning and the signing of a 106, suddenly that affordable housing shrinks away. It can sometimes shrink to nothing. If a developer is not going in understanding the site conditions, the costs and the remediation costs of land at the start, it is not being competent, in my view. It has to know that up front before it gets as far as putting a planning application in.

Q55 **Chair:** Some of the evidence we have heard is that we are seeing massive increase in build costs. There are big issues in terms of building safety, and rightly so. We want the buildings to be safe and secure. Would you not agree that for some developers, in good faith, once they go back, some of those build-out costs have increased?

Richard Clewer: Yes, occasionally. Recently we had that with the inflation hitting housebuilding really significantly, but they have been playing the game on affordable housing for decades, so I am afraid, no, it does not work.

Q56 **Joe Powell:** Will, if I could come back to the uncontracted section 106, the Home Builders Federation said that there are 17,400 uncontracted homes. You cited price and late involvement as one factor. What else is preventing your members from taking up those homes?

Will Jeffwitz: Probably the most significant factor at the moment is the reduced financial capacity of housing associations to develop new homes



themselves or buy section 106 homes. That reduction in financial capacity—I will not go into lots of detail, because I know the Committee has covered this elsewhere—is driven by three things.

First, there is the long-run impact of previous Government decisions on things such as social housing rent policy and grant funding. Secondly, there is the rapidly increasing need to spend more on existing homes and services to deliver the vital new standards and quality that we, and tenants and residents, expect. Thirdly, there is the economic environment of inflation and interest rates. The compounding effect of all that means that some housing associations' capacity is very constrained and generally, across the sector, capacity is more constrained.

Q57 Joe Powell: What happens to those homes when they are not contracted?

Will Jeffwitz: Do you mean the ones built by developers? At the moment, some of them are probably sitting there waiting for a buyer. Others are slowly negotiating buyers. I have not seen an update to that 17,000 figure, which was from a few months ago, so I do not know whether it has come down, but I would hope it is coming down. Things such as the clearing house that Homes England has set up are an opportunity to bring together housing associations and developers.

On where we go next with it and what happens to them from now on, tomorrow's spending review will be absolutely key. If Government are able to announce decisions that rebuild that financial capacity of housing associations, that will allow them to buy section 106 as well as to build more homes themselves. Crucially, that will not be about the size of the affordable homes programme, because you cannot use grant funding to buy section 106, rightly. The AHP figure will be really important, but not for this issue about section 106. It will be the decisions on rent policy, funding for building safety and decarbonisation costs.

I have a couple of other things to raise quickly on it. One is price. Some of our members are very clear that they think developers are holding out for higher prices than these section 106 homes are now worth in the market. We have had examples, and these are only anecdotes. For example, a member said that they put in a bid for section 106 homes on a site. A developer thought that that was too low and asked them to withdraw the bid so the developer could then say to the local authority, "We have not had any bids," and start that negotiation process. In some places there is an element of price disparity between what our members want or think they should be able to pay and what developers are expecting.

The final one is spec. Our members are increasingly ambitious about the spec that they demand of their new homes, whether that is space standards, levels that service charges can be brought down to, or clean heat and energy efficiency. Developers are not always building homes to that spec. This is why that early engagement is so important. If you can



HOUSE OF COMMONS

agree early things such as spec, it can usually be sorted out. If the home is already built to a spec that you do not want, that is an issue, because you are going to own it for 30 years and do not want to have to retrofit it in a few years because it has not been built to modern standards.

Q58 Chair: I wanted to bring you in, Robbie, in terms of the issues around planning and planning departments. Would some of the additional resources that the Government are proposing help in speeding up section 106 agreements?

Robbie Calvert: Potentially, and we welcome the provisions in the Planning and Infrastructure Bill for reinvestment of planning fee income in particular. However, that is directed at the development management team specifically and there is an element here for local plan preparation in terms of frontloading some of the viability assessments. We want to see a plan from Government about how local plan teams are funded long term as well and how we can improve local plan coverage. We might come back to that later on. There is something there about immediate capital that we need.

There is a skills element here as well, clearly. The MHCLG skills and capacity survey that was published at the start of the year identified over half of planning authorities signalling a skills gap in section 106 and viability assessments. The NAO report published a week ago also confirmed that. Clearly there is a skills element there as well.

There is also a workforce issue. We are very concerned about changes to level 7 apprenticeships in particular, with the age range of 17 to 21 as of next year. Most of our apprentices who come through that route are older than that. We are worried that we could potentially lose 200 planners a year in our pipeline, which is significant and dwarfs the Government's welcomed addition of 300 planners, for sure.

We acknowledge that section 106 and CIL adds a lot of complexity and delay, potentially, to the planning process at the moment. However, we are minded to reform it as opposed to anything more radical at this stage, taking Melanie's point there about the significant reforms that are happening elsewhere in the planning system and that in itself creating a bit of uncertainty and potential delay. Careful refinement of the existing process is the best way to go. The results of that could be significant as well. Yes, it is worth considering. I will stop there. We can maybe come back to various other points.

Chair: We are moving on to viability. We have touched on it before.

Q59 Andrew Lewin: Good morning. The Government have committed to reviewing their viability planning practice guidance. I think that it was last looked at in 2014, so it is not before time. I have lost count of the conversations that I have had with local councillors in Welwyn Hatfield and across the country, of all political persuasions, who are exasperated by the system as it is currently.



I was looking at the NHF's written evidence and I thought that this was compelling. It says, "However, the use of viability to negotiate down affordable housing contributions is against the spirit of the rules and is frequently used purely to compensate overpaying for land or to maximise profit". I am keen to ask the panel whether you all share that assessment and, most importantly, where the Government should start in terms of reforming this process.

Robbie Calvert: We certainly welcome the update of the viability guidance. We hope that work from this Committee and the work from the Public Accounts Committee feeds into that. The planning system is changing, as referred to earlier, so it is necessary that any of that update dovetails with other changes that are happening elsewhere. Can I take an example of the emerging new NPPF and the new local plan preparation process? The means by which the examination is undertaken, the proposed gateway assessments, will be key in terms of managing this process. That guidance will have to be timed well with other reforms. Yes, it is certainly something we support.

Richard Clewer: Overpayment is an interesting statement. If you talk to a lot of people who have sold land, optioned land or allowed developers to option land, they get very heavily screwed down on price as well. I am not sure that overpayment is necessarily the issue that the development industry may say it is. Developers tend to be quite well structured in terms of the different levels they have of a building company, a sales company and a land ownership company, and that complexity can be quite hard to unravel.

The pressure on viability is significant and there seem to be an awful lot of reasons that emerge suddenly to challenge viability. They seem to come forward too consistently late in the day, which is extremely challenging. I have examples where applications have initially gone in, as I said, for significant affordable housing and then it has been argued that actually there is no viability for affordable housing at all, even with grant from Homes England. We need to have a far greater ability to say that there is a minimum acceptable requirement: "If you are building here, you have to provide certain infrastructure and affordable housing", but maybe not at the 40% level. We try for a 40% level. We achieve, if we are lucky, half that.

Greater clarity and therefore greater ability to remove that wriggle room would massively help. It would massively help speeding up development, because arguments over viability are a great reason not to sign a 106. That means that the price of the houses that you are going to build is increasing consistently. The value of the land is increasing. You are doing no work and yet you are theoretically making money by delaying. That cannot be allowed either and that is part of that viability game.

Q60 **Andrew Lewin:** Melanie, can I ask specifically whether you would support a minimum acceptable requirement, as Richard has just set out, for affordable and social housing?



HOUSE OF COMMONS

Melanie Leech: My starting point is that, across a lot of the country at the moment, development is not viable, full stop. We have to accept that there is a need to be flexible. Having targets to aim for in terms of minimum requirements could work, but the truth of the matter is that if you want stuff to be built, you have to create the conditions in which it is viable for developers to build it, whether that is homes, new communities or logistics facilities et cetera. You need the flexibility to have a conversation about the basis on which it is possible to build at all, because building nothing serves no purpose.

