

Business and Trade Committee

Oral evidence: Financing the real economy, HC 1220

Tuesday 21 October 2025

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Members present: Liam Byrne (Chair); Antonia Bance; John Cooper; Alison Griffiths; Sonia Kumar; Charlie Maynard; Mr Joshua Reynolds.

Questions 61 - 83

Witnesses

- Rob Salter-Church, Regulation Director, National Grid;
- Greg Reed, Chief Executive Officer, Places for People.

Examination of witnesses

Witnesses: Rob Salter-Church and Greg Reed.

Q61 **Chair:** Welcome to this second panel in today's hearings on access to finance. I am really grateful to Rob Salter-Church from National Grid for joining us, along with Greg Reed from Places for People. The Government have obviously set out some pretty bold ambitions around the transition to green energy but also around building an awful lot of houses. What we want to do is to make sure we get your perspectives on how easy it is for organisations like yours to access the kind of capital that is going to be needed to turn those ambitions into action. Rob, do you want to just kick us off: how do capital market conditions feel right now?

Rob Salter-Church: Good afternoon, everyone. I am from National Grid. I will just a quick word on who we are to explain the context around—

Chair: We have the background.

Rob Salter-Church: So maybe I will just explain that, as a regulated monopoly, the two drivers around our investment plans and our requirements are, first, what our customers are looking for us to deliver and expand in our network and, secondly, the permissions from the regulator and approvals from Ofgem in terms of how much investment we are allowed to make in five-year periods. We invested £8.2 billion over the last five years, and we are looking to increase that two and a half times in the next five years to undertake a once-in-a-generation expansion of the electricity system that will bring significant benefits to the country. In order to do that, we have had to raise equity. So last year we undertook a rights issue and raised £7 billion in equity. That is the largest equity raise in Europe in 15 years outside the banking sector, and on the back of a stable and predictable regulatory framework we were able to exercise that successfully.

Q62 **Chair:** How easy or hard was that rights issue?

Rob Salter-Church: Undertaking rights issues in the UK, where markets are relatively illiquid, has to be planned very carefully. We also operate in the US, so we have some experience of how utilities raise equity in that sector, and it contrasts quite differently. The increased scale of that market means that companies tend to raise equity more frequently and in smaller chunks which makes it a lot easier. Whereas in the UK, because the market is that much smaller, it is something which is undertaken infrequently and something that has to be planned very carefully to ensure that share prices are not depressed.

Q63 **Chair:** It sounds like the answer is not very easy.

Rob Salter-Church: It is a process that happens infrequently and has to be very carefully managed and planned.

Q64 **Chair:** Greg, what is your take?



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Greg Reed: Just so I understand the question: you are asking how easy or not it was, and not why, is that right?

Chair: Just kind of characterise how easy it has been to raise the capital that you need in the UK.

Greg Reed: Well there is a lot of demand, so we can go out and get funds pretty easily, but the rates are the issue for us. We would not be able to build affordable housing with a lot of the rates that are there, particularly the longer-term rates—which is generally how this business would operate—so we have tried to do some other things. We have an investment fund business with local pension schemes in, and then we are working with the Government on some ways to recycle our existing capital in our homes, to use the new tools that were announced in the spending review to create a bit more capacity for us.

People will lend us money but if you think about it, there is £130 billion or so out to social housing businesses. I can count on one hand the number of people who have gone out and raised money in the past year—we are one of them—but everyone else is finding it difficult because 30-year rates are high. The near-term rates are lower, but if you are going to pay over 6% on something that takes 50 years to pay back, it is quite a challenging equation.

Chair: Thank you, that really helps us set the scene quite well.

Q65 **Charlie Maynard:** Rob, £60 billion is what you are planning on spending from 2025 to 2029. You have raised £7 billion—congratulations—but can you give us an outline of where the other £53 billion is coming from?

Rob Salter-Church: The rest of it will be debt funded. In National Grid, we are funded through a mix of debt and equity, and the gearing rates that we operate at are in line with the requirements that are set out by our various regulators. That money is at a group level for both our US and our UK operations. In the UK, our transmission business operates at a 55% gearing ratio in line with the regulatory framework, and at 60% in distribution. So that gives you an indication of the balance between debt and equity to fund that investment programme.

Q66 **Charlie Maynard:** Is this all private debt or public debt?

Rob Salter-Church: That is all private debt. We are one of the largest rate issuers of bonds in the UK to fund that.

