HOUSE OF LORDS

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The Select Committee on National Policy for the Built Environment

Inquiry on

THE BUILT ENVIRONMENT

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11.25 am

Witnesses: John Grinnell and Steve Melligan

USE OF THE TRANSCRIPT

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

Members present

Baroness O'Cathain (Chairman)
Baroness Andrews
Lord Clement-Jones
Lord Inglewood
Earl of Lytton
Baroness Parminter
Baroness Rawlings
Baroness Whitaker
Baroness Young of Old Scone

Examination of Witnesses

John Grinnell, Deputy Head of Development, and **Steve Melligan,** Strategic Land Manager, The Crown Estate

Q73 The Chairman: Mr Grinnell and Mr Melligan, were you sitting in on the previous session?

John Grinnell: No, we were not.

The Chairman: I did not want to have to repeat something that you had already heard. Welcome to this evidence session. We are very grateful that you have given up the time. You know what we are about; we are supposed to report in March on national policy for the built environment. Some of us are very expert and some of us, including me, are completely the opposite. You have in front of you a list of interests that have been declared by members of the Committee. A transcript of the meeting will be taken and published on the Committee website. You will have the opportunity to make corrections to that transcript where necessary. Could I begin by asking each one of you briefly to introduce yourself to the Committee?

John Grinnell: My name is John Grinnell and I am deputy head of the development team at The Crown Estate. I am a chartered surveyor with 25 years' experience in the property industry, primarily in the development sector. I have been involved over that period of time with the development of retail, offices and residential property throughout the UK, both in an advisory and client or principal role. I have worked in partnership with many other developers and investors over that period of time and also with public sector local authorities on many challenging and very complex developments.

Perhaps I may offer a few words about The Crown Estate itself and its activities. The Crown Estate is an independent commercial property business that takes its mandate from The Crown Estate Act 1961. We have two principal stakeholders: first, the Treasury, which is the beneficiary of the net revenue that we generate; and, secondly, the monarch, who is the owner of the capital of the business. Consequently, income and income growth very much lead the total returns to our business. I am pleased to say that we have been very successful. Our total returns over the past financial year were over 20%, which is in excess of the benchmarks set for us, and we generated some £285 million back to the Treasury, which itself is about a 6.7% increase on the previous year.

If we look to what our business actually looks like, we are a specialist real estate business and operate in four key sectors. First, some 50% of our portfolio is based in central London, in the Regent Street and St James's area, which many of you may well be familiar with. These are world-class leading assets that we hold. Secondly, we have a regional portfolio of prime retail and leisure-based assets of very high quality. We are one of the largest owners in the UK. Thirdly, our rural portfolio provides the opportunities for housing. Fourthly, there is the offshore wind sector.

Our ownerships derive partly through inheritance and partly through the positive choices we have made through our investment strategy. The key characteristics of that business are, first, the critical mass of our assets. These are in carefully chosen sectors and locations throughout the UK. Secondly, we have a high level of expertise in our staff. We have a very diverse range of professionals within our organisation, but we work together very much with a common purpose. Thirdly, we have a mid-long-term outlook on the supply and demand dynamics that impact upon the business.

The value of The Crown Estate last year was £11.5 billion. In addition, we have some £1.5 billion which we have invested in our strategic joint ventures with a number of partners, such as Norges Bank Investment Management, which is the Norwegian sovereign wealth fund, Oxford Properties, Gingko Tree Investment, and a number of others.

Over the past six to seven years we have actively managed some £500 million to £1 billion worth of capital movements. This is through a mixture of activities: selling, buying and development.

Lastly, we seek to ensure that our developments and investments very much deliver real benefits back to the local communities and UK plc as a whole. Why do we do that? We do that because that is very much aligned with our long-term commercial interests, our reputation as a business and the relationships we have with our stakeholders.

The Chairman: That is very clear. We have read quite a lot about it, but that makes it much clearer. Mr Melligan, you are the strategic land manager of The Crown Estate.

Steve Melligan: I am indeed. Thank you for inviting us to this session. I am very pleased to be here. We will do our very best from The Crown Estate's perspective to help you out with your work on the national policy for the built environment.

My background is in planning. I am a chartered town planner; I have been in the sector for about 25 years. I have had a wide variety of roles within that remit. I have been in the public sector; I have worked for planning authorities writing local plans, so I have direct experience there. I have worked for house builders in finding, delivering and promoting sites. I have spent a long period in consultancy acting for a variety of public and private sector clients. More recently, I have moved towards the client sector. I spent seven years with the Church Commissioners for England in a role similar to the one I am performing here at The Crown Estate.

