

Housing, Communities and Local Government Committee

Oral evidence: Land Value Capture, HC 766

Tuesday 8 May 2018

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Members present: Mr Clive Betts (Chair); Bob Blackman; Helen Hayes; Kevin Hollinrake; Andrew Lewer; Jo Platt; Mr Mark Prisk; Liz Twist; Matt Western.

Questions 1 - 77

Witnesses

I: Steve Akehurst, Head of Public Affairs, Shelter; Professor John Henneberry, Professor of Property Development Studies, University of Sheffield; Liz Peace CBE, Adviser on Property, Politics and the Built Environment.

II: David Ames, Head of Strategic Planning and Development, Letchworth Garden City Heritage Foundation; Tom Chance, Head of Grants and Development, National CLT Network; Julian Ware, Head of Major Project Funding, Transport for London.

Examination of Witnesses

Witnesses: Steve Akehurst, Professor John Henneberry and Liz Peace CBE.

Chair: Welcome to everyone, and thank you for coming to the first evidence session in our inquiry into land value capture. Thank you to the witnesses for attending today. Before I pass over to you, I am going to ask the Committee to put on record any matters of interest relevant to this inquiry that they may have. I am a vice-president of the Local Government Association.

Helen Hayes: I employ a councillor in my staff team.

Liz Twist: I employ a councillor in my staff team.

Jo Platt: I employ a councillor in my staff team.

Kevin Hollinrake: Sorry, Chair, so do I.



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Andrew Lewer: I am a vice-president of the LGA and I have a registered interest in Drakelow Development Holdings.

Q1 **Chair:** Thank you very much for coming. Could you just say who you are and the organisation you represent?

Steve Akehurst: My name is Steve Akehurst. I am head of public affairs for Shelter, which is the housing and homelessness charity.

Professor Henneberry: I am John Henneberry. I am professor of property development in the department of urban studies and planning, University of Sheffield.

Liz Peace: I am Liz Peace. I used to be chief executive of the British Property Federation but I am not representing the British Property Federation today. I chaired the CIL review. It must have been a couple of years ago now. Time has flown rather a lot. I am currently chairman of the mayoral development corporation for Old Oak and Park Royal. I probably ought to add that I am on the Crossrail 2 affordability panel, where land value capture is of course an interesting topic.

Q2 **Chair:** We have a list of your interests at present, which is probably too long for us to go into on the record today. We will begin with a general question to all of you. Talking about land value capture, what are the objectives we should be looking at and what are the benefits of capturing the increase in land value?

Liz Peace: Land value capture tends to focus on gains at the point of development. You have a development, be it a residential or a commercial one. There will be some infrastructure needed around that. There will be infrastructure going in. The current system—section 106, CIL—is all about making sure that whoever is doing that development is going to make a contribution towards the infrastructure, on the basis that they are being enabled to do a development that will make them lots of money. The idea of taking some of that gain to pay for the infrastructure that is making the gain in the first place is quite a straightforward one. How you actually do it is, of course, another matter.

The issue of land value capture is, however, bigger than that. The land value capture I have just described is related to an event: a development event. In practice, land and property on that land rises in value, even if you do not do anything to it, if some infrastructure goes in close to it. If you took the example of property in, say, Southwark, when the Jubilee line station went in there, the property around that Jubilee line station increased massively in value. If you do not have a development event from which to extract some money through section 106 and CIL, how do you capture an element of that increase in value that happens because of state-funded infrastructure? To my mind, that side of it is almost as interesting, if not more interesting, than section 106 and CIL. I am happy to expand on that later, but that is the division I would make in this subject.



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Professor Henneberry: In more general terms, if we capture some of the land value, it will help us to fund the additional infrastructure and services to which demand from that development gives rise. As Liz said, it also increases values around. If we do not capture some of that land value, one of two things will happen. Either we will get no additional infrastructure and the infrastructure will become overstretched and more inadequate, or we will have to find an alternative income to fund the infrastructure. One or the other is going to happen. One of the fairly practical reasons for doing it is simply to seek appropriate funding to allow development to continue.

Steve Akehurst: Land value capture can be as big or small as you want it to be, but in an ideal world the objective should be about what kind of development we want. How do we build not only more homes, but homes that actually benefit the community? It is about what benefit development brings to a community. At the moment, we have a system of private and speculative housebuilding that does not really benefit the communities where homes are built. Fundamentally, that is because a lot of the value of development goes largely to landowners and not to the community.

As a result of that, we get not just not enough homes, but not enough affordable homes, homes that are too low quality, homes that do not have supporting infrastructure. We get unpopular housebuilding development. We get opposition to housebuilding. Reform of land value capture can be a way of fixing all those things. At its most ambitious, it is about how we get a system of housing development that benefits local people, is popular and delivers the homes we need. It does have to be just a bolt-on to the existing system. It can be something much more interesting, much more bold and much more radical. I am hoping we have the chance to get into that today.

Q3 **Chair:** There are different reasons for it. That is what you are saying.

Steve Akehurst: Sure.

Q4 **Chair:** It might be said that one of the issues here is about the value of land, and the reason the price is so high is because the supply is constrained by the planning system. Would it not be easier just to relax the planning system? Would we not solve all the problems without having to have all these complicated arrangements for capturing value?

Steve Akehurst: No, and this is a really important question, as to why it would not work. The high land values that are the problem are created, in part, not by the planning system, but by the monopoly position of the landowner. They have the ability to extract vast sums from developers. If a piece of land is up for sale, the developer that offers the highest sum to the landowner is the developer that can most reduce community benefit, affordable housing and infrastructure in order to offer the highest price for the landowner. They then reduce build-out rates and affordable housing in order to do that. That is what pushes up land values. That



monopoly position, or the ability of the landowner to get that amount of money out of the developer, is what pushes up values.