We welcome the review. It is clear from the conversation this morning already, and no doubt other sessions that the Committee has had, that there is not confidence in the system at the moment. For responsible developers, that is not good. If they do not feel that there is confidence in the system, that erodes some public trust in what we are trying to do. The review is timely.

It may sound a trivial point, but one thing I would urge the Department to do in conducting the review is not just to do it on paper but to get people in a room with different perspectives, all sides of the debate, and talk about these things. It is amazing how much more energy and creativity you can get if you sit and talk about things, rather than just send bits of paper backward and forward.

We think that there is scope to clarify exactly what the process is. We need clarity around what the system should be. We need to see how it links with the non-statutory guidance that people such as the RICS, as the professional body, produce, so that we help inspectors, or judges if it comes to review, to understand what they are looking at and to eliminate judgments where different judgments are being made inconsistently across the country.

We hope that the Department will look at some of the latest legal decisions, such as the appeal decisions in London at Stag Brewery or Cuba Street, for example. They have something to say, which I think may be partly to your point, around how growth modelling should be factored into looking at viability and the extent to which it is reasonable or not—the judgment suggests it is not reasonable—to try to capture up front assumptions about growth, although if that growth transpires or becomes apparent, it is reasonable to capture it at that stage. That is quite an important clarification that might help in all this.

To your point maybe about standardisation, rather than think about a standard requirement, think about a standard method for assessing deliverability. In planning policy guidance, you could put more into that that would help local authorities and developers to understand how deliverability is going to be assessed and how things changing the impact on viability can be assessed along the way.

This is a journey. This is not a point in time at which you say, "Okay, here are the numbers. These numbers are going to stay the numbers and



therefore we are going to hold you to everything that is within them." This has to be a journey because costs change. Build costs and construction costs have been going up massively. We have a huge shortage of skilled labour and therefore that means that those costs are also escalating. We have to have a system that is flexible enough to take all parties on a journey and is flexible to the way things change along the way.

- Q61 **Andrew Lewin:** I completely understand, Melanie, that there is nuance to this, but I have to say that I am cynical about some elements of it. I represent Welwyn Hatfield. In Welwyn Garden City there is a much-discussed development adjacent to the station. It is 25 minutes to Finsbury Park on the train and I have been told that it is not viable to build social and affordable housing. I have to say that I find that difficult to buy.

Trying to move this on in a constructive way, Will, I cited your evidence as the NHF. I am interested in your view on whether there is scope for a national advisory service. How do we build the framework to improve this? My view is that the system is broken at the moment, and I am really interested in practical steps to improve it.

Will Jeffwitz: I definitely think that capacity and skills within local planning authorities, ultimately driven by resourcing, are certainly an issue. Practice varies very widely across the country, and some local authorities are much more able to hold those robust viability negotiations than others. Some kind of service that supports that happening across the country could be really helpful.

There are other things to note. I agree that construction costs are putting pressure on viability. Until we start to see that come down, there will be pressure, but that is certainly only a part of the picture.

The process is stronger than it used to be. The 2018 changes have helped a bit, particularly it being very clear that you cannot use the price you paid for the land to renegotiate viability. Arguably, that is why we have quite a lot of unsold section 106. Renegotiating viability on the basis of the price you paid for land is no longer a way out of that, so you still have to provide the section 106 somehow. That could be at least part of the reason.

As I, and I think Robbie, said, the plan-making stage is really important for this. There is an opportunity with a renewed focus on that, quicker timescales, et cetera, to put viability of affordable housing at the heart of that, with really good data and much more granular analysis, so that you can set much of it really clearly up front. Then you massively reduce the scope for site-by-site negotiation down the line. There is a good opportunity in the next few years to improve things.

- Q62 **Andrew Lewin:** I just want to check, Will. In your own submission, you said that it "is frequently used purely to compensate overpaying for land



or to maximise profit". Is that your view? Is that still the view of the NHF? That "frequently used" is important.

Will Jeffwitz: We certainly have not quantified it, but there are frequent examples from our members of that being their experience of developments. There are also frequent examples where it works much better. I would not say that it is the standard practice, but it is certainly there and probably varies a lot by area.

Q63 **Mr Mohindra:** Going back to Will's last point, is "frequently" once a year, 50 times a year or 1,000 times a year? Picking up on Andrew's point about language being important, I am conscious that you have not quantified it, which worried me even more, and "frequently" is quite a powerful word to use in this context.

Will Jeffwitz: No, it is true. As I say, there are frequent examples, but we certainly would not claim to have quantified it, which I think is a really important point. The data on this is very poor, so it is quite hard to quantify it. One focus for reforming and improving section 106 could be about improving the data available on the contributions that are agreed and then also the contributions that are actually secured. There used to be data on that up until a few years ago. That is no longer collected. There is now the mechanism of infrastructure statements, which Robbie will be better able than I to talk to you about, but I do not think that they are very well used either. It would allow us to have this debate much more effectively if there was better data.

Q64 **Mr Mohindra:** I am going to move on to community infrastructure levies, if I may. Can I start with Richard? You are not able to use CIL for affordable housing, but that inherently has a challenge there where CIL moneys are typically given to county councils, because you typically deal with the infrastructure side of things, versus affordable housing at district and borough level. The Home Builders Federation estimates that £8 billion of infrastructure payments are sitting on council books and not being spent. What is your view about CIL and how do we evolve it to be more effective?

Richard Clewer: The first thing to say is that CIL varies wildly based on geography and affordability of building. I was doing a peer challenge on the Wirral. The entire south bank of the Mersey is unviable to build because of the cost of build compared to remediation and land. There, CIL would be an absolute non-starter. In other areas, CIL comes in, but you pull together your infrastructure lists and you will be looking particularly at highways, but also secondary schools. The delivery of new secondary schools can be incredibly expensive. Primary schools work well in the planning process in my experience. Secondaries do not.

You then have to accumulate enough funding, very often with grant funding coming out of the DFT on the highway side, and with potentially other funding for other elements of your infrastructure list. To pull together enough money to be able to deliver those inside the timescales



HOUSE OF COMMONS

that you are then working on with Government Departments is really challenging. The idea that there are huge amounts of money sitting there that could be spent to solve all the problems I am afraid is not true.

There is a fraction of the money sitting there if you look at the County Councils Network submission. I will not give you the figures; you have them. You are maybe getting 10% of the infrastructure funding you need through CIL to match the infrastructure that has been identified.

The A350 in Wiltshire has taken us—gosh—10 or 11 years to get that work resolved, because it has required DFT approval. It has required National Highways approval because it has been dealing with a junction of the M4. The complexities and bureaucracy that got in the way of that have delayed the ability to release that funding.

Councils need to get smarter in the way we are using CIL to actually assist communities being impacted by development, rather than storing it up to try to fix highway schemes that we are never going to have the capacity or funding to resolve. That gets even worse if you are in areas of the country where CIL is not a viable option. Then you have the fact that you are not getting CIL on permitted development, and there is some permitted development that really is riding roughshod through the spirit of the 106 and CIL provision. There are other forms of development where you are not seeing that CIL coming in and you should be.

Conflating it with affordable housing is inevitable. I am not sure that it is helpful under the current system. I would rather see one pot addressing all those issues rather than the two, but that is a personal view, not necessarily a County Councils Network view.

Q65 **Mr Mohindra:** Melanie, do you have any views on CIL?

Melanie Leech: I am happy to say that I can largely agree with Richard on this one. We recognise the challenges that sometimes the CIL funding that is there is not enough to pay for the project. Therefore the money sits there and the project cannot go ahead because the money has to come from somewhere and it cannot be funded from elsewhere. The underlying premise that CIL money should be spent is the right one, so we need to find a way of unlocking that money.