Q67 **Charlie Maynard:** On the earlier point about the US, the inference was that it is more efficient there as it is kind of piecemeal and a bigger market rather than doing this generational aspect. Do you think there are steps that the UK could be taking to make it more normalised so that there is an equity market for this? Any pointers as to whether that is a good thing? If so, what would help that?



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Rob Salter-Church: It is principally a point of scale. It is not really that there is a long list of actions that we would recommend the Government could take to try to change those arrangements; it is just a fundamental point around how the market works.

Q68 **Alison Griffiths:** How well has the UK's approach to regulating the energy grid traditionally supported long-term, patient investment?

Rob Salter-Church: The UK has a very strong track record, actually. While I did talk about some advantages in the US, one thing that investors really value about the UK arrangement is a very long, stable, good track record from Ofgem to be able to give them confidence to put investments in over a 40 or 45-year return. Just thinking back over the last five years, one thing that has worked well from the regulator is, while we have five-year price control investment periods, Ofgem has actually operated very flexibly. We invested £8.2 billion in the last five years, which is double what was originally allowed, and that is because Ofgem introduced changes mid-period to allow additional investment to flow. On the back of that positive track record, investors were willing to support us to make those investments.

Q69 **Alison Griffiths:** What role should blended finance or public-private partnerships play in accelerating grid investment, and how easy do you think it will be to achieve this?

Rob Salter-Church: The question of blended finance is quite specific to individual sectors. At National Grid we have a very strong track record of being able to raise the private capital that is needed to fund the grid expansion. From where we sit, we do not see there being a strong need, or strong additional benefits, from a blended finance model in our sector. There may be other areas in the energy sector where that would be helpful, maybe something like community energy efficiency programmes. But I would advise the Government to look at these blended models quite carefully to make sure that what they are doing is crowding in additional private investment rather than crowding that out.

Q70 **Chair:** When you look at Government ambitions for the net zero transition and at the industry more generally, can you see particular parts of the power market where capital raising looks a bit more difficult perhaps, because there is not the same track record of regulatory certainty that you enjoy?

Rob Salter-Church: There are definitely a different range of challenges in other parts of the sector. In National Grid we are focused as a network pure play, so our competitive advantage comes from understanding regulatory frameworks and investing on the back of it. Other companies will take a more portfolio view, so the other transition owners are parts of broader groups. That is the kind of strategy that different investors might take to manage the different risk profiles across different parts of the sector.

Q71 **Chair:** Are there particular segments of the market where you think



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capital raising is actually getting more difficult because regulatory uncertainty is too high?

Rob Salter-Church: There are not particular sectors that spring to mind for me right now.

Q72 **Mr Reynolds:** Greg, thinking specifically in regard to social housing, how engaged do you think capital markets are at the moment in helping to deliver the Government's housing targets?

Greg Reed: We are unique in that we build our own homes. If you looked at the top 10 house builders in the UK, we would be in the list; they like to do it by turnover, but we build the homes and keep them. So we are a big builder. All that money for our new builds comes from the same place and uses the balance sheet of the existing business and, like I said, people are really happy to lend us money.

We have £1.2 billion in our investment fund business from the local pension schemes, which is a great number. It is really tiny compared with £2 trillion, which I think you mentioned earlier, but we are getting there and very proud of it. Because of defined benefit schemes not being there and that demand not being there for us, the 30-year rate is about 100 basis points higher than the seven-year rate, which causes us a real issue. But like I said, every time we go out to raise money—we have gone out twice in the past year—it is way oversubscribed, so people are willing to help.

Even though we have issuances in Asia, Europe and the US, that is usually UK-based money. The banks have been very helpful lately: about 25% of the recent funding has come through the banks and we have a £1.2 billion—I call it overdraft—revolving line of credit through the banks, which is very helpful and a good rate. The rest of it comes from UK bond investors. But like I said, we can find the money at seven years, we just cannot find the money at longer.

We are currently fighting a judicial review on a scheme that has been going on for 17 years that we have spent £130 million on. There is not a spade in the ground yet, but hopefully we will get those 10,000 homes built soon. If you are going to do the type of building that we want to do, which is build whole communities and not just—no disrespect—some things you see others doing, you need long-term capital to make it work.

Q73 **Mr Reynolds:** What do you think can be done to make social housing more investment-ready over those longer periods?