Q5 Chair: If you destroy the monopoly by allowing housebuilding to take place on lots of green fields around, would that not deal with the problem?

Steve Akehurst: No. First, to do that, you might have to completely abolish the planning system, which would be politically unpopular. Even then, it is not clear that that would even work. The landowner still has the ability to hold on to land, and not bring it forward, if they want to. If you want the proof point for this, the number of planning permissions has gone up massively in the last 10 years or so; the amount of privately built affordable housing is roughly where it was pre-crisis. Throwing more land into the same broken system, the same sausage-making machine that we have at the minute, does not solve the problem. Land is inherently finite. It is inherently fixed. You cannot have a perfect market in land. The landowner will always have a degree of monopoly power. Releasing a few more permissions does not fundamentally change that. As I said, if we do not grasp that, we are going to end up with the wrong solutions.

Professor Henneberry: Could I add two points? One of them is the issue about sustainability: environmental, social and so on. If we released a great deal more land, it would increase competition between landowners to an extent, although there are still oligopolistic tendencies. It also might take us back to the sorts of very inefficient strip development that occurred in the inter-war and immediate post-war periods.

Secondly, the way the question was phrased implied that it was mutually exclusive: that you could either capture land value and constrain supply of housing land, which is why the prices are so high, or you could not try to do that and just release a lot of land. In some other jurisdictions, such as the Netherlands, they have had very high levels of land supply but, because of the institutional structure of their system, they have also captured the bulk of development land values. That is because local municipalities, and regional and national states, have been much more interventionist there in acquiring land at existing use value, servicing it, releasing it to housebuilders, whether that be social housebuilders or market housebuilders, at market value, and using the difference in the value to fund the infrastructure themselves. They have achieved high levels of supply and high levels of land value capture.

Liz Peace: I would broadly agree with what my two colleagues have said. It is worth saying that anybody worth their salt who is doing development knows that you need infrastructure around your development. You cannot develop without infrastructure. If you had a free for all, you would have bad development with inadequate infrastructure. You have an issue around funding it. Capturing some of



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the value of development to fund the infrastructure seems like a no-brainer. Those are the mechanics of section 106, of CIL.

As I say, there is potential for capturing more if you look at the impact of putting in infrastructure on existing property. I know you will be talking to Julian Ware later today and he will also be talking about this. It is, to my mind, a no-brainer that somebody who is doing a development must make a contribution to the infrastructure that is needed to make that development acceptable—sustainable, if you want to use your word—to local communities.

Chair: We will come on to those wider issues a little later in questions.

Q6 Kevin Hollinrake: Can I ask Liz a question? You wear a new hat now, looking after the Government Property Agency. One of your roles is to maximise capital receipts from public land. What we are talking about here is trying to share more of the receipts from land with the communities, with the public, to provide more affordable housing, for example. Are you clear on where the balance can be struck between releasing public land for public benefit and maximising public receipts?

Liz Peace: To some extent, that depends on the status, the views and the policies of the public body concerned. The Government Property Agency is probably not quite what you have in mind, because there are two bits. Sorry to digress on to this. There is the Government Property Unit, which is now the Office of Government Property and is working closely across Government with the various agencies that are releasing land. The Government Property Agency is the executive arm that is acquiring the properties of Government Departments and asset managing them in an efficient manner. I do not see us doing an awful lot of disposal.

Q7 Kevin Hollinrake: I am just quoting from your website. It says on your website that you are there to maximise capital receipts from disposal of surplus assets.

Liz Peace: Yes, but that is going to be a relatively small part of the activities of the Government Property Agency for the next few years, because we are mainly taking office portfolios and making them more efficient.

Q8 Kevin Hollinrake: A small part or not, you claim a balance can be struck between public benefit and the requirement to maximise the price.

Liz Peace: I go back to the point I made. That is determined by the policy position of the body concerned. Wearing one of my other hats, if you look at what happens in London, the mayor has made it quite clear that he wishes to see 50% affordable housing on any public land disposals. That is a judgment he has made, balancing it against the need to generate an income for something like Transport for London, which obviously needs to make money to improve the transport system. It



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would be exactly the same with the Government Property Agency and with the Cabinet Office. It is a trade-off.

Q9 Helen Hayes: Can we return to section 106 and CIL for a minute? Could you say a bit about how effective you believe section 106 and CIL are as mechanisms for capturing land value increases?

Liz Peace: Harking back to my CIL review, CIL was put in place because it was generally considered that section 106 was not wholly effective in capturing sufficient uplift in land value to pay for infrastructure. Effectively, section 106 had been corrupted over the years from what it should have been, which was simply a mechanism to facilitate a development in purely planning terms, into something that was meant to make a contribution to wider infrastructure. Various Governments looked at various ways of remedying that. Finally, they lighted on CIL.

The objectives of CIL were to be a levy, as the name implies—a community infrastructure levy—which would be set by local authorities. It would be very clear, straightforward and simple. Developers who were coming along to do a development would know exactly what they were up for; they could do a quick calculation, write the cheque, and off you go.

Unfortunately, CIL did not turn out to be like that. As we discovered in our review, it had become so complex it had developed an industry all of its own around it, which struck us as a substantial waste of everybody's time and effort. For lots of different reasons in different places, it was not yielding what had originally been envisaged. There was a problem over a whole range of exceptions that had been introduced in successive modifications to the regulations, so the early adopters were finding they were getting something like 50% less than they had thought they were going to.

Generally speaking, it was not seen to be effective. It also did not fit well with very large sites. If you had a bog-standard site doing 100 to 150 housing units, you could do your CIL calculation and in theory that would possibly be a bit simpler. If you were doing a very, very large development, it was almost impossible to apply the formulaic CIL approach. Even the major developers and housebuilders did not like it in that context, because they realised that was not necessarily getting them what they needed to facilitate their large development.