Q66 **Mr Mohindra:** How would you do that? That is the million-dollar question.

Melanie Leech: Yes, it is. You probably need to look at it alongside other potential sources of funding. Tax increment financing in some areas is an option. Richard probably has much more ingenious ways of trying to solve this problem than I do. The challenge for developers is that that money is paid over but yet the community does not see the benefit. Even if it does, there is not necessarily that direct link between the development or the developer and the provision of community facilities. It is a conundrum that we need to find a way of solving. As I say, I suspect that the answer is that you also need to layer alongside CIL,



HOUSE OF COMMONS

where you can charge CIL, other forms of financing that allow projects to be unlocked.

Q67 Mr Mohindra: Will, I know that the NHF has historically said it wants CIL rolled out across the country. Is that still the case, given the regional challenges where it sounds like CIL will not be viable up in parts that Richard has alluded to?

Will Jeffwitz: CIL does not fund affordable housing, so it is important to say that we are less invested in this debate. Our overall view is that it is important that everywhere has at least considered whether to use CIL and has come to a considered decision based on viability and other local circumstances, rather than just having not had the capacity within the local authority or other things to implement it. It certainly should be considered everywhere, but I absolutely agree that in some areas there is not that much value to capture. Trying to capture enough to deliver affordable housing and the CIL probably will not get you there and so you need other forms of funding, including grant, to make development stack up.

Q68 Mr Mohindra: Robbie, I am not going to ask you the same question. I am going to build on what Richard said earlier when he said that CIL and section 106 has muddied the waters, because developers would only want to contribute a pot of money and allow the local authority to make the decision. Do you think that CIL is the right way forward, given that councils and developers just want a pot of money, letting local democratically elected members make the decision about how their money is spent?

Robbie Calvert: CIL has proven highly complex in its implementation. The regs have been amended six times since 2016. There have been complexities in the interaction between CIL and section 106. CIL is intended more for that strategic spend as well, so that provides a useful function that section 106s cannot manage. It has yielded between 5% and 20% of the funding of new infrastructure. That is clearly not enough and councils are in that catch-22 where they are unable to accumulate sufficient CIL revenues to fund that key infrastructure to unlock housing, for example, and are not able to borrow against the CIL, effectively. There have been complications there.

One point to touch on that is important in terms of spending CIL is getting infrastructure funding statements right and the guidance around them. As I understand, the Government were intending on revising the guidance prior to the proposed introduction of the infrastructure levy that was subsequently rescinded. However, we strongly encourage that that be looked at again as a priority, to ensure that local authorities are setting out in a clear and consistent manner across local authorities how CIL funding is to be spent and intended to be spent. It touches back on the point around an up-to-date local plan as well, ensuring that we can set out the appropriate amount of developer contributions.



Q69 Mr Mohindra: On that, I declare my interest as a Member of Parliament who has two councils without a local plan. I was a councillor for many years, so I bear scars of the local plan process. I am probably going totally off topic. Apologies, Chair. How do we speed up local councils having a fully adopted local plan as quick as possible with CIL and section 106 as the second phase of that conversation?

Robbie Calvert: It is a tricky one. We are at an average of seven years to get a local plan adopted at the moment and moving that to the 30-month target is really ambitious. In particular around developer contributions, because they are quite a complex part, testing the viability of sites as they are allocated is a complex one. Touching back to Will's point, it is about having that evidence base up to date. We see maybe a role here for the future of digital planning around local plans to try to expedite some of this or elements of it.

It is difficult because Government's aim is to streamline the evidence requirements for this local plan process. However, this is actually quite a complex part of that, so I am not quite sure how to square that circle at this stage beyond greater standards and consistent formats of data. Government have signalled that they want to move towards that system. I am keenly looking forward to seeing what the NPPF proposes around that.

Mr Mohindra: Thank you for your indulgence.

Chair: We are moving on to compulsory purchase and land assembly.

Q70 Naushabah Khan: This is probably a question for Richard first, but I am happy to hear views from other members of the panel. Given the new powers for compulsory purchase under the Planning and Infrastructure Bill, how do you think that local authorities can make the best use of those changes?

Richard Clewer: Again, I am afraid that it is going to vary wildly from authority to authority. There are some areas where the ability to use compulsory purchase to enable land assembly is going to be really valuable. I suspect that in London it could be a very powerful tool. I do not think it is the problem in large parts of the country, I am afraid, and it runs the risk of councils running up significant amounts of borrowing to engage in compulsory purchase for development that then occurs over many years and places a massive financial risk on the side of councils that they cannot afford.

I certainly looked at whether we would consider something, not with compulsory purchase, but through infrastructure funding, to unlock a lot of houses around Chippenham. In terms of the viability from a council point of view, the financial risk that it would cause was almost existential. Councils will have to approach this carefully. There will be specific examples where land assembly, particularly where you have very fragmented land ownership, could be really useful in unlocking significant



schemes. As a whole, unless councils are able to compulsory purchase, in essence, at agricultural value—and that is a totally different concept—I do not honestly see how it is going to be that helpful for most of the country.

Q71 Naushabah Khan: That was very clear. Does anybody else have any comments?

Robbie Calvert: Around CPO reform in the Planning and Infrastructure Bill, we are broadly supportive of a lot of the elements of it and a lot of modernisations of the process. We actually encourage Government to go further on a number of elements.

To put it in perspective as well, if you consult the Planning and Infrastructure Bill impact assessment, a saving of only £2.5 million was earmarked for the CPO reform. In terms of resourcing, I do not think that it is significantly changing the needle there. It is clearly a skills and capacity issue, but there is a culture thing here as well for local authorities to be more ambitious with the use of CPO powers. We will see whether development corporations and new approaches there can move the needle as well. It is worth reflecting on the actual figures in terms of whether this is going to be a significant change.

Will Jeffwitz: I agree completely on the point about resourcing and capacity. We have heard members that say that they have approached local authorities about the potential of CPO-ing a particular site to unlock a wider development, and a local authority just does not have the capacity to be able to do that. That obviously then stalls the wider scheme, or holds it back. That is an important part of it.

On the changes around hope value, we definitely support those changes that were in LURA and the subsequent tweaks to it since then. The next step is to try them out, because I do not think that they have actually been used. That feels like the crucial next step, to find out whether they work in practice. Housing associations, I am sure, would be very keen to work with local government, Homes England or others on that.

Melanie Leech: I will add my two penn'orth. I do not have much to add. We think that CPO is a power that should be used carefully and sparingly for all the reasons that have been talked about. You need to have regard to the diversity of the land ownership and the people we are talking about who could be impacted. That is everyone from public sector institutions to private individuals, pension funds, financial institutions et cetera. If you think about the new towns policy, for example, and those very big schemes, land assembly is absolutely critical to making sure those schemes deliver successfully, so we think there could be a role there.

On hope value, we are concerned by the suggestion in the consultation that landowners could be deprived of hope value through CPO where the land has already been allocated for residential. That simply risks undermining confidence in the land supply market. You need to be careful



HOUSE OF COMMONS

that, in creating policy, you do not create the unintended consequence of destroying the land availability. Land will not come forward for development if you destroy the market for it. You have to be very careful about how you think about this.

Hope value is not actually the primary barrier to quite a lot of the development that would be suitable, particularly for housing, because that brownfield development site is more about enabling infrastructure. It is about remediation and what is in the local plan. It is probably possible to overstate the importance of hope value too, particularly around some of those complex sites.

- Q72 **Maya Ellis:** Moving on to strategic planning and some of the bigger projects, I am mindful that the Government last week announced some big infrastructure projects around the country. I am in Lancashire, where we do not necessarily have many of those announcements, but we have massive impact on our motorway networks and transport infrastructure. Particularly in shire counties, those infrastructure projects are more complex, so we would love to see more joined-up working. I am interested in how you think developer contributions could be used more strategically to deliver those cross-boundary projects and where you think we can go with that.