In terms of my role at the Crown, I manage a portfolio of about 70 potential development sites. This is land we have held over many decades or land we have acquired for that purpose. We use our own internal resources; we promote our own sites through the local planning process; and we seek to get allocations in local plans. With the benefit of an allocation for a change of use, be it residential, commercial, industrial or retail, we will submit an outline planning application, get outline consent and then go to the market with that outline consent in place. It is worth emphasising that we are not house builders. In effect we deliver consented sites to the market and then work with the house builders to deliver those sites in the future.

Finally, to give you an idea of the scale, the 70 sites we deal with probably have a capacity of about 15,000 to 20,000 new homes and 5 million to 6 million square feet of commercial space over those 25 years.

Q74 The Chairman: In this session we are going to concentrate on place. We have a specialist adviser who is Professor of Planning and Urban Design at UCL. You describe yourselves as successful place-makers. What are the lessons for good place design and development, and what considerations are necessary to ensure that developments are sustainable, lasting and integrate well with their surroundings?

John Grinnell: Perhaps I may take the reference point of Regent Street, which is perhaps the easiest place to start. Regent Street itself is the subject of a £1 billion investment programme by The Crown Estate and our partners Norges Bank Investment Management. We are now some 13 years into a 20-year vision for that estate. That is of critical importance to how we approach our work. To take a step back in time to 12 or 13 years ago, those of you who may have been familiar with Regent Street at that point will know that it was very drab and had poor-quality occupiers of buildings both in terms of the retail space at the lower levels and the offices above in terms of the public realm and environment within which we operate. If you contrast that with how it is today, it is a world-class, leading destination. It is hugely popular with massive global appeal. We have had nothing but positive feedback about that.

How did we achieve that vision? We adopted a very proactive approach in establishing that vision, implementing that vision and ultimately delivering it. That vision itself is informed by the contiguous ownership we have in Regent Street and therefore by the strategy. The strategy is what devolves from having the vision in the first place. Ultimately, it is very much a commercial strategy; it is a revenue-generating asset. We adopt a mid-long-term outlook, so this is about building over time. Rome was not built in a day, putting it very simply. It is an incremental approach. We start with a series of initiatives, such as buying in long leasehold interests. If we go back 10 or 12 years ago, the control of the street had gone to other parties. Having wrested that back, we undertook a very strong period of engagement and established relationships with all the parties we work with, which is the next part of our strategy and approach.

One of the key elements is the engagement with those stakeholders. The obvious stakeholders are Westminster City Council, the GLA, the Mayor of London, Historic England, or English Heritage as it used to be in terms of our relationship on the street, and all the parties who touch upon that estate. They are the retail occupiers—those already there and those not there. The same applies to the office occupiers—those who are there and those who are not there. There are also the residents, the shoppers who come into those buildings and the users of the place in which we operate. That is absolutely key to what we do.

The Chairman: That is all terrific for somebody in your position who has the two masters of the Treasury and the monarch. You are also dealing with what start off as wonderful historic buildings. What are the lessons we could incorporate in our report that tell us what considerations are necessary to ensure that developments are sustainable, lasting and integrate well with their surroundings? If you want to be a successful place-maker, that is very important.

John Grinnell: Very much. The key lesson learnt is that place-making must be local; it must be relevant to the community in which you operate. That itself is a strong commercial driver; it is imperative for what we do. If we do not understand that community, engage, listen and respond, we are simply not going to create the places we should be making. If we do not create the right places, of course people will not come. If people do not come, no revenue is generated. The two things are totally intertwined.

The Chairman: The very difficult one is getting the consultation right and getting people to engage. People might have wonderful ideas, but still will not bother to go along to a meeting or get engaged. It is a matter of how you drag them in, but I guess that in your position you do not have to do that. The very mention of The Crown Estate will drag them in.

John Grinnell: That certainly helps, but I hasten to add that that helps because of the reputation and credibility we have.

The Chairman: Of course.

John Grinnell: That reputation and credibility is about how we have gone about our activities.

The Chairman: It is about consultation in the first place.

John Grinnell: Exactly.

The Chairman: But it could have been 400 years ago, could it not, whereas here we are today in 2015?

John Grinnell: Absolutely. That is what we do; that is how we go about that activity.

Another lesson we have learnt is strong leadership internally of our business. That is based on creating that strong vision in the first place, and being very clear about what we need to do. Having had that earlier listening, it is a matter of looking at that, analysing it and working out how we can put back the right buildings. Ultimately, it is about ensuring durability and sustainability, and that is achieved not only through the beauty of the architecture in its own right and its materiality, but the quality of the public realm and the uses within those buildings. Ultimately, those uses have to attract people in and we can do that only if we listen and understand that wider audience.