What we tried to do in the CIL review was separate out a number of those things. We thought it would be a very good idea to have a standard charge. Dare I say it, I would have called it a tax, but that was immediately forbidden by my various minders. It was effectively a permission to develop. Anybody who is going to do a development anywhere, whoever they are, ought to pay a standing charge, a simple charge, which would contribute towards wider infrastructure in the area. Then, for the larger schemes, you would have a negotiated section 106 where you could cut the 106 according to the cloth of the actual scheme.



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That is what the development industry would have been happy to see. It would not have solved the problem of all land value capture, and it certainly would not solve the problem I have alluded to of standing assets that are not being developed because, as I say, both section 106 and CIL only apply to development, but we think it would have been a start. The Government have made a few small steps towards doing bits of it but not all of it.

Steve Akehurst: Section 106 is something we have done a lot of research on in recent years. It has got to the point now where section 106 is almost not fit for purpose as a way of capturing land value. In theory, it is the right way to go about it, but it has been fundamentally weakened by changes in the 2012 National Planning Policy Framework. Lots of those changes were made with really good intentions, but they have made it really, really hard to get, say, affordable housing out of development. As proof of that, you have councils like Bristol, Manchester, Southwark and Brent where the levels of affordable housing they are getting out of development are way below their targets and what they are nominally aiming to get. That is partly because the law has been changed to allow developers to put in what are called viability assessments, which say that, if you cannot make a competitive profit, which in practice means 20%, you are able to reduce your affordable housing commitments.

That was put in with good intentions at the time but, to go back to the central point I made at the start, all it has done is encourage developers to overpay for land in the land market, on the gamble that they would be able to reduce their affordable housing commitments later down the line. The flexibility was put in with good intentions, but it has created completely perverse incentives for the developers to take that little gamble that they will be able to reduce their commitments and give that little bit more money to the landowner so they get hold of the site. It is baked into the scheme straight away that the developer will not be able to meet its commitment. Strengthening that section 106 process, providing more certainty and providing more power for councils to enforce it properly is really, really important.

In theory, the system should work really well, but you need certainty and clarity, and you need the power to be in the hands of the local authority. We do not have that at the minute. We are seeing thousands and thousands of affordable homes that could be delivered, that communities want and need, being lost through that system at the moment. It is a major area of reform for us.

Professor Henneberry: I have comments on both of my colleagues' comments. First, on the history, I have to stress that I agree entirely with Liz's point about the complicating effect of CIL that has been happening recently. I did a study on impact fees for the then DoE in 1992 and 1993, and I have been involved in four of the last five estimations of the level of planning obligations and CIL that have been



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funded by HCLG over the last 10 years or so. I will get back to CIL in a minute but most of this evidence relates to planning obligations and not to CIL, because it is a relatively recent introduction.

Planning obligations, before CIL came in, have been far more effective in obtaining a share of development value than previous historical attempts in 1947, 1967 and 1976. Getting on for double or more of the share of value has been achieved through planning obligations. There are lots of reasons for that, including the difference between the political economy that was around in 1976 and earlier and the much more marketised economy we now have. Things that might have been considered practical then are certainly not now. Whatever we said about that, planning obligations have achieved much greater success in obtaining a share of development value.

Secondly, at the moment, the major problem with planning obligations, in terms of the variation in the success in obtaining a share of development value, is local planning authority practice. A lot of authorities are very good at it and are good at negotiating with developers. They have clear policies, they know what they are doing and they are pretty good at getting it. Developers like them, because they know they are dealing with something that is clear and certain, and know they can build those sorts of assumptions into their calculations. Many authorities are not good at doing this. Developers, although it would seem to be an opportunity for them, do not like that because they never quite know what they are going to be faced with. There is quite a lot of potential, by simply improving practice across the board with local planning authorities, to get more of the land value capture in gross terms overall, rather than for specific sites, because the good authorities are getting a pretty good land value capture in that regard.

The second point was about threshold land value. My colleague at Reading, Neil Crosby, who is an expert valuer, has been doing quite a lot of work on the circularity argument that you referred to earlier. Since the financial crash, although house prices and other property values, certainly in London and the south-east, have now exceeded their values in 2007 and 2008, the amount of planning obligation and affordable housing that is received has gone down. One of the main reasons for that is some developers gaming the system by building in, exactly as he said, assumptions about being able to negotiate lower obligations and building them into a bid price. The problem is that, the more it happens, the more comparable values, which are used to assess land values, reinforce and build in this assumption that you will deliver fewer affordable houses.

Q10 Helen Hayes: Turning now to other forms of land value capture in the UK, including stamp duty and capital gains tax, taken in the round with section 106 and CIL, what proportion of land value increases are we capturing in the UK?



Professor Henneberry: We were very brave in our written evidence and submitted some numbers. However, they were hedged about with qualifications, but I will qualify them now. If you are looking at a greenfield site previously used for agriculture that gets planning permission for market housing, and you add in the average amount of planning obligations per unit, assuming 32 dwellings per hectare, et cetera, the take from planning obligations, CIL, capital gains tax, assuming that the landowner is paying the maximum, and stamp duty tax is roughly 50% of the development value.

However, that is an average value on a greenfield site on the edge of a growing town, and so on. As soon as you get into the details, such as what it is like in Newcastle as opposed to Northampton, or what it is like in a brownfield inner-city site compared with a greenfield site, the short answer is that I have not a clue.

Steve Akehurst: The numbers we have seen are much lower than that. They come from the Centre for Progressive Capitalism, which looked at all the value generated in one year, I think from 2014 to 2015, the development value, the uplift for land from before it received permission to after it received permission, and roughly where that went. It estimates that only about 23% of the value is going to community benefits like CIL or section 106, with 75% or so going to either landowner profits or other windfall profits.