Richard Clewer: There is a limited amount of money that you are going to get out of developers. If you take money for the delivery of strategic road infrastructure from developers, you will get less affordable housing. Strategic national transport infrastructure has to come from Government and not from development. We have to be realistic about what you can and cannot get from the development process.

It is critical that we get that being allocated on a level where it is able to be spent by mayors, whoever—someone who has the ability to understand what is required to unlock the housebuilding that we want to see happen. Bear in mind—and it will come on to the last point and time may run away—that that does not mean that, even if you have that, developers will build it out at the rate you want. That is a separate issue on top of that. That is a much more significant challenge.

- Q73 **Maya Ellis:** Okay, so you think that there needs to be the local leadership around it, but that money, realistically, is not going to come from those developers.

Richard Clewer: It has to be a more cogent approach from different Government Departments saying, "Here is our funding for this area all being put together," and then trusting that that be used to provide the infrastructure locally to unlock that development, rather than waiting for ever for approval, by which time the price of the project has doubled.

Melanie Leech: To support that, the key issue here is joining up effectively across Departments. We are expecting an industrial strategy, an infrastructure strategy, and a housing strategy. It is critical that they



all join up together, because in that way you are planning for the infrastructure, economic growth, jobs and homes all in a coherent way. Not every part of the country will win out of the combination of those things, I think.

You have to be realistic, but at least that might give some clarity to the framework within which you can say, "We can see that this place is going to be a hub. It is going to need this infrastructure. It is going to need this wealth creation through jobs. It is going to need these homes to support those jobs." It is not always about affordable housing, actually. Sometimes that is about the right housing for significant white-collar workers.

Anecdotally, I heard last week of one employer that is very keen to locate a significant new investment in the north-west, but the homes for those workers—well-paid white-collar workers, middle and senior management—are just not there for them. You have to integrate these strategies effectively, because otherwise you will not get the homes matching the jobs and the infrastructure matching the ability to support those communities.

Q74 Chair: On that, would it give certainty to investors as well?

Melanie Leech: Absolutely, yes. Particularly in private markets, there is a huge amount of investment wanting to come to the UK. UK property sector has always been a magnet for global investment, but they want certainty and scale. Being able to create that coherent framework within which it is really clear, and then combined authorities and local authorities can build on that to create compelling propositions, is absolutely critical.

Q75 Maya Ellis: To build on that, from what you have seen from devolution in the last five or 10 years, as we have started to really see really strong leadership on that, has that given greater security to your members, as to confidence in certain areas, such as Manchester for example? Is that happening already? Is that leadership bringing together those things? Do your members have hopes, as devolution rolls out, that that is only going to get stronger, to add more certainty that they are not necessarily getting right now?

Melanie Leech: You can see in Manchester, and in the west midlands and Greater Birmingham—London has had it for a lot longer—that that leadership has delivered real results. We are hopeful that, talking to many of the elected mayors, as my members and I do, there is a real appetite to get to grips with this issue of how you bring together the strategic perspective that allows you to plan across regions.

For a sector such as logistics, which is a key part of our critical infrastructure, because we all want our deliveries, doctors surgeries need their deliveries and everybody needs that to happen, it is absolutely critical that you can plan across existing local authority boundaries. Quite



often the site will be in one place that does not necessarily want to be the one that owns it, but it will serve a whole region.

You have to be able to have that strategic planning tier, but you have to do that in a way that pulls together the local authorities so you do not undermine that very direct connection between local authorities and their communities. There are examples such as Greater Manchester and the west midlands where they have actually been able to cut through party politics and all the complexities of individual local authorities and pull together for the sake of the region. I can see that and we are hopeful that much more can be achieved as devolution rolls out. We have always been strong supporters of devolution.

Robbie Calvert: I am massively supportive of the reintroduction of strategic development strategies. Going back to a piece of work that RSA did in 2022, the City Growth Commission, comparing to regional equivalents in Europe, found much less tax-levying opportunities in the UK. That may be stymieing growth to some degree.

Around CIL, there is an opportunity there to pool CILs, but also the introduction of a mayoral CIL, like we have in London. Admittedly, that is quite a low-level CIL compared to local CIL, so we need to manage our expectations about how much of the significant infrastructure that will in itself fund.

One more pragmatic point around the SDSs is that that could be quite a good level to hold that expertise around planning obligations. To have your viability officers as a shared service at a strategic level would be quite useful. I think that someone proposed it nationally but at that strategic level it is critical.

I absolutely take Melanie's point about needing to knit together these government sectoral plans. We are advocating for a national spatial framework to do that, unsuccessfully at the moment. Strategic development strategies are going to be absolutely critical, especially if you think about the emerging industrial strategy and how that is connected with local growth strategies. It is at that strategic level. Hopefully we can provide business the confidence to get that investment into our regions.

Q76 **Maya Ellis:** On that last piece around the English devolution Bill potentially introducing the mayoral CIL, I know that we have touched on general CIL not having that big an impact in certain areas. Is there anything anyone wants to add about that mayoral CIL and where it could add some value and use in this space?

Richard Clewer: I will get myself in trouble with my parishes, but a parish council getting 25% of a strategic community infrastructure levy does not make a great deal of sense. By all means, take some of that and assign it to a proper strategic body. That would make sense to me.



HOUSE OF COMMONS

Melanie Leech: It comes back to the point that Richard made and we talked about earlier on. Across quite a lot of the country, the land values do not justify the levying of a mayoral CIL, so it is not a silver bullet that is going to add significantly to infrastructure delivery or other things in much of the country because the land values just will not support it.

Chair: Finally, we will look at build-out and speeding it up.

Q77 **Mr Forster:** Recently we had a government announcement on speeding up the development of homes. What was your reaction to it, and particularly the delayed homes penalty clause? In my constituency, Woking, in the town centre alone we have over 2,000 properties that are not being built out, despite having had planning permission for years. There is clearly an issue. Do you think what the Government have announced is going to work?

Robbie Calvert: When you see it in the broader package, we would support the principle. However, it was certainly something that worried me when reading through the consultation, because this is a big, new and unfunded duty coming on local authorities, and in particular enforcement teams, around enforcing a condition and then managing the delayed home penalty, but dealing with the development progress reports as well. While we support the principle, the actual practical implementation of it has significant resourcing requirements, so I am concerned about that element of it.

Will Jeffwitz: On the consultation overall and particularly the high-level paper, I thought it was a really good explanation of what the various drivers of build-out rate are. The one that we would focus on most is that diversity of tenure point. It is quite well evidenced that the more diverse house types you have on a site, particularly larger sites—and that is including tenure, so social housing, but also shared ownership, housing for older people, private rented and other things—the more quickly sites build out. A much broader proposal around incentivising that could be really significant in terms of public support for housebuilding and absorption rates.

Melanie Leech: I should probably, in answering, say that I am not speaking for the major housebuilders for sale. They are not in my membership, I speak primarily for the long-term investment into rental, so build to rent, student accommodation, et cetera. I can tell you very precisely what one of my members' reaction to the announcement was, because I was copied in on an email. This is the chief executive of one of the major built-to-rent providers. He sent this to MHCLG because he had had his global investors on the phone straight away, pretty much, saying, "What is all this about? Is this the Government knocking us again? What is going on?"

My understanding from that exchange—and I do not want to betray any confidences—is that there is recognition within the Department and Government that the build-to-rent sector that I represent typically builds



HOUSE OF COMMONS

out much more quickly. Affordable housing can be delivered more quickly if the conditions exist, so that is not really the target for this. As I say, I want to be careful, because I do not want to speak for people I do not represent, but nor do I want to suggest that there are not broader challenges.