Q75 Baroness Whitaker: Mr Grinnell, you described the principles of your process. I want to get a better feel for the outcome. Could you quickly tell us what your vision is of this public realm? What do you want Regent Street to look like, and how do you want it to work?

John Grinnell: The starting point is making sure that you have the right occupiers in the buildings in the first place: the attractors or the pull.

Baroness Whitaker: For instance?

John Grinnell: It is the quality of the retailers who operate within the street, so it is the names. If you look at the types of retailers we have in the street at present, we have a flagship store for Burberry. We have many other key retailers. We recently opened one of our schemes called 10 New Burlington Street where we have J Crew, an American clothing retailer. That is their first store in the UK. It is the quality of that retail that draws people to the destination.

In addition, we have the support facilities that sit behind it. If we look at consumer trends occurring at the moment, people want a much broader range of opportunity. When they arrive in a location they want the quality of the urban fabric and the environment that we occupy, but they also want to have that range of uses, so that when you go into Regent Street it is not just about retail; it is about the oases and so forth of the leisure uses that we have; it is the quality, range and mix of the restaurants that operate within that space. We are very fortunate in London that we also sit on the doorstep of massive cultural facilities; we have the theatres and everything else. It is also about ensuring that the highways and pavements work. For instance, we have undertaken a lot of widening of the pavement and tried to get a balance between that and ensuring the free flow of vehicles and public transport through that area. The recent diagonal crossing at Oxford Circus, with which you may well be familiar, was the product of some five years or more engagement with TfL, GLA and various other parties to get that openness and freedom of movement of the population. We are sitting there with Oxford Circus. I think the tube station is the third or fourth busiest in London. The others are generally busier only because they have mainline stations sitting on them. That is where you tend to come to when you arrive in the west end if you are going to go shopping or go to these other facilities. It is a matter of getting that balance between how that works and the competition between users. Often, they clash with one another. For us, it is about listening, learning and working out how we can achieve, through the use of the expert advisory teams working on our behalf, the right outcomes.

Q76 Baroness Andrews: Talking about retail, you are probably one of the few landowners in the country that can choose how they spend or use their land. Do you sell your land or do you always keep control of it? We have been talking about places that are made already, such as Regent Street, but there are these places which you are now creating by virtue of investing in out-of-town retail centres. The question is: how do you make a good place without impacting in a detrimental way, say, on the nearest town centre, for example, or the nearest agricultural and rural environment? Those two questions are connected.

Steve Melligan: In terms of our urban sites outside London and the main cities and the housing sites we promote throughout the UK, broadly speaking we sell freeholds, because the UK housing market certainly in these areas is very comfortable with freehold disposals. I think occupiers and new home buyers want to buy the freehold of their property. Long leaseholds have not caught on outside London and the main conurbations. Generally speaking, we are happy to sell freeholds in that context.

In terms of your question about the impact on agricultural estates, pretty well all the sites we promote for housing—they are mainly greenfield but some are brownfield—generally come from our agricultural portfolio. These are farm estates that are situated on the edge of existing urban areas, be they towns or villages, where a local plan finds a need for new housing in an area. If it so happens that The Crown Estate has some land that might suit that need, we are very happy to work with planning authorities, local communities, parish councils and town councils to bring forward those sites, promote them within the system and get consent.

Baroness Andrews: Are you doing that on an accelerated basis? Given the intense pressures for development, you must be a really prime target for a local authority that wants a bit of land.

Steve Melligan: In terms of our commercial mandate, we are more than happy to accelerate our sites as quickly as possible. We might talk later about the local plan system and the extent to which that might be holding up the process, but from The Crown Estate's perspective we are more than happy to promote our sites quickly and effectively in tandem with planning authorities, and get them to the market and sold to developers for them to deliver the sites. For example, the idea of us land banking is very far from the case.

John Grinnell: To pick up the second question, if I understood it properly, we have our existing ownership of retail parks, shopping centres and so on. What happens in terms of the new space and centres we create? The two are totally connected. We talked earlier about the lessons from Regent Street. The way we approach our assets is the same. We apply the same standards in London as elsewhere. The retail parks themselves are very much a reflection of consumer needs and aspirations. It is about accessibility and convenience in those locations. We cannot escape the fact that we have big car parks at retail parks. It is part of the nature of the beast in that sense. For us, though, it is about creating durable and sustainable returns on those assets. When we look at our existing parks and at our new parks, this is very much about ensuring that we have a broad range and mix of uses, rather than just a few odd retailers sitting in close proximity. To reference one of my earlier points, it is also about a community function.