That feels about right to us, when you look at individual developments, to be honest with you. That is a really big problem. It is much different in other countries; it could be much different in this country. It is the white-hot core, in terms of the housing crisis, of why we do not have development that benefits local communities in the way that it could do.

Professor Henneberry: I was just going to add a codicil to that. That sort of estimate is a gross estimate. All I was saying was that, if you had a specific scheme and it complied with those qualifications, you would get about half. To the point I made earlier, the local planning authority does not negotiate all schemes effectively, which means that the overall capture is much less.

Steve Akehurst: Exactly. They do not comply.

Liz Peace: I do not have anything to add. I leave the numbers to these clever guys.

Q11 **Helen Hayes:** We understand the different figures and how they are derived. How do those figures compare to other countries?

Steve Akehurst: I have not seen as much on that. We can dig out some evidence and send it to you. From my understanding, in Holland it is much closer to 80%, and Germany would be similar. We can check it and send it to you, but it is certainly much higher, and that is because they have a completely different system, which is plan-led. We can get into



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this a bit later, about how this might work if we were to go in that direction in this country. Fundamentally, it does not wait for things to come out of the sausage-making machine between developers and landowners; it says, "This is the housing we want. This is what we want it to look like. This is how affordable we want it to be". Then the land gets sold at a price that reflects that, rather than affordable housing and section 106 being a bolt-on, as it is in this country. It is much higher in other countries, fundamentally because they have a much better and different system than the one we have.

Liz Peace: I would always add a caution when doing international comparisons about taking any single tax or quasi-tax in isolation. You have to really look at its position in the whole taxation plan for that country. It is like when we used to look at stamp duty. You could say that compared with, say, France, it is tiny, but you have to look at the overall take: corporate taxes, CGT, stamp duty, even income tax and national insurance, and look at the whole system, rather than just pulling out one bit of it. I am very nervous about international comparisons.

Professor Henneberry: I would agree with you both. I agree with everything, yes. I would reinforce the point you made that one of the reasons that the Netherlands, particularly, and Germany, slightly less so, capture more land value is because the local state is much more proactive. As a result of that, the local state is also putting a great deal more capital into the land. It is tying up state money in the land, and it will not get the returns back until it has been serviced and sold on. The local states are taking quite a lot of the development risk away from the developer.

In the Netherlands they are rowing back a bit, because local municipalities have basically overbought and, after the financial crash, they were left with land that was worth rather less than they had paid for it to start with, although it is now coming back. Conversely, compared to systems like those in the US and Australia, we do much better because we are roughly in the middle in terms of interventionism.

Q12 **Helen Hayes:** In the UK, stamp duty and capital gains tax go to central Government to be redistributed. CIL and section 106 go locally, and some CIL goes regionally. How does that split between local government and central Government receipts compare internationally?

Professor Henneberry: Sorry, this is a terrible generalisation, but it really depends on the institution of the state. In many US states, the local state keeps pretty much all of it, because it provides most of the services anyway, whereas in the Netherlands it depends who is doing the land transactions as to who keeps the development gain. An awful lot of it will be local there, too. It is horses for courses. I do not think you can make a generalisation about that and then read it into the UK.

Q13 **Helen Hayes:** Finally from me, going back to section 106 and CIL, how do the revenues that are derived from those particular sources vary



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across the country? Is that only a function of how good local authorities are at negotiating?

Liz Peace: To a large extent, it is a function of values. CIL and section 106 in London and the greater south-east are going to be substantially more than in Newcastle or Sunderland. This was one of the interesting issues we found around CIL: the assumption was that the whole country would adopt CIL. Indeed, they were going to be persuaded to do that by removing the pooling of section 106 arrangements. In practice, a large number of local authorities chose not to do a CIL simply because, they said, it was unviable. The actual cost of collecting it would frankly be more than they would acquire from the CIL.

Professor Henneberry: Reinforcing that, not all the historical studies that I mentioned from 1992 onwards looked at regional distribution, but most of them did. The broad finding was that London, the south-east and regions close to there had a higher proportion of planning permissions that were accompanied by planning agreements than regions further away. The planning agreements had more obligations, which were worth more money. Even allowing for the difference in practice between local planning authorities, high-value regions got more obligations worth more money than low-value regions. That reinforces the existing value structure of the property and land market. If you are arguing about trying to achieve more balanced development, it does not help.

Steve Akehurst: It is hard to know, but we do know that about half of the value captured at the moment is in London and the south-east. I genuinely think that is a fairly even split: there are higher values, but you also have much more proactive local authorities for the most part in London and the south-east, particularly on section 106. Some cities, in the north of England or wherever, seem to make a virtue of having very low affordable housing targets, for instance Manchester and elsewhere. There are also lots of local authorities, as in London, that do the opposite and are really trying to drive them up. It is a pretty even split between local authority proactivity and higher values in London and the south-east.

Q14 **Mary Robinson:** I understand that about 40% of local councils have adopted CIL, as of last year. Is that right?

Liz Peace: Yes, as a percentage.

Q15 **Mary Robinson:** Several more were in the process of doing so. As we are discussing the relationship between section 106 and CIL, it is obviously important that the councils have that money and capture that land value. However, the *Huffington Post* did a bit of freedom of information and got some data on this, and it seems that £375 million is sitting in councils' banks accounts and not being spent. Is part of the issue not just about how we do it but what councils do when they acquire this additional bank balance?



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Liz Peace: Speaking on behalf of the development industry in this instance, yes, we would absolutely agree with you. Developers would like to know where the money that they have put into the local authorities' coffers is going. One of the things that we pressed for over a period of years, wearing my BPF hat, was that the CIL legislation should place some sort of obligation on local authorities to spend the money, to provide the infrastructure. The legislation was all one way: it provided an obligation on developers to cough up the money, but not on local authorities to spend it. That would be a good idea.

Q16 **Mary Robinson:** To what extent is the council itself a stumbling block in this?