It goes to the viability point. Why would a developer not develop out if it is viable to do so? Certainly in the build-to-rent sector that would be true, because you are delivering homes collectively at scale and you do not get any rental income. Of course, that is what my investors are looking for. They are looking for that long-term rental stream. We do not get any rent if homes are not occupied. It is not in their interest at all not to build out quickly.

Richard Clewer: You could argue that developers would not build out at speed because they want to keep the value of the product they are selling at a nice high level. There is plenty of evidence to suggest that that is the case.

All the changes to NPPF so far are not going to build a single house. They are going to get a lot of planning permissions. In July of last year, I had 18,837 extant planning permissions in Wiltshire, yet developers assured me that they could only build just under three years' worth of land supply. That is when we had a four-year housing land supply, which is three years forward, one year back. Now, back to five years, it is a little bit closer to them being able to build out four years. It is a game.

When a developer signs a section 106 agreement, they agree a build-out rate. If they are being honest, that build-out rate means that, at that point when each of those houses is built, there is no reason they should not start paying council tax on that property. If they are not building it for whatever reason, either they should not have signed the 106 agreement, or they have signed it based on good faith and solid evidence, and should be willing to commit. The idea of making them pay council tax on those properties at the point they have said they will be built, unless there are incredibly extenuating circumstances, strikes me as a wonderful way, which does not break the market, of giving developers an incentive to actually stick to the agreements that they are signing and therefore provide houses. We need to build houses, not issue planning permissions.

Q78 **Chair:** Do you think that there should be a delayed homes penalty for those developers?

Richard Clewer: There needs to be a form of it. The idea of using council tax is a very simple one. I am not suggesting that that goes straight to the council to spend as it wants. Using it for infrastructure makes a lot of sense. You need a simple metric and that strikes me as a simple metric.

Q79 **Chris Curtis:** I get the point on this. Most flights I get now arrive early,



HOUSE OF COMMONS

since we have introduced fines in the European Union for flights arriving late.

Chair: Where are you flying to?

Chris Curtis: Airlines have extended the estimated length of a flight, because that decreases the chance that they are going to have a penalty. I suppose that that is the same analogy that happens here. If you were to do that, would developers not then just decrease their projected build-out rates in your S106 projections and work to a slower thing because of that fear of the fine, the delayed penalty or the extra council tax, if they do not hit it, and therefore it decreases the housebuilding rate? How do we avoid that problem?

Richard Clewer: They may well do, but section 106 and signing one is a negotiation. Particularly if we are looking at larger strategic authorities being created, they have a greater ability to negotiate that; on Wiltshire Council we have a more functional planning department than small districts because it is bigger. Once a developer has signed that, they are going to want to see some building occurring. Once they have signed that, they then have to stick to it. They are then being given something that they cannot delay or fudge. Even if it resulted in extended build-out rates being agreed under 106, at least you would know those houses were going to get built.

Q80 **Mr Forster:** I appreciate that this Government have said that they do not want to levy council tax on properties that have not yet been built. I might agree with you, but I do not think we will be able to persuade them.

I have a few follow-up questions. The first is to Robbie. What should this Committee be lobbying the Government for in terms of infrastructure to make the delayed homes penalty work?

The second is a question to everyone. If this was introduced, where should the money go? How should it be spent, as in ringfenced, and how do you calculate it—future house price or council tax? There is a lot of debate and detail to be decided. We would really welcome your thoughts, if we are going to lobby the Government on this.

Robbie Calvert: That consultation does reference the ringfencing of fee income. That is in the provisions in the Planning and Infrastructure Bill. We need a fair appraisal, in that that is just dealing with years of disinvestment to get our service to a certain point. We need additional investment above and beyond that if we are taking on new and unfunded duties. In particular, enforcement teams are a very stretched part of the planning service at the moment. Enforcing these conditions is going to be a significant resource burden.

In terms of making this work and having security from developers, the list of national exemptions is really key. The consultation refers to economic downturns, for example, as being a national exemption. When I



was thinking about that further, I was like, “Well, what is an economic downturn?” Is it 2009? That in itself will need to be defined. It could be a bit of a minefield in terms of the legal issues in particular. A lot of detail needs to be fleshed out to make this work.

Melanie Leech: The starting point is that the Government have set out an ambition to deliver 1.5 million homes during this Parliament. It needs all parts of the development industry firing on all cylinders to deliver homes for sale, homes for rent, affordable and social housing, student accommodation and senior living.

Anything that engenders the kind of reaction that I described an investor making over the weekend on seeing this announcement, anything that looks like it makes development riskier or more difficult, or anything that is a disincentive rather than an incentive, is counterproductive. It will simply further undermine investor confidence. We need investors to be confident, wanting to come and invest in homes.

There are already so many uncertainties around the delivery of housing, including the significant challenges—we have not touched on this, and I promise I will not go into detail—in relation to the new building safety regime and the delays caused by the Building Safety Regulator at the moment. Anything else layered on top of those that further undermines investor confidence is ultimately taking away from the ability to deliver the homes that the country needs.

Q81 **Chair:** On that, though, when I think about all of our collective inboxes, we want to see these homes being built more quickly. Developers are coming forward and pre-agreeing the build-out rates. Why have they gone with those pre-agreements if they know that they cannot deliver on them?

Melanie Leech: I do not have any evidence to suggest that the build-to-rent developers that I represent do not stick to those. As I said, it is not in their interest not to. They are delivering groups of homes rather than individual homes. The build-to-rent model is very different from the build-for-sale model. You have the capital to fund at scale, up front, and you are trying to generate a revenue return over a long period. It is a very different business model. I am probably not the right person to ask about the build-for-sale model.

Q82 **Mr Forster:** To dive into either the non-build-out rates or the slow build-out rates, a lot of developments never get started because they are just too expensive and not viable, particularly on brownfield. You then have very slow build-out rates, which probably are less of an issue. As Richard highlighted, it is about managing the price and their other workforce issues. It is understanding those two particular challenges. I am probably more concerned about development not being viable or developers saying that developments are not viable once they have planning permission and have agreed a schedule. Having nothing built seems worse than, “We will get some homes eventually”. We could divide them up. I am less



concerned about the rental market.

Richard Clewer: Once a developer gets planning permission, that increases the value of an asset that they hold, which increases the book value of their company. If they delay, with house prices on a pretty much ever-increasing trajectory, they are able to accumulate long-term value without needing to take those steps to build. Aside from the compulsion to ensure that, if you have permission, you build or you get a penalty, I do not see what other levers we have. We should set aside brownfield, which is a totally different issue. Viability there is an absolute nightmare. I do not disagree. I do not know what other levers we have to encourage particularly the volumetric housebuilders to build the houses that are needed.

Chair: I am mindful of time for our second panel. I am going to have to wrap it up. Thank you all. There were some interesting points for us to deliberate on as we continue our inquiry.

Examination of witnesses

Witnesses: Avril Roberts, Paul Brocklehurst and Emily Williams.

Q83 **Chair:** Thank you to our second panel for the second session of our land value capture inquiry. Can I ask our guests to introduce themselves, please?

Paul Brocklehurst: My name is Paul Brocklehurst. I am chairman of the Land, Planning and Development Federation. I represent land promoters, housebuilders of all sizes and commercial developers bringing land forward through the English planning system.

Emily Williams: I am Emily Williams. I work in the residential research team at Savills. We, as a company, work across all aspects of the development process, including affordable housing providers, and we have an overview of the housing market.

Avril Roberts: Good morning. I am Avril Roberts from the Country Land and Business Association, the CLA. We represent about 26,000 landowners and rural businesses who, between them, own and manage about half of England and Wales.

Chair: Thank you very much. We will go straight into the principles of land value with Sarah.