For us, a successful business is very much intertwined with the whole point about the drive on sustainability. There are a number of issues that roll out of that. On our new developments, we work very closely with the planning authorities, the highways authorities and others we are engaged with to understand how the impacts of those movements can be mitigated. At its most basic level, we are talking about things such as travel plans and others, but it is about the detail; it is about the content; it is about how you manage that process. It is about ensuring that there is the appropriate infrastructure, the appropriate highways and pedestrian areas, to allow people to move comfortably. It is also moving beyond that to ensure that, in responding to people's desire to go to retail parks, we are firmly embracing technology and innovation on those parks, whether that be through simpler elements such as electric vehicle charging points and so forth, or through recycling, making use of the fact that you are drawing people to a location and providing recycling facilities.

This year, for instance, in addition to that, we had what is known as our Thrive series of summer events. This was about engaging with the communities we operate within. For that particular event, it was about encouraging people to be fit, to be active, to do things. We will bring people from our business along with other experts, people who work and operate in that field, and try to encourage our customers, the users of the retail units, the restaurants, the facilities on those parks, to get fit and active. We rolled that out this year. It has gone across 10 retail parks, as well as Princesshay shopping centre in Exeter, of which we are 50% owner, with TH Real Estate Henderson investors, where we in fact had the leader of the council involved in this. It is great because it is impacting at all levels of the community and people can see this. It is an enjoyable event; it is getting people in. In that sense, it is about community. It is being a part of the very fabric of the areas we work in.

Again, we have a large range of experts who work with us to see what we can do in the future. There is no such thing as the status quo in our world; you are constantly having to respond, activate and move forward.

The other aspect that I suppose is probably relevant to pick up is that the consumers—and I am sure we are all consumers around this table—are becoming ever more conscious of how the retailers and other operators work, whether it be in their manufacturing sectors, how they source their produce, the quality, the pay, all those elements. We therefore want to work very collaboratively with the best retailers. We want to ensure that that landlord and tenant relationship moves well beyond what we have all been used to in the past, to being a true collaboration where we understand each other, we understand the buildings we operate, within retail parks in particular, typically with big wide open doors on the frontage, lots of air coming in and out, lots of heat, et cetera. It is not only embracing the technologies, but also working with the operators as to how they can improve themselves, and there are some very good retailers out there who really take this to heart.

One key element we implement is what we call our post-occupancy evaluation when we create a new building. It is to then look at performance of those buildings, so we capture the data, say, for the next three years and analyse that data. We look at how those buildings are performing in their own right. Have we got things right? Is there more we can do, moving forward? It is that constant process again.

The Chairman: We are going to have to have shorter answers. I am sorry about that.

Q77 Lord Inglewood: In your opening remarks and in your last response, you referred to the money you generate and the returns you give to the Government. If my memory is right, in the case of Regent Street there are those architectural historians who say that the demolition of the Nash Regent Street between the wars was one of the biggest architectural disasters to strike London. First of all, does the Crown Commissioner believe that in the long run they took the right decision at that time? Secondly, is the return you have to give back to the Government something that inhibits you from designing good schemes, taken from the perspective of society as a whole?

In this context, when you were, for example, doing the Regent Street scheme, obviously the land use in there is not that debatable, but in the detailing of what you were doing, particularly in the case of listed buildings, there is really quite a scope for alternative approaches. Do you feel the planning system and the listed building control system assisted you, or would you have done it better had you been left to your own devices?

Finally, you say you are two-thirds of the way through a big scheme. How many changes have you instituted as you have gone along? Is it a very flexible scheme, or is it a rigid approach you have?

John Grinnell: I will make a note of that before I forget. Perhaps I can very briefly deal with the first question. That was a decision made well before our time.

Lord Inglewood: I appreciate that. That was a bit of a tease, I am prepared to say.

John Grinnell: If I reference very quickly the comments I made earlier about the vision, the changes that have occurred on the street over the period of that vision are testimony in their own right to the success and the correctness of what we do and our approach to doing it.

The Chairman: But are you not changing it all over again?

John Grinnell: It is a constant process of change. The reality is that we are a commercial organisation operating in a constantly changing environment, as I said before, so we have to be responsive to that. That is the only way we can respond to what people want. It is the only way we can respond to the customers and ensure, therefore, we are addressing these—

Lord Inglewood: Can I stop you there? Who are the customers here? Are they the customers of your tenants? Are they the people in the street? Are they the people who just come to London as tourists, walk down it and do not go into the shops?