Liz Peace: You would have to ask the local authority and the Local Government Association. From my perspective, and this is very much a personal view, it is very difficult for a local authority to work out how it wants to spend the money if it does not have a proper, up-to-date local plan. You need to go back to looking how many local authorities have an up-to-date local plan, and what you need to do to persuade those that do not have one to get on with it.

Steve Akehurst: With commuted sums on affordable housing, for example, we know that councils are sitting on a lot of money where they take commuted sums or sums from developers instead of on-site provision. We definitely know that happens. Hundreds of millions of pounds are not being spent. This is the way we look at it: even if you have a really good local authority that wants to drive up community benefits and development, infrastructure, quality and affordable housing, does the system allow it to do that in the way it wants to at the minute? The answer is no, basically. They do not have as much power over section 106 as they should. They do not have as much power over things like compulsory purchase as they should. Maybe we will get into that. You do see variations in local authorities. Even on section 106, there is massive variation between places in the north-west and places in London. But even really good, proactive local authorities are still falling short of where they want to be, because to some extent they have their hands tied by national planning policy.

Q17 **Mary Robinson:** I am not going to single out any one council, but Southwark, for instance, has £52 million in the bank. Would another way of doing this, another land value scheme, change the fact that it still has money sitting in the bank that is not being spent? That is where I want to get to.

Steve Akehurst: Possibly not. That is a good example. Southwark is quite a proactive local authority on some levels. That is a good example of where commuted sums and cash is not always the best way of doing it, particularly with affordable housing, in part because I imagine somewhere like Southwark—I do not know the case that well—has a problem in whether it can get hold of the land to build homes on and all that kind of stuff. This is why on-site provision would be much better,



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and we are a bit nervous of moving away from a system based on delivering actual physical homes on site to cash contributions, because of circumstances like this. That is why we would be a bit nervous of moving towards cash payments on section 106, for instance, for exactly that reason.

Liz Peace: I do not know the circumstances of Southwark and it would not be appropriate for me to comment on that. It might be worth mentioning that a local authority will often have to collect up quite a lot of CIL before it has accumulated enough to spend it on the large piece of infrastructure it had indicated it was going to spend it on. In defence of local authorities, as you get it in, you cannot necessarily push it out of the door straight away. It is worth making that point.

Q18 **Kevin Hollinrake:** It is really important that we achieve some kind of consensus on what the landowner ends up with on average. There is a big disparity. You said only 23% of the value of the land is captured. Mr Henneberry, you said it is 50% in a greenfield situation. Can I point to the differences in both your calculations? I think, Mr Henneberry, you include things like capital gains tax, stamp duty and the cost of the planning process within your calculations.

Professor Henneberry: No, we did not include the planning application fee.

Q19 **Kevin Hollinrake:** There is that cost to add as well.

Professor Henneberry: Yes.

Q20 **Kevin Hollinrake:** I think Shelter has just used section 106 and CIL.

Steve Akehurst: Yes, because those figures are the most easily available. For example, with tax, it is genuinely not clear if tax is always paid on every transaction.

Q21 **Kevin Hollinrake:** You will concede that a landowner would have other deductions, as well as section 106 and CIL.

Steve Akehurst: Sure. It is just really hard to know.

Q22 **Kevin Hollinrake:** It is not that the landowner is walking away with 70% of what is seen as the market value of a hectare of land with planning consent.

Steve Akehurst: There is a decent wager that they would walk away with the bulk of it but, yes, you are right. There are other things that are hard to calculate, like tax.

Q23 **Kevin Hollinrake:** It could be as low as 50%, for example.

Steve Akehurst: We would have to look at it, but in theory, yes.

Q24 **Kevin Hollinrake:** In terms of viability assessments, you criticised the historic position. I agree with many of the comments you made. The



Government have come out with some revisions, in terms of testing viability at plan-making stage and an open book approach to viability assessments. Are you now comfortable with where the Government are in terms of their new provisions for viability assessments?

Steve Akehurst: It is a bit of a mixed picture. The intention there is really, really good. They have tried to reduce viability assessments to exceptional circumstances. They have tried to have a plan-level process. They have tried to make it more transparent. The intention is really good and there is some really, really good language in that first draft.

There are still a few problems where it seems to contradict itself slightly. As a really good example—it is a bit techy, but I hope we can get into it—it says that the value the land should be calculated at is existing use value plus a premium, which is exactly the right way to do it. The trouble is the way they created the guidance for how to calculate that premium: it is based on other market transactions and things like that, which basically lets hope value in through the back door. The intention is good but it feels a bit like three steps forward, two steps back at the moment. I am pretty confident that, once the final draft comes, it will be a lot better.

Chair: I am conscious of the time generally now. We have a lot of further questions to follow up that are important to us.

Q25 **Liz Twist:** Liz Peace, I want to return to the review of CIL that you carried out. You recommended that the Government should replace CIL with a hybrid system of a broad and low-level local infrastructure tariff, not a tax, to be charged on all development with no exceptions, plus section 106 for larger developments. You also said that combined authorities should be enabled to set up additional mayoral-type strategic infrastructure tariffs. Could you briefly explain your reasoning for recommending the effective abolition of CIL?

Liz Peace: Yes. I suppose, if you look at it bluntly, we were recommending that you park CIL and do something different. A number of the points I have already mentioned. First of all, it had become far too complex. It was not working in the way that it originally had been envisaged, which was a levy on everybody to contribute to larger pieces of infrastructure. It did not capture the maximum value that could be captured when you were talking about large, complex schemes.

There were lots of problems with things like providing CIL in kind. If you are a large housebuilder doing 3,000 or 4,000 units in an area, your CIL would possibly include a payment towards a school. You did not want to pay that into a pot and wait for the local authority to build you a school in however many years' time it would be; you wanted the ability to do that on your site in kind. There was no provision for that sort of thing. We were finding that it was not a universal charge on everybody contributing to bigger pieces on infrastructure, and it was not serving the purposes of



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particularly large developments that needed a whole set of infrastructure of their own.