Greg Reed: It is weird because I have sort of given you the reason I think it is out there like that, but there are other things that are impacting us such as lack of certainty on rents. So you have billions and billions and billions that you have borrowed and in real terms, since some of that money was borrowed in the '90s, our rents have gone down 15% versus inflation. That is a real challenge. That is a real number—that is £3 billion out of the sector that is not coming back.



Then you have regulation on the other side. If you know anything about me, I am all for the customer experience and I want to make things better, but you cannot just say, "Just do this magically, but also you have less rent. And then if you could do this, and if you could do that faster that would be good too." You want to make all those things happen but you do not have a connection between that part of the decision making where the rents are coming or going, and what the regulation is about. Of course, we want to be green and sustainable and we want people to be healthy and safe, but that comes at a price that is not factored into the other side. That is a real challenge.

I will not go on forever about planning, but we need local plans; that is really difficult. Then skills are a real challenge for us. One of the businesses we have is a training academy where we are training 56 people from other housing associations: that is because we cannot get them anywhere so we are going to have to do it ourselves. That is great—it is a real success story—but even if we can train thousands it is not what the UK needs; it needs a lot more than that.

Q74 Mr Reynolds: Under right to buy we have seen over 1 million council homes sold off and nowhere near the same number being built. If you could change two things tomorrow to get more social homes being built over the next five years, what would they be?

Greg Reed: First, planning. The project I am talking about is £4.5 billion in build costs, so I thought if you turned up to an area that needed homes and you had £4.5 billion, someone would go, "Great, let's get going." But instead it has been a long, tedious 17-year process. That needs to be sorted and that is well documented.

Secondly, we also have £1.7 billion in grants. We manage 265,000 homes, but for the 80,000 we own there is about a £20,000 grant per home. If you think about that, it is hard to build a home with that size grant. We have been told in the spending review—we do not know the details yet—that the grants will be much higher and that would really be helpful, because if you are charging much less than market rate for the rent, you really need to be able to use the grant. We are going to find out soon, but whatever the new social and affordable grant regime is, if it is the kind of numbers that have been talked about, you will see quite a spike in building. But also, when you look at 1.5 million homes, although it is a whole tonne of money and I am really grateful for it, it is not going to seriously move the needle on that.

There is one other thing so I am going to give you three in total: in my social rent customers, 35% are paying less than what they would pay if they moved in there today using the formula based on wages and the local rent formula. That happened way before—probably before I moved here 25 years ago—but I think that is about £3 billion that is missing in the sector. In my business, customers would pay half of that and obviously welfare pays for the other half, which would create at least £8 billion in private borrowing that the sector could do and would generate



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about 51,000 homes. That is probably one that is not talked about a lot, convergence.

I think in the sector people heard that it could be one, two, or three, so they kind of went, "Let's go with two." But we need three, and then we can unlock those 51,000 homes. I do not have to tell you—you can ask the economists coming after me—what a home creates in economic value; it will pay back.

Q75 Chair: Could you unpack again the reason why, in your view, there is this discrepancy between seven-year rates and 30-year rates?

Greg Reed: I am not an economist, but from what I understand there is a lack of demand out at 30 years. People are not buying like they used to out at that rate.

Q76 Chair: Because of the structure of DCs' liabilities, basically?

Greg Reed: Yes, I think that is what has happened. So with Mansion House, even if they put money in, it is not going to necessarily be in the right place for us. Borrowing at seven-years with 100 basis points, when you are talking about billions versus 30-years with 200 basis points, is really not a hard decision for us. We can do a lot with that kind of money, so it has really hampered the long-term view we can take on things and we are taking a slightly shorter view now. We will always be good stewards of these homes, but we are just trying to operate in the environment we are in.

Q77 Chair: The Government would tell a story, as they do, about the way in which the Planning and Infrastructure Bill will bring down some political risk associated with building. It does not sound like you are seeing discounts on the cost of capital because some of the uncertainty that has hitherto bedevilled this sector is about to evaporate.

Greg Reed: Yes, the challenge for us—or the benefit—is that we do not borrow for the new builds, so I do not really know how this would impact a traditional house builder. We are in a slightly different position because we are borrowing against the whole balance sheet, but we are not yet seeing the kind of traction we would like to see on things being approved and agreed. I know that all the changes are not yet done, so they might come.

Q78 Antonia Bance: Rob, I am interested to hear what the Budget should include to support firms to secure access to funding and finance?

Rob Salter-Church: I have talked quite a lot about Ofgem so far as that is probably one of the primary drivers for how we can access the necessary capital. But we also need to be able to deploy that capital, and that is really where the policy framework and Government come in. In our Budget submission we set out five things that we wanted to see from Government—Greg has actually mentioned some already—to help us be able to deploy the capital that we have.