John Grinnell: All the above and more. You asked the question with the use of the word "inhibit". As I said earlier, we are a commercial business. We invest in sectors for sound commercial reasons. As it happens, within Regent Street and indeed elsewhere, we are the owners of historic buildings or buildings that sit within conservation areas. In addressing the challenges that those buildings provide, it is about ensuring the future sustainability, the durability of those buildings, that they are retained, that the relevant historic elements that we have, the key parts, are retained successfully for the future.

How do we do that? That is very much within the vision that we have. The listed buildings we have, the historic elements of the buildings we have, are very much a part of that eclectic mix of the quality of the urban fabric that we have. What you will see, though, is that, working with the local authority, Westminster City Council in this case, working with Historic England—English Heritage, as it was—over a long period, and with, sitting alongside us, huge expertise in the teams of professional advisers that we have, we work through the details of how we respond to that consumer-driven piece and all the customers we have, whilst at the same time preserving the elements of those buildings that have that historic merit, the pieces that should be retained, but in a sound commercial way that ensures we secure the right retailers that will have a longer term on the street, the occupiers of the office buildings that will have a long-term presence on the street. That is a very detailed, very complex process. We are very fortunate that, because we have worked so hard at that, we have become very credible; we have a great reputation as a result. You would only need to walk down the street to see that there has been a positive outcome as a result of that, so, no, we do not believe that inhibits it. It is very much part and parcel of what we do.

Steve Melligan: You also asked about whether Treasury targets effectively inhibit our abilities.

Lord Inglewood: Does the requirement to give that particular rate of return, in practice, make any difference to the way in which you carry out the developments, or are the commercial imperative and the quality imperative such that the two come together?

John Grinnell: Certainly, if you take Regent Street as an example, absolutely, those two things are totally intertwined. There is no question of that. It is a commercial driver in its own right.

Steve Melligan: If I may complete the answer, that applies across the board in all our core sectors. In terms of what I do, in terms of the rural housing sites, we are driven forward by our commercial mandate and we will seek the best commercial return we can possibly have. That is entirely in line with achieving good-quality design on site at specific locations.

The Chairman: Which has the last say?

Steve Melligan: I do not think I can recall a position where there was a last say on these sorts of sites.

The Chairman: Oh, I see—very smooth.

Q78 Baroness Whitaker: Looking at it from another angle, you have a very successful commercial operation. I would just like to know whether your explicit remit is mainly fiduciary—i.e. the effective stewardship of the capital you employ—or whether you have anything articulated, written down, about other objectives. May I give you one example in relation to out-of-town shopping centres? The sustainability of these has been questioned, because not all but most people rely on car journeys to get there. Does that kind of factor come into your thinking, and, as a matter of fact, how do you assess the effect of internet shopping on shopping centres anyway? What other objectives do you have and what is the prioritisation in your explicit, written-down remit that every employee has that says, in effect, "This is our mission."?

John Grinnell: Essentially, we are here to drive commercial revenue back to the Treasury. That is basically what we do. We are hugely conscious of the issues you have just mentioned when it comes to retail parks.

Baroness Whitaker: How conscious? How expressed and how communicated?

John Grinnell: It is at the forefront of our thinking. As I said before, we apply the same standards wherever we work, and it is ensuring those assets work within that community. We work very closely with local authorities on travel plans. We would like to ensure that public transport facilities are available on new developments as much as they are accessible and convenient to normal car users.

Steve Melligan: It is quite interesting. In terms of the housing sites that we promote, invariably when we go out to public consultation and invite comments from the local communities, traffic is always the number one issue. Certainly, it is one of many, many planning issues that we have to deal with directly in terms of site promotion. What that tends to generate is that we need to understand what the impacts are locally and what mitigation is required to deal with them. That then will generate, probably through Section 106 agreements, a whole variety of mitigation measures, which our developer and we will be bound into. Typically, in terms of traffic generation and impact, we will be talking about increasing public transport, more buses, maybe free bus passes for a given period. It could be simple things, such as providing cycle racks at local retail centres or community halls. There are a whole variety of measures built into the design element of a scheme, attached to obligations in a Section 106 agreement, to make sure that the developer feeds these through and delivers these obligations on the ground.

Baroness Whitaker: Would it be accurate to say that you, as it were, pay attention to the climate of opinion and current thinking about all these externalities to the commercial operation, but you do not have a responsibility to initiate anything like that?

Steve Melligan: In terms of the broad approach to planning and development, as we have said several times today already we are driven by a commercial mandate that is absolutely clearly out in the 1961 Act, so that is where we start. We have said that, in terms of promoting any form of development around the country, there is a whole variety of issues that we have to grapple with. We spend often many, many years on working through what those issues are, how we deal with them and delivering mitigation.