We toyed with whether we should simply go back to section 106. We thought, for all the reasons we have just been hearing, that section 106 had a lot of imperfections in it, that the principle that everybody should contribute to large pieces of infrastructure was a good one, and that it would be simple and acceptable to set this relatively low level that everybody paid, which the local authority would use for the broader package of big infrastructure measures, not site-specific ones. You would not let the big developments escape; let them negotiate their section 106, because they could do it exceedingly effectively. Out of that, you would get what that specific development needed. It would save a whole lot of time. It seemed you would get the best of both worlds. Fundamentally, we did not think CIL was doing what it had originally said on the can. It was not providing a simple way of extracting a levy or contribution.

Q26 Liz Twist: Are you disappointed that the Government's response has been less far reaching than you recommended?

Liz Peace: When you devote six months of your life to a review, you are always quite disappointed when it is not accepted. However, in mitigation, we found it incredibly difficult. It is probably the most intellectually difficult thing I have ever grappled with in my career. There is no easy answer to this. Governments have not found a way of effectively dealing with this over the years. In all the time I have been involved with the property industry, we have had three or four different attempts to try to extract some element of the development value in order to fund infrastructure. Whatever you come up with has deficiencies and inequities in it and certainly does not yield you enough to pay for the infrastructure. Way before my time in the industry, Governments looked at this development land tax, which was also a major failure.

It almost leads you to conclude there might be one big, simple gesture it could be done through, such as—I do not know—a reform of capital gains tax. I believe Kate Barker looked at that in her first study, the one she did on housing. I was trying to recap on that, but it has been archived and I could not find it. I was warned off going there: "Do not go down the CGT route". Maybe there is a much simpler, central taxation way of dealing with this. I do not know. It is not an easy subject.

Q27 Liz Twist: You considered alternatives, albeit that you were pointed in the right direction sometimes.

Liz Peace: Yes, we looked at everything. We genuinely debated for an awfully long time whether there was a silver bullet, a magic way of dealing with this. I am afraid you reluctantly have to conclude that there probably is not. It is about deciding whether you fiddle with what you have or try something a little more comprehensive, like our local



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infrastructure tariff, but try to maintain the better features of section 106. Section 106 works in some places, but not always.

Q28 Liz Twist: Did you find that being pointed away from certain things a constraint on the options you could consider?

Liz Peace: No. I spent a number of years as a civil servant. I know the constraints under which policy is made. At the end of the day, you need to come up with something that is relatively pragmatic and realistic. It does not mean you should not look at the exciting, innovative and completely wacky, but you have to be realistic.

Q29 Mr Prisk: How much scope do you feel, particularly outside London and the south-east, there is for getting additional revenue without either starting to shrink the preparedness of landowners to come forward to sell, or seeing the numbers of new homes being built start to decline? I do not know what your views are.

Professor Henneberry: There are two obvious ways in which the potential for additional revenue might be addressed. One of them is simply, as we have referred to a number of times now, good and bad practice. A greater effort to help local planning authorities to achieve a high level of practice everywhere, not just the leading authorities, would result in an increase in income.

The second one comes back to the issue about the institutional structures and designs of planning obligations, CIL and the local government within which they are set. If local authorities had greater powers to assemble land and sites, and then resell them to developers, in a mini version of the Netherlands model, that would be one way of doing it, but that implies reform.

In practical terms, the obvious avenue at the moment is to improve practice across the board so that the weak authorities are brought up to the standard of the good ones. That is setting aside the tweaks that one could apply to all the different rules and exemptions in CIL and planning obligations. That would simplify and clarify things, and make it rather easier to operate the system.

Q30 Mr Prisk: I am guessing Mr Akehurst will want to be a little more radical than that.

Steve Akehurst: Yes. It is definitely the case that each area is different, but particularly in the big urban centres there is a huge amount of value that is not being put into community benefits and things that make housebuilding popular and worthwhile. We know places like Bristol, Manchester and Leeds have high land values, or increasingly high land values, with very low levels of affordable housing, way short of their targets. That will not be the case in every part of England, but we definitely know it is not just London and the south-east where we can get more. In these big cities in particular, there are high land values but relatively low levels of land value capture.



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That is quite fortunate because, in a lot of those urban centres, the housing crisis is most acute. That is where you have the longest waiting lists, the highest house prices and the highest rents. For us, the major opportunity is in those big urban centres, Bristol, Manchester and Leeds, where we are not getting anywhere near as much out of development in those places as we could be right now.

Liz Peace: This is a personal view and not one of the organisations I work for or represent. It is interesting that, if you can be absolutely clear and categorical, and you have a very, very fixed section 106 affordable housing requirement, that will ultimately get reflected back in the land value. You might then get to the point you were alluding to where the landowner, especially if it is a family that has held the land for 1,000 years, says, "I will hang on for another 50, wait until the policy changes and I will get a whole lot more". In that situation, you have to couple it with something a little more radical, and my colleague over here would probably support some element of compulsory purchase. There might be a happy medium before you get to that.

If you have an absolute, fixed approach that says, "You will not get a planning permission without X", that is sooner or later going to reflect back in the land value. You will have a period of discomfort while those people who have already accumulated land banks at a certain price find that their developments are unviable, and you will have a big argument over those. Over a period of time, in theory, that ought to simplify the situation.

Q31 **Mr Prisk:** Does that mean that you individually would prefer to see a better use of existing mechanisms or an entirely new mechanism to achieve the capture of land value? If so, very simply—and I appreciate this is quite a big question—what would the principles of that new mechanism be?