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First, there are reforms to the planning system so we are able to deliver our projects at the pace that our customers are asking for. Secondly, we want to see a regulatory framework that supports economic growth. The Government talked about introducing a connections accelerator service: that would allow us to be able to accelerate strategic projects that are particularly important for the UK, whether that is a gigafactory or a data centre, to be able to support broader economic growth. Thirdly, there should be action on skills and the supply chain. We want to be able to do as much of this at home, and we face similar challenges to Greg and his sector in needing to grow skills. Fourthly, the Government should be looking at action on energy costs. We recognise that energy affordability is a major issue and are looking to the Government to do things like a social tariff to help those people who are in the greatest need. Then finally, we talked about maximising the mutual benefits of UK-EU co-operation through the energy market to make sure that operates as effectively as possible, as that will also help bring down bills.

Q79 **Antonia Bance:** When you talk about what needs to be done on planning, are you talking about the reforms that are in place that are going through Parliament now? Or are you talking about a further tranche needing to come forward?

Rob Salter-Church: We need to see the reforms that are in place being implemented. We also need to see sufficient resources in all the local authorities and the statutory consultees to be able to make sure that processes actually move quickly. Yes, there is legislative change, but everybody needs to be geared up to make decisions more quickly than they currently are.

Q80 **Antonia Bance:** Greg, do you think you are getting rent convergence in the Budget?

Greg Reed: I do not know; I hope that we get it and I made the case before some of your colleagues yesterday as well. It is really important. The sector is being a bit meek about it and we need to really be clear about what you will get with the £3; to me, that is really important. The most important of all the things that were mentioned in the spending review is what grant rates are coming with the Affordable Homes Programme, which we will hear soon.

Q81 **Antonia Bance:** This is the Homes England prospectus coming later this autumn.

Greg Reed: Yes, that will really help everyone in the sector. If you look at what has happened, everyone has sort of ground to a halt because they just could not make the numbers work. They want to do it; it is what they want to do every day. And then the planning changes are really critical for us.

Q82 **Antonia Bance:** I think I heard you say you also want building safety regulations changed. Do you think the load on you is too much?



Greg Reed: Yes. We are not a London-based housing association: they are really impacted by the changes that need to happen and they have access now to the £1 billion in funding to help them get through that. So that is a good change. I am talking more about things like Awaab's Law where it is the right thing to do, and we would always want to do that, but having a mandate to do it for a sector that is already on its knees and for it to be so broad is a challenge, without figuring out how it gets paid for. I am a homeowner: if I want something done, I have the means but getting someone out the next day, or within a week, to come look at it is hard. The reason it is hard is that there are not enough tradespeople and there is a queue. For us, great, you say, "We will hire more tradespeople." But then you have ups and downs, so it just makes it difficult.

We will always want to do all the safety stuff, but it costs money. It was not too long ago that inflation was over 10% and we had the 7% rate; without something coming from the rent or somewhere it is really hard to then figure out how you are going to run this business. Your customers are already paying, obviously, a reduced rate compared with what they would pay in the private sector, but now you need to somehow provide a better level of service than they are getting from the private sector and make all that work.

I am a very optimistic individual, so I am like, "We're going for it," and we are ready on these most recent changes. On the sector as a whole, if everyone did it, fantastic, but it is another financial strain—where does that money come from? It will come out of building new homes because they will not be able to use their money to do that. That is the consequence of it. I am not saying it is not the right thing to do, but that is the consequence.

Q83 Charlie Maynard: Rob, casting back to your point about the UK-EU energy market, can you give any perspective as to where things are going there? It was mentioned in the reset but I have not heard anything since.

Chair: We are not convinced it is going fast enough, Rob.

Charlie Maynard: Yes.

Rob Salter-Church: We would like to see faster progress as well. It is not an area that is in my direct expertise: I sit in the electricity transmission business, which is UK-focused. We were clear with the Government that what we wanted to see was faster progress on better long-term trading arrangements and short-term action in relation to the carbon border adjustment mechanism while that takes time to implement. So that is what we are asking for. We would agree it should be done more quickly.

Chair: Great, thank you very much. That concludes this panel. You have really helped us understand the interaction between public policy,



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whether that is procurement in the case of the last panel or regulation in the case of this panel, and the capital market. Thank you very much for helping us crystallise that.