Baroness Whitaker: Would the appointment of a government chief architect or a general place-making adviser have any effect on your operation at all, do you think?

Steve Melligan: I think it would be a positive move. There is already quite clearly a person who fulfils that role in a planning policy context, but not in design. On the question of dealing with planning authorities around the country over the past few decades, there used to be quite a strong design input available to officers to draw upon in dealing with detailed design matters for all schemes, and that is often missing these days in dealing with applications, unfortunately. I think that then leads to officers maybe feeling less able to be a bit more robust in working with developers for better design. The system is there to be used.

The Chairman: There are architects looking at you.

Steve Melligan: Absolutely right. There is far more scope for better design, through things such as housebuilding schemes, in this country. Maybe there needs to be a bit more dialogue, discussion and impetus from local authorities in taking that forward.

Q79 Baroness Parminter: You have made it quite clear that you do not see that you have any duty to make your developments environmentally sustainable. Nevertheless, is there anything that you are doing on building a circular economy or measuring natural capital that is distinctive in the marketplace?

John Grinnell: As we were discussing earlier, sustainability is very much at the heart of what we do, in each and every asset that we own, and it is commercially driven. That is what our customers want to see, and what they want to hear is what the best retailers want to see and hear, so it is very much within what we do. What was the second part of your question?

Baroness Parminter: I was asking whether there was anything distinctive either on building a circular economy or on measuring natural capital. I heard something about your scheme in Windsor, where you are looking at natural capital, so I am just interested.

John Grinnell: I am afraid that is totally outside my remit and understanding.

Steve Melligan: I am very happy to provide details after this session on that particular issue, if that is helpful.

Baroness Parminter: Thank you.

Q80 Baroness Young of Old Scone: It is clear you do not think local authorities are quite up to the job as you would like them to be. You talked about them being part of the delay issue in housing development and, just recently, about the need for their design skills to be sharpened up. What do you think should happen to make local authorities more effective partners with folks like you?

Steve Melligan: In dealing with 70 sites around the UK, we deal with many dozens of local authorities. We have quite a depth of experience in dealing with a wide variety of planning authorities, departments, offices and members. It is fair to say that our experience is pretty variable. We find some authorities are well resourced, professional, expert and very good to deal with; in other cases, less so. In terms of the local planning system particularly, I think the NPPF has been very effective in driving forward planning consents in the past couple of years. It is a big improvement compared to maybe a couple of years ago. That national policy push has had a very strong positive impact in producing local planning policy and consents for delivery.

Having said that, there is no question that most of us in the industry would agree that improvements could be made, though not to fundamentals; I think the fundamentals are probably good and need to be kept in place to provide us with some certainty and consistency. I could pick out the duty to co-operate as a good example. When I started out in planning, many, many years ago, we had a very complicated four-tier system, from national planning, through regional planning and county planning, to local planning. I think everyone thought it was very comprehensive, but it was very unwieldly. It took many, many years to do anything at all.

When the middle two tiers were excised and we were left with national and local planning, I think we all thought that would be a big step forward. It has been, broadly speaking, but the duty to co-operate is all about getting local authorities together jointly to work out and resolve sub-regional issues between them, and although there is a duty in place it is not necessarily being carried through with sufficient impetus to give the right answers quickly enough. We are finding that authorities of maybe different political persuasions find it quite hard to work together to deal with quite difficult development issues. They often concern issues such as greenbelt, major housing leases in more difficult areas of the country, a whole variety of issues on which we would quite like government to add some additional push in making that duty a bit stronger.

Baroness Young of Old Scone: Is that the primary cause of delays in local authority consenting, or are other things getting in your way?

Steve Melligan: For what we do, because we get sites allocated and get to an outline planning consent stage, we find the planning application stage is broadly speaking a lot better than it was, that is for sure. Again, it is variable, and depends on resource around the country in terms of planning authorities. When we contract with a developer to take on a housing site, they have to get their reserved matters approved, get their pre-commencement conditions signed off with the planning authorities. Our contracts are often tied in to certain stages of performance before our commercial returns come in, so we are very interested as to how they get on through the reserved matters stage. They tell us and we see directly that often they are taking far too long to get their reserved matters consents approved.

One issue is that if a site is allocated in a local plan for a certain use, should there be a need for a planning application to go back before a committee? If the authority has already approved that scheme in principle, is there a need for endless detailed debates about quite minute issues relating to a scheme such as brick colour, or elevational treatment where there are professional officers in place who are quite qualified and able to deal with those sorts of issues? Should that not be something that trickles down to officer level?

The Chairman: It is overegging the pudding in trying to check things.

Steve Melligan: I think so.