Liz Peace: You have to understand there are already a number of different things playing into this. Section 106 is used for affordable housing. CIL, when it was set up, was deliberately not to be used for affordable housing; it is for big pieces of infrastructure. To start off with, you have a bit of a juxtaposition between those two. It is not quite as straightforward as you imply.

Q32 **Mr Prisk:** You were not that keen on CIL previously. In an ideal world, should this Committee say, "We need an alternative. Sweep the current systems away and let us have a new mechanism"?

Liz Peace: Would I go for a completely new mechanism? Let me think about that while the other two speak.

Professor Henneberry: The short answer would be no because, in the long term, we are all dead. Due to the amount of disruption that occurred in the earlier attempts, where people were told they were going to pay 100%, 60% or 80% of development value, we got a major hiatus



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in the land market in each of those, which caused real problems for housing land supply. The introductory period, which I suspect would be quite long, is not something about which you can say, "Oh, well, after it is gone, it will be alright", because there will be a major disruption.

Having said that, I would like to achieve something where a substantial proportion of the uplift in land value was captured by the community in order to fund infrastructure, community facilities and everything else, and development paid a fair share of this. That goes back to the issue of all the existing land uses benefiting and not paying anything, which we will get on to later.

In order to achieve that, we will need quite a wide range of reforms to existing mechanisms. I am particularly thinking of what Steve mentioned before about circularity in estimating threshold land values and rates of return, which in itself would be more effective, but is quite complex. There are also the reforms that Liz mentioned to CIL. Those are already two major things.

One major way, which is still in line with previous experience, is to provide the circumstances where local planning authorities, either separately or in combination, either just from the public sector or in partnership with the private sector, are able, for major schemes of town extensions, new towns or villages, to work together in roughly a simple Dutch model. They are able to group together to define an area where a major scheme is required, to buy the land at roughly existing use value, because all the additional value is the result of that consortium's efforts. That would allow them, over the long term, to capture pretty much all the development value and use that to provide the community facilities, services and infrastructure required.

At the moment, that is a major step because we simply do not do it very much at all. We used to with the new towns and so on, but that was decades ago. That gives us a mechanism that is in line with our previous experience, but actually represents something quite innovative these days. It is a major strategic approach to dealing with large-scale development. If we are to achieve the increases in housing supply that we want to achieve as a country, it cannot all be incremental stuff. Some of it will have to be pretty major. At the moment, we do not have an adequate mechanism to deal with that.

Steve Akehurst: That is spot on. Yes, we would like to keep the section 106 system because it could be made to work better and there is no reason it cannot be better. You are right; on top of that, you need something a bit bigger and bolder. In line with what John said, we need a completely different model of private development where you can zone an area for development as a local authority and say, "These are the kinds of homes that we want: affordable homes, some homes for discount home ownership, some homes at social rent, with this level of



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quality" or whatever, and then invite the landowner to sell the land to a developer or the local authority at a value that reflects that plan.

In order to do that, you need a credible threat of compulsory purchase as a last resort, as a backstop. That is absolutely fundamental, because otherwise you simply cannot challenge the landowner's monopoly power. You need to change the landowner's expectations, so that they still sell at a profit but they have to be willing to sell at the value that reflects the local plan. If you do that, that is the big prize. You can then unlock the completely different model of development, as John was talking about, that we have in Holland, where it is much more democratic. You can master plan; you can have much more beautiful homes and many more affordable homes. It is a completely different model to what we have at the moment.

That would be where we would like to go, but for that you need to update the powers around compulsory purchase orders. That is in the Conservative Party manifesto. It has widespread cross-party support. That is where, long term, we need to go. You can definitely get more out of the existing system than we do, out of section 106 and CIL; that is definitely true, but it is a "yes and" thing for us. We want to do that but, on top of that, you really need compulsory purchase powers to be updated. Then the potentials and possibilities are limitless, in terms of the kind of development that we can have.

Liz Peace: To pick up where I chickened out earlier, when we were doing the CIL review, our view was that, in an ideal world, you would be looking at some form of comprehensive land value capture, but I am of the view that you would probably have to reform the whole taxation system to accommodate that sensibly. There is no point tinkering with bits of it. If you go back to the original Henry George principles, he was looking at a whole new different form of taxation. On the basis that that is not going to happen, I like your model for the new towns. That would be very good.

You could massively improve section 106 and CIL. It is worth remembering that section 106 has a very specific role to play in terms of making a development acceptable in planning terms. Leave your affordable housing for the moment. That was an extension. Fundamentally, section 106 is about dealing with the planning issues of a site so that, from a planning perspective, it becomes a safe, sustainable development. You need to have a section 106 for that sort of thing.

You then need to get a lot tougher with how you manage the section 106 for affordable housing. As I have said, fixing the amount so everybody knows what they are going to be up against is fine. Then the third element, CIL, is for the broader infrastructure, which is not covered by section 106, because it is not directly related to the site; nor is it affordable housing. Somehow or other, you have to fund this bigger infrastructure, perhaps having some sort of levy. I come back to my



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view about your permit to develop. If you are going to do a development, however small or big it is, it is going to impact on local infrastructure needs; ergo, why does an element of the profit not get shaved off to pay for that infrastructure? Those three elements could make a difference.

Steve Akehurst: Of the principles that run through whatever model you choose, the main one is certainty. You need certainty around whichever mechanism you use: section 106 or compulsory purchase. You have to adjust the expectations of the landowner. Fundamentally, the main goal is to push the affordable housing infrastructure and all the rest of it on to the land cost. It does not come out of developer's profit or anything like that; it comes out of the land cost. That is the main goal. For that, you need certainty for landowners and developers.

Q33 **Matt Western:** If I could very briefly come back to Liz Peace, you were talking about land banking and so on, as part of this whole thing about trying to assemble land. I want to be clear. You will know this from all the work you have done through the years. Is it the case that most land is taken and owned by developers, or is that they have options on that land? If we are looking at how we change this mechanism, it is understanding at what point you can intervene. If the developer already owns the land, it is more difficult than if it is an option.