Q84 **Sarah Smith:** I wanted to talk a bit about the impact on agricultural land value based on planning permission. From some of the evidence that we have received, we know there is a significant increase on the basis of planning permission being awarded. There is a Savills report on this that highlighted that, against about a 23% increase in property value, the increase in land value over the same period was about 4%.



HOUSE OF COMMONS

I just was interested in the responses of the panel as to whether the problem of unearned profit for landowners is having a negative impact on the broader ambitions around building the necessary infrastructure and homes that we need.

Emily Williams: I am happy to kick off, given the context of the Savills data that you referred to. Since the recovery of the market after the global financial crisis and the impact of the introduction of the NPPF in 2012, we started to see a bit of a dislocation between what is happening to house prices and what is happening to land values. That is an indication of an improvement in how land value capture was working. It is becoming more effective and more has been captured. The return to landowners has been much more limited.

As you mentioned, we have seen house prices well exceed where they were in 2007 at the peak of the market and continue growing after that, whereas land values still have not returned to where they were in 2007. If we look at what was reported in the 2010s, the total volume of developer contributions has grown. It grew, at a proportional rate, faster than the number of new homes or new planning consents.

That shows that over the 2010s, with the way that CIL and section 106 have been working, the problem of unearned return to landowners has been tackled to an extent. Clearly, there has to be some return to landowners to incentivise them to engage with the planning system and bring sites forward because there is the potential to realise value, but, at the same time, they are losing an asset that will have been income providing. There has to be some level of return in order to incentivise them to bring land forward in the first place.

From the data, at least certainly what we were able to see in the 2010s, I would argue that the problem has been dealt with to an extent.

Avril Roberts: I would firstly disagree with the word “unearned”. We often take examples of land value capture where there is a large master-planned community, the landowner may not be involved with the process and there is a developer who is doing all of the work. Most of the members that we represent are deeply involved with the putting forward of land for planning permission. It is often slightly smaller or medium-sized sites. They are taking a significant financial risk to put that land forward for development.

We are talking about the uplift in land value from agricultural value to a site with planning permission. That is not the only uplift. The promotional costs have to come out of that, including the cost of applying for planning permission, the opportunity cost that may come out of that and an element of profit for everyone involved in the process. That means the landowner is taking a significant financial risk. For a £10,000-per-plot acre of land in agricultural value, it costs about £20,000 in promotional costs and the outcome of planning permission is uncertain. If the result of



the planning application was a no, the landowner has taken a significant financial risk to put that forward.

Finally, there is also a reputational risk for our members putting forward land for development. Often they are living within the communities where they are putting land forward. We know that development is very unpopular in some communities. Our members have to run businesses at the same time. Putting forward land for development can be a significant drain on their resources to run their business, aside from the reputational risk that makes running their business difficult.

We disagree that it is unearned income. We need a clearer definition of uplift in value and the costs that come out of that uplift before we start talking about unearned profit for landowners.

Paul Brocklehurst: If I can just pick that up and take one step back, when we talk about land value and land prices, we seem to do it at a national level. Not all land is created equal from a development value point of view. The value of an acre in Teesside is not the same as a value of an acre in Surrey.

As a nation, we need to accept that we have got ourselves into this position. One of the factors that we need to contend with—I am a great believer in simple economics—is that this is a reflection of demand and supply. For the last 50 years, we have rationed the supply of land into the market, which has constricted the demand side as well. In particular, we have inflated land prices in certain areas.

One of the things to be clear on is that regionally it is very different and the typology is very different as well. There is a focus on agricultural value. I sat in on the previous panel. There was a lot of generalisation about viability, when in fact viability for greenfield and viability for urban and brownfield are very different conversations.

The work done by Savills has shown that planning gain has increased quite substantially over the last decade or more. We have got to a situation where 52% of the gross land value, once it gets its planning consent, is taken by section 106 and CIL. That excludes whatever either a developer or a landowner pays in terms of capital gains tax, income tax, corporation tax and inheritance tax in certain instances.

In combination, the methodologies are already garnering and gathering a gain to the community. There is a wider discussion, which I am sure we will get on to, about how that is spent and the viability discussions that I have just heard. We need to be careful about taking the conversation at a national level. It is very different around the country.

Q85 **Sarah Smith:** Is the current approach fair? What would be a fair apportionment of land value uplift between the public sector and landowners?



Paul Brocklehurst: I would go back to my response. In some ways, one of the fundamental problems that we have in England at the moment is that 80% of our local authorities do not have an up-to-date local plan. That means they do not set their expectations for contributions and CIL. In reality, they do not review their expectations for that community gain regularly enough to ensure that a fair portion is going from the land value, if there is any, into the wider community.

We have seen an increase, but, because in a plan-led system we do not have local plans, we are not reviewing often enough whether we are getting what the wider community wants. That is a way for understanding what fair value is. In reviewing section 106 and CIL more regularly, you will get to a point where you will understand what landowners are willing to accept as a fair price for their land in their market area. As I say, it will be different around the country.

Emily Williams: I would add that we can think about what is fair, but there is also what the market requires for that site to come forward specifically for housing. Again, that will vary a lot depending on location. In many locations, it is not just a question of agricultural value or the value that you get for releasing it for housing. There might be other uses that are also appropriate. In some areas, that could be using it for solar farms or logistics. If there is not enough of a return to the landowner because of the level of developer contributions for housing, that site will not come forward for housing; it will come forward for alternative use instead.

Again, I agree with Paul on the importance of setting expectations through the local plan process and having really clear and up-to-date requirements for the affordable housing proportion and what the long-term infrastructure requirements are going to be in that particular area. That is what gets you to that level of acceptance from a landowner in terms of the return that they can expect.

The challenges come when no clear standard is being set, so you have to go through the process of working out where the market sits. When that is combined with a lack of land supply, which is what we have been seeing increasingly over the last five years or so, as the number of planning consents have dropped, developers are bidding very competitively to secure land and to secure a pipeline. That creates its own set of landowner expectations.

It is about how you set a reasonable expectation through the local plan process to smooth the process and not get to the situation, which was discussed by the panel earlier, where people are overpaying for land. I would argue that no one has really overpaid for land. They have paid what they need to secure that site for their pipeline. If there is no clear expectation through the local plan process of what they need to provide as developer contributions, it is very hard to argue that it was an overpayment. It was just what the market dictated that they had to pay.



HOUSE OF COMMONS

Avril Roberts: I agree with everything that Emily and Paul have said, but, before we start talking about a fair proportion, which will depend on location, Paul said something very important. We first need to decide what we are talking about when we are talking about land value capture. What are we counting in this? Are we just counting section 106 and CIL contributions? Are we also counting on-site infrastructure and on-site affordable housing? Are we counting capital taxation that could be used to pay for some of the support and mitigation that the development needs?

We need to take it back a step, find out what we are already capturing and make sure we are spending that in the most effective way. Then we can look at whether we need to reform what is there and talk about how much we should be capturing, if we are not capturing enough already.

Q86 **Maya Ellis:** I am interested in the nuances that you have picked up on there. I largely agree that we need that more regional approach, particularly as we move to unitarisation because we are going to lose that district level. Just as an example, I am in Ribble Valley where land values are high and people want to build lots of houses. My neighbour in Hyndburn, Sarah Smith, struggles to get developers to go there. As we get to those spaces where even the local plan covers very different areas, is it possible to get that nuance even within a local plan?

Paul Brocklehurst: In some ways the reorganisation is beneficial. The conversation that I listened to did not really mention the words "local government reorganisation", which is a bit of an elephant in the room at the moment.

There seems to me to be a benefit from local Government reorganisation, the SDSs and so on and so forth in the medium term, because it will allow you to take decisions on affordable housing and infrastructure at a more appropriate level rather than a very local level. Fundamentally, things such as nature are much better dealt with at a strategic level rather than a site level, because I believe you will deliver species benefits at that kind of level that you will not do on a small site of two, three or four acres or whatever it may be.