John Grinnell: We could certainly make exactly the same comment on the commercial sector in that sense. Even with the slimmed-down NPPF, which is definitely taking a much more positive, more favourable approach to growth—that growth is good and development is good—even where sites are allocated, as Steve has just said, we are still finding quite a variety of approaches from local authorities in terms of the sheer volume of material that needs to be submitted for something that is essentially already agreed upon.

As developers, when you are investing significant amounts of money at the front end, which is all about trying to build confidence that this scheme is capable of being taken forward and being delivered, that can be quite off-putting. We have been very fortunate, very lucky, in most of the authorities we have worked with, but I certainly know of experience from others in the industry who have not had that same position. That reduced amount of involvement and expectation at the front end definitely is patchy across the country.

The Chairman: Is this a case, though, where they are more risk averse than in normal commercial activities? It worries me, because you think about piles of documentation that have to be sifted through for planning applications and things such as that, whereas it is only simple reduced things. What we need are people who are confident enough at the top of the business who say, "Yes, we do not need to go through all that or do this, that and the other". I am not being derogatory about it, but it is a local authority type of mentality, because they have not been allowed to take big decisions, so they are risk averse, I think.

Steve Melligan: That is not entirely inaccurate.

The Chairman: In other words, yes.

Steve Melligan: Historically, as planners, we all enjoyed the halcyon days where you had a red line around a plan and that was basically it: you put that in on a plan and you sought consent, with very little information. Now, maybe that was insufficient, and clearly there are impacts that we need to deal with in a sensible, technical way.

The Chairman: We need more confidence.

Steve Melligan: Absolutely right. We ask for a huge amount of information. From our point of view, we are a strong commercial operation and we can afford to invest our own resources in employing armies of consultants to produce volumes of work. A lot of landowners, promoters, SME developers and small builders cannot do that, and that is a frustrating factor.

The Chairman: It is an interesting point. Maybe we will investigate that further.

Q81 Baroness Rawlings: One of your four themes was education. I have to declare my interest as having been responsible, possibly before you were both in post, for securing from The Crown Estate the old Public Record Office in Chancery Lane for King's College London library, which is highly successful and which over 10,000 students now use daily. It won the award for the best garden of the year. I can say that this is a concrete example of all that you have been saying this morning. I wonder how many other sites like this you sell off completely or sell the leases for, and how you develop the policy for future certain uses of these areas that you have disposed of.

John Grinnell: In terms of trying to understand the question, we have our four sectors that we have invested in. The London assets—Regent Street, St James's—are our core assets. They are in our long-term ownership, so we do not dispose of those in their own right. We will undertake swaps, purchases, sales, disposals around the edges of that, to facilitate development and ensure further investment into those. The regional portfolio is about a wider investment strategy, which is about an active process of purchase and sale.

Beyond that, for the wider Crown Estate business I am afraid it is not something I can comment upon, but we could come back to you with a written answer.

Q82 Baroness Andrews: As part of my question, I should declare an interest as the ex-chair of English Heritage. I would completely endorse what you said about it working very closely with you, particularly recently on the Recent Street development and the development of the Atlantic Bar. A wonderful conservation job was done to bring that back to its art deco brilliance. It is an absolutely splendid piece of work.

Lord Inglewood asked about the impact of having to deal with listed building regulations, and you have answered that, so my only question is this. You are very good at working within the constraints of the historic environment and trying to balance the issue of harm versus development. Other people find it much more difficult. What sort of advice might you have for your typical developer on how to get the best benefit out of that balance?

John Grinnell: Dare I say probably copy what we do, if that does not sound arrogant?

The Chairman: If it is not broken, do not fix it.

John Grinnell: Our approach is one we have evolved over time and we constantly seek to improve upon that. It is one of working directly or very closely with people such as English Heritage—Historic England, as we now have it—the local authorities and all those other parties, working through with groups such as the Twentieth Century Society and others, to understand what the issues are, what is absolutely key to retain, what is important to retain within a very commercial environment, what therefore is going to ultimately help to add value to that environment and how we can bring the best of the new and the best of the old together to ensure that we create those spaces. Our approach is an approach about openness, honesty and integrity.

Baroness Andrews: It is also about the vocabulary you use, which is that the historic environment, whether you define it as a building, a streetscape or whatever, is an economic asset, so you are able to show developers and place-makers that it is going to be of a real benefit in economic and social terms, not just, as it were, a heritage issue.