Liz Peace: I cannot give you a specific answer on that because it depends. It depends on different types of development. If you are looking at commercial development, it is likely to be quite different to housebuilding. We tended to focus on housing and housebuilding.

Q34 **Matt Western:** Supermarkets have always taken big options, have they not?

Liz Peace: Indeed, but they also own quite a lot of land of their own and have done straightforward purchases. I am not an expert on the whole options market, but I would have thought it quite difficult to take money out at the option stage.

Q35 **Chair:** I seem to remember, when we looked at the planning gain supplement way before back CIL, the options thing was one really technical issue that caused problems over that.

Liz Peace: That is going back. I can well believe it. There were plenty of other technical issues around PGS.

Q36 **Kevin Hollinrake:** Steve Akehurst, you used a phrase, when you were talking a second ago, about requiring people to sell land: you would invite a landowner to sell its land to a developer under the threat of a compulsory purchase order. At what price are you going to invite them to sell it?

Steve Akehurst: Less than the maximum value that they want at the minute. At the minute, they are holding out for the wildest possible



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value, based on the wildest possible calculation of what they could possibly get in the future. Something less than that gets you a bit more money to go to community value. The credible backstop has to be that it comes at closer to existing value, so maybe existing value plus 20%. You do not necessarily have to use that power, as long as it is credible. The minute that the landowner thinks that is a credible backstop, they are going to sell at a slightly more reasonable value.

Q37 **Kevin Hollinrake:** Is that 20% on top of agricultural value? Instead of £10,000 an acre, maybe £20,000 an acre.

Steve Akehurst: On top of existing value, yes.

Q38 **Kevin Hollinrake:** In terms of what is stopping that happening now, in your report, *New Civic Housebuilding*, you talked about the Land Compensation Act 1961. Is that what you believe is stopping it from happening?

Steve Akehurst: Yes, that is the main culprit here. It changed everything in terms of housebuilding and housing in this country because, as John said, we used to do it in a different way. Fundamentally, it said that, if you use compulsory purchase powers, you have to compensate the landowner in a way that reflects the future potential value, so it has to calculate future permissions. At that point, it is not a credible backstop in terms of purchasing at a value that is less than the landowner can get out of the developer. That is the main thing. The way that has been interpreted in recent case law has meant that, as a credible backstop for purchasing at closer to existing value, it is basically useless. Before that, local authorities had the power to do that and you had a completely different development. That legislation needs to change. If it did, it would be one of the single biggest things that you could do to transform housebuilding and housing in this country.

Q39 **Kevin Hollinrake:** You will be aware that there have been many attempts to change that since 1961, all of which have failed pretty miserably.

Steve Akehurst: Yes, but part of it is that they have not tried to reduce the hope value substantially enough. They have not been clear enough that you have to exclude future permissions from the calculation of value. If you do that, it is pretty simple language.

Q40 **Kevin Hollinrake:** On that point, because you used the word “certainty” before, you will be aware that the Neighbourhood Planning Act 2017 brings in this principle of “no scheme”. Is that going to do the trick?

Steve Akehurst: No, not really. The intention is good. The Neighbourhood Planning Act imagines that you could deduct the extra value that is created by a piece of public infrastructure. If you are going to one day build a train line, you can deduct that future value rise from what you are giving to the landowner. That is only a very small part of the hope value. It is a really small part of the landowners’ future



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expected gains. You are only really deducting a small piece. Most of it comes from future planning permissions for residential housing. The changes in the Neighbourhood Planning Bill only discounted future gains from public infrastructure.

Q41 Kevin Hollinrake: No, it is not true. The quote from the Act here says the no-scheme principle covers “any increase in the value of land caused by the scheme for which the authority acquires the land”. That would be for housebuilding.

Steve Akehurst: We will have a look at it, but my very strong understanding, and what we have from lawyers and elsewhere, is that it really only discounts the value from public investment, basically. It does not discount future planning permissions. I do not think the Government would say they were trying to do that.

Professor Henneberry: It very much depends on the circumstances. If it is a new town in the middle of nowhere, you would not get planning permission for housing because it is farmland in the countryside. You would not have the problem that Steve pointed out. Almost the entire development value would be attributed to the scheme.

Q42 Kevin Hollinrake: There is no hope value in the first place.

Professor Henneberry: There is virtually no hope value in the first place. Given that, in the main, we work within constrained urban areas because of greenbelt and protection of the countryside, this is where the issue comes in. If you wanted to, say, do a town extension or redevelopment on the edge of a town, the landowner, if it is allocated for housing, would get planning permission for housing under this rule. The hope value would be very high, because the likelihood of that scheme going ahead is also very high. That is where that is going to happen.

Q43 Kevin Hollinrake: This way, the public wins, but the landowner loses. In that situation, on the edge of a town, you compulsorily purchase or invite that landowner to sell to a developer at 20% in excess of agricultural values. Somebody neighbouring that site in the development plan might have sold for a huge windfall amount. Therefore, there it this huge disparity. If I was that person, I would go to the courts and say, “No, these are my human rights”, as we have been quoting in the debate about the Neighbourhood Planning Act 2017. You would impinge upon somebody’s human rights by taking that land away when the guy next door gets a huge windfall. How are you going to cope with that?

Steve Akehurst: As far as I am aware, the law says that you have to compensate at fair market value. That is the human rights element. That does not mean the wildest possible expectations of the landowner for the future.

Q44 Kevin Hollinrake: It includes hope value. There is no question about it. That is where we are.



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Steve Akehurst: As far as we are aware, and I am happy to share the legal advice we have had, if you were to use the right language, talking about fair market value and market value, there is no reason that you could not push down on the hope value.

Q45 **Kevin Hollinrake:** I would be