My response to that is that it is a huge opportunity, but I say that within the context the new authority has to have an up-to-date local plan and has to review it regularly. For me, as a businessman, I just look at it and think, if we were setting capex budgets when we were looking to grow a business, we would not do one, forget about it for five years and come back to it. By the way, 40% of local plans are more than 10 years out of date, so our evidence base is worse than that. Instead, you would be reviewing your capital expenditure budgets annually to see whether they were appropriate, what had changed in the community and whether schools needed to change. That is one of the problems when we get on to section 106 and CIL. As frustrating as it is for a developer, it is not being done and there is no transparency of that being done.



Q87 Chris Curtis: I have some very quick points. We have skirted around the key number in this long conversation, so maybe it is worth coming to Emily quickly on this. Many points have been made. Local plans are good. That is fine. We have probably got a bit better at extracting land value. That is also great. That does not answer the question about how much more we could potentially extract. Avril mentioned that for a £10,000 agricultural price there is a £20,000 promotional cost. That is missing a number: if you get permission, what is it worth? Do you have a good answer to that question? Let us take greenfield land in the south-east of England to standardise it.

Emily Williams: It will be so site specific and it will depend on everything that you agree in the planning consent. We have done high-level modelling. It was based on the 2018-19 data for the MHCLG report in terms of agreed developer contributions. We looked at the distribution of housing development activity across the country at that time. The agreed developer contributions then were just under £7 billion.

Maintaining a reasonable level of return to landowners, promoters and enabling developers, we thought there was the potential in 2018-19 for an extra £1 billion worth of developer land value to be captured. That will have changed since then because we have seen a drop-off in the amount of development activity, so there is less of the pie to be captured, and because build costs have increased and house prices have fallen. The amount that is available for capture, while not reducing either developer margin or the return to the landowner, has fallen since then. We would probably say it was less than £0.5 billion now.

The way to make that number bigger is to increase land supply, which will mean less competition between developers in terms of how much they are bidding. That is what we saw in 2012, 2013, 2014 and 2015, where there was house price growth without land value growth. It was because there was an increase in land supply. In terms of where the balance lay in the competition for sites, it was switching more towards the developers rather than the landowners.

I cannot give you a number in terms of, "This is what a consented piece of land would be," because it is so varied depending on where you are in the country and the nature of the planning consent that you agree.

Q88 Chris Curtis: The Chair is keen for me to be move on, so I will. Last week, one of Paul's members said to me that, in the case of the promoter, who is not taking on the risk or anything else, the number is from £10,000 up to £600,000. I am not entirely convinced that there is not more value to be extracted from a shift of £590,000 per acre.

Paul Brocklehurst: I do not know who you were speaking to. I would go back to my previous answers. I am not saying that in certain areas of the country more land value could not be captured. I am not going to say that. I am saying that we have the mechanism to do this, which is local plans, examination in public and viability assessment by an inspector, but



nobody is using it. If landowners are willing to bring their land forward with those contribution levels, you will know that you have been able to extract more land value. That is the process for doing it. We have it, but 80% of local authorities are not doing it.

Q89 Chris Curtis: Very quickly, beyond everyone having a local plan, which they should—you will not find much disagreement on that in this room—are there any reforms to S106 or CIL that would be useful?

Avril Roberts: There are three main issues with the community infrastructure levy at the moment. First, not every local authority has a CIL charging schedule, so not every local authority has the capacity to collect CIL.

Secondly, in some areas there are multiple charging schedules. We are talking about mayoral authorities. For example, London has a CIL charging schedule. That can filter through to the outer boroughs, which then have double charging schedules. There is no co-ordination between how those two collections of funds are spent.

Thirdly, the charging schedules that are set are often not sufficient to deliver the infrastructure because they are significantly out of date and the infrastructure need for that area has moved on.

When we are talking about CIL, we think the concept is the right one. We think there is an opportunity with the move to more strategic planning to have a single CIL payment across the strategic area, which identifies the housing delivery that is going to occur within that strategic area over a set amount of time. They will have been able to identify, when they are delivering that housing, what infrastructure is needed to be delivered with—given it is going to be over the next 10 years—some cost inflation built into that, and then set a charging schedule that both can deliver the infrastructure and be assessed on the basis of how it will impact viability across the strategic authority area. We think the model of CIL is right. In our written evidence, we suggested that we move to more of a CIL tariff payment per home that can deliver the infrastructure across a strategic area.

With section 106, often the difficulty is resourcing and getting the section 106 signed after the planning permission is granted. We would suggest that there needs to be a national section 106 agreement that is a model that local authorities can use. That would reduce local authority resourcing and would improve developer and landowner certainty.

We have a specific interest in very small rural sites for affordable housing, called rural exception sites. We think there could also be a bespoke section 106 agreement for rural exception sites, which again would hopefully ease some of the burden on those smaller rural affordable housing sites coming forward and give certainty on the contributions that would be obtained through those.



Emily Williams: The section 106 route is broadly preferable to CIL because it can be attuned to the specifics of that individual site and where there may be particular challenges. The risk with CIL is that, unless you have an incredibly granular charging schedule, trying to apply a blanket charge does not take into account the nuances of site specifics and it risks making schemes unviable.

The other area where more attention needs to be paid—we touched on it in the last panel—is the relationship between delivery rates, pricing and the potential for land value capture. Particularly in high-value areas, a market such as Cambridge for example, we know there is a high demand for housing, but, if you are basing your assumptions off the existing house price in the market, that is going to restrict the rate of delivery of homes. In the large urban extensions around Cambridge over the last 10 years, new homes have been built on a discount to the existing market value in the second-hand market. That has implications in terms of how much land value there is to be captured because your overall scheme GDV will be lower than if you were building at a slower rate but in line with the existing market.

That nuance needs to be there. It is coming up again and again among the landowners and developers that we are working with. The local authority wants to build in an assumption of a newbuild premium or a green premium into viability discussions. If a developer then has to aim for that level of pricing, that will restrict the rate of delivery of those sites. We need to recognise the trade-off between pricing and delivery rates.

Paul Brocklehurst: I do not have a lot to add to what has been said previously, but I will just pick up the point about the £8 billion. There are a lot of developer contributions sat in bank accounts. It can be very frustrating for a developer because often that is the focus of the criticism, but they have paid the money into the county education authority to build the primary school and nothing has happened. That is really frustrating from a developer point of view.

On a wider basis, I agree with the comment about CIL being mandatory for local authorities. It is not just the impact of residential development. Other projects such as large-scale industrial and logistics can make a contribution. Often those impacts are from a strategic infrastructure point of view, for example on the road network. Again, those things are better done at a larger local authority strategic level. That is why CIL can work, if it is mandatory.

Q90 **Naushabah Khan:** I just wanted to pick up on viability. The National Housing Federation has been quite robust in some of its written evidence on this. It has said that viability assessments are frequently used purely to compensate overpaying for land or to maximise profit. I am just really interested to hear your reflections on that and, just generally, your views on the current state of viability assessments. Do they work? Is there any



HOUSE OF COMMONS

truth in the National Housing Federation's evidence?

Paul Brocklehurst: I will kick off quite happily. I would distinguish between two different kinds of sites. For urban sites and brownfield sites, I can recognise those statements. Let me put it that way. For greenfield sites, it is a rarer occurrence.

As was discussed, we went from frequent to examples. It is very rare that greenfield sites end up having viability issues. There are exceptions, of course, because of market dislocations such as the global financial crisis and potentially, for a very short period, covid, but in fact that did not impact the market for very long.