John Grinnell: Totally. If we look outside London for a moment, we are also jointly the owners with Land Securities of the Westgate shopping centre in Oxford, one of the most highly known heritage cities on the globe. We have a major scheme there, with 800,000 square feet, the best part of 80,000 square metres, depending on which currency one uses, of new commercial space, but within an incredibly sensitive historic environment. The amount of time and effort we and our partners have expended on trying to ensure we bring about the right form of development, with the right form of buildings, the right quality of the public realm and all those pieces we have already referenced, is huge. It is a massive, massive investment of time and energy, but, ultimately, it comes back to that same point: it is commercially driven and it does drive value. The two things are totally linked together.

Q83 Baroness Parminter: I want to talk more about digging down into your initiatives with local communities and how they get involved in the developments. Are there any specifics you would cite as being absolutely critical in making developments work for you and meeting your financial responsibilities but bringing people on board at the same time?

Steve Melligan: Shall I start with the housing sites we deal with outside the main conurbations? In a planning context, all applicants are required to consult on schemes. At The Crown Estate, we believe it is far more important than a box-ticking exercise. We genuinely believe that close community consultation has huge benefits for both sides. For us as a commercial operation trying to achieve something on the ground, it is through consultation that we can try to engender some support locally for the particular scheme. Clearly, that will help us get through the application and committee process, which helps us directly.

From the other side of the fence, local communities deserve to understand and to participate in the way the scheme will be affecting them, because, although we are landowners in their environment, we are outsiders looking in. Often, the best people to understand the local issues, things such as traffic, educational implications, resourcing certain things, are the people who live in that village or in that town. We do an awful lot of consultation. We probably do far more than most people in our situation and we are very proud of doing that. We tend to do it a little earlier; we tend to do it more often; and we tend to do it a bit more openly, with more information to hand.

We tend to do it as a two-stage process. First of all, we will go into a local community and hold an exhibition. I will go along personally, with my team. It is important that The Crown Estate is represented personally, because people do not just want to see an army of consultants; they want to see the person who will actually benefit from this, which is fair enough. We go in with basically a blank piece of paper and invite people to tell us what they think the issues are, and then we will go back, maybe in a few months' time, with some more detailed proposals worked up. We might use things such as charrette workshops to try to get some genuine feedback and ideas.

Public consultation gets a bad press, because the public do not really believe it is being done genuinely. It is easy to go along a tick-box process, achieve what you have to and then move on, and that achieves absolutely nothing. What we are trying to do is to achieve schemes we can look back on in years to come and be quite proud of, and, if the local community is not proud of it, I do not think we can be either. From that point of view, the consultation we do, which is lengthy and can be quite costly, is always beneficial in terms of engendering real ideas and inputs about the design of our scheme and the master-planning.

The Chairman: How often would you do that? Say you had done a development and, three years after it was up and running, you do a post-audit, so to speak, of the contribution to people of place-making. How do they feel? Do they like it? Are there great improvements? Are there any improvements they think could be made, or is there anything else?

Steve Melligan: That is a very good point. We have some larger schemes that are a thousand or several thousand homes in scale, so these are effectively new communities starting from scratch. These schemes will take 10, 20 or 25 years to develop out, so not only do you have to be very flexible in planning at the start so you have that flexibility as things change over the years, but you have to work closely with local authorities and local communities to ensure you have that flexibility built in. As The Crown Estate, where we own the land in its entirety, we have a lot of control over the way sites are taken forward, which is a huge advantage. One of the many drawbacks of the planning system is site-delivery, and when you have multiple land ownerships that is often the biggest constraint to getting sites delivered quickly and efficiently. Where we own land in its entirety, we have far more ability to plan things appropriately at the outset and then stay in the scheme right to the end, in that way delivering the sorts of outcomes you are alluding to.

The Chairman: That is exactly what I was saying. Also, it gives people confidence that they have made the right investments and that they are happy.

Steve Melligan: It does.

The Chairman: That could easily trickle down to the following generations.

Steve Melligan: Agreed. Also, from a commercial point of view, if we can get the scheme right at the start, if we set the right tone in terms of quality, that will help house prices, which will help our commercial returns. It suits our commercial purpose to have high-quality schemes.

The Chairman: I have always believed in, “Love the consumer”. They say, “The customer is always right”, although we all know they are nearly always wrong, certainly in the areas where I have been. You just have to listen, and together you can get the thing sorted.

This has been a great session. Thank you both very much indeed. I just have a final question. Are there any other issues you would like to raise with us? If so, please write to us, because I think we are just about worn out after our long session today. It has been great, and we are not worn out because you have bored us, but there is so much to try to grasp and get into my tiny brain. Thank you very much indeed.

John Grinnell: It has been a pleasure to meet you.

The Chairman: It is lovely to meet people from The Crown Estate, because I have known about them for years, but it has always been way up there. Thank you.