Q91 **Naushabah Khan:** When you say it is very rare for greenfield sites to have viability issues, are you saying they are unlikely to have issues with viability or that, if there is an issue, it is likely to be—

Paul Brocklehurst: I end up being a bit of a broken record. The viability for greenfield sites is really only tested once, and that is at an examination in public for the local plan. An inspector is asking, "Will the contributions make the plan viable? Will it be sound? Can they be delivered from the sites?" Most of the time, that is done once and then people accept the developer contributions checklist, go away and deliver them under their section 106 agreements. There is no real site-specific viability done post the examination in public. They just show that they can deliver using the proposed viability mechanisms or contribution mechanisms.

That is for greenfield. It is a different process for urban. Developers more broadly get tarred with the brush of renegotiated section 106s, which are often brownfield and urban. In fairness to those people, a lot of things have changed. Build costs have changed; building safety regulations have changed. Nobody is averring or saying that none of those things is necessary, but ultimately they have changed the basis on which some of these proposals came forward.

From a greenfield point of view, I am confident that viability is assessed in the local plan examination and it comes forward in that way through the planning system and through the section 106/CIL arrangements.

We did some work quite a while ago now, three or four years ago, which showed that local authorities boosted their affordable housing delivery by having an up-to-date local plan and by allocating the right mix of sites. Those came forward because they were viable and the affordable housing got delivered.

Avril Roberts: I will just add to that. I understand where the National Housing Federation is coming from. That would be frustrating for it, if it is working on an assumption that there will be a certain amount of affordable housing in an area for its members to obtain and then that is delivered at a lower rate. That would be frustrating.



HOUSE OF COMMONS

The planning practice guidance explicitly says—and I quote—“Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan”. If that is happening on a frequent or example basis, there is a problem with local authorities not following the planning practice guidance, which is a different issue.

Where the issue lies is that the price paid for land is often one of the first things to be negotiated because you have to have a willing landowner and you have to have agreed a price that they are willing to come forward at.

We have evidence from our members that planning permission takes on average 10.9 years. A lot can happen to viability even on greenfield sites, with build cost inflation, labour cost inflation and site-specific infrastructure. From agreement with the landowner through to submitting a planning application, the policy expectations of the local authority can change. That can have a significant impact on whether a site is viable. That is before we have even got into things like borrowing costs, which most developers will be using.

To say that developers are arguing viability because they have overpaid for land is too simple. They agreed the land value a long time ago. Things have changed. They are not allowed to argue, in order to not comply, that they have overpaid for the land. We need to look at what reforms we can make so that land can come forward more quickly. If it does not take as long to get through the planning process, we will see more policy-compliant schemes being delivered because we have that greater level of certainty on viability assessments.

Q92 Naushabah Khan: That is really helpful. Just to quickly come back on that, did you say that 10.9 years is the average?

Avril Roberts: Yes.

Q93 Naushabah Khan: Is that from land acquisition all the way to consent?

Avril Roberts: That is from when our members first start conversations about putting the land forward for development to consent. That is from when the conversation first begins between a landowner and a developer through to consent.

Q94 Naushabah Khan: What is that based on? I used to work in the industry. Certainly, 10.9 years was not my experience. Do you have a number of schemes that skew that?

Avril Roberts: That was a survey of our members who have put land forward for development. That will include pieces of land that were put through the local planning process, pieces of land that were done on the presumption in favour of sustainable development, large master-planned communities and small communities.



HOUSE OF COMMONS

I have also worked in the industry in the past, albeit on primarily brownfield sites in London. It is my experience that planning, regardless of the numbers, is taking far too long. That has a knock-on impact on viability. You do a viability assessment on the assumption that planning is going to be relatively quick, but it is not and things change over the course of that period.

Emily Williams: I would just back up those numbers. We have done a sample looking at the time to get to planning for average sites. Particularly for larger sites, viability is going to be more influenced by provision of infrastructure and things like that.

For sites with the capacity for over 1,000 units, application to permission is taking over four years. In addition to that, for most of these sites, there will have been the promotion process to get an allocation in the local plan in the first place. We know that local plans, on average, take about seven years to adopt. You can see how you get towards that 10-year figure.

Naushabah Khan: I was just interested to hear what the basis was for that because there are lots of examples where it does not necessarily take that much time.

Q95 **Joe Powell:** I want to ask about the compulsory purchase order reforms in the Planning and Infrastructure Bill. Will they change the behaviour of landowners? Emily, I wonder whether we could start with you because you put in your written evidence that you would expect this to be challenged at the ECHR. What is the thinking behind that? What is your expectation of whether that would be successful?

Emily Williams: I would be broadly thinking along the lines that Melanie set out in the previous panel. We can see from previous attempts in the 1940s and the 1960s that it disincentivises people from engaging with the land promotion and planning process.

What we put in our submission is not our own legal view. The work that the Scottish Land Commission did five or six years ago was very important. It is really highlighting the differences between the way that our planning system works and how the Scottish planning system works. It is a risky process and there is not much certainty. In part, that is what drives the level of land value uplift that we have.

If you make comparisons with other countries where there is more of an ability to make compulsory purchases closer to existing use value, that is underpinned by the way that their planning system works. Often a more zonal approach gives more certainty and it means you do not have that level of uplift.

I am not a lawyer myself, but what we have read and the work that has been done by the people suggests that it is hard to see how you could have an increased use of CPO powers, particularly excluding hope value,



without first fundamentally changing the way that our planning system works. As pointed out earlier, we have restricted the supply of land. That is what has pushed up land values.

Avril Roberts: Compulsory purchase is not the silver bullet that people think it might be. It is a significantly costly process for the acquiring authorities. It takes a very long time. Someone described it to me the other day as “the stick because the carrot is not working”. The carrot is working for some people. If you threaten those people who would willingly follow the carrot, you risk upsetting the market.

There is another consequence. If a landowner thinks they may be at risk of CPO, they may also not engage in other forms of use for that land. They may just keep it as purely agricultural land rather than perhaps exploring some of the private nature markets that might be on offer to them or looking into renewable energy because they think, “My land is going to be compulsorily purchased. That is that”.

The common misconception about hope value is that it is unfairly overpaying landowners for their land. That is not the case. Hope value is just the future market value for the land that that landowner is no longer going to have because they are being forced to sell that land. I describe it as a classic car. You might have a car that was built in 2000. In 2015, it is not a classic car. If someone forced you to sell it at that point, when in another 15 years it would be a classic car and worth more money, you would be quite cross. You would expect them to compensate you for the fact that you are forcing them to sell it at an earlier stage. Hope value is simply the future market value of the land that that landowner is not going to be able to realise.

Q96 **Andrew Lewin:** I just want to say that I do not agree with the characterisation that it is a common misconception. There is an active debate about the value of land. Hope value can sometimes be hundreds of times the original value. That might be your view, but it needs to be recognised by this Committee and others that there is a serious debate about what is an appropriate value. That is the debate that we are having and that we need to get to.

I appreciate that we are conscious of time and it has been a fascinating session, but all of us are beholden to the reality that our housing market is not working at the moment. We have talked about frustrations from landowners and the people that some of you represent. I fully understand that, but there are deep frustrations in all the communities that we represent about a lack of homes and lack of affordable housing. We have to have an honest debate about some of the challenges here.

Avril Roberts: I would completely agree. Our members are some of those who are complaining about the lack of housing being built. They are running businesses. They need people to work in those businesses; they need housing themselves. They live in the communities in which they



HOUSE OF COMMONS

own land. They are as frustrated as anyone that it is difficult to put forward land for development.

My point about the misconception of hope value is that people think it is not compensation and it is essentially paying landowners something that their land is not worth. It is not. It is the future market value of land. That is how hope value is calculated. It is based on future market value.

Andrew Lewin: Yes, but that is contested.

Chair: On that basis, we will draw it to a close. This is a discussion that will continue, especially as we are all awaiting the Government's long-awaited housing strategy, which I am hoping will take into account some of the issues around land value capture. Thank you to everyone for coming to the Committee this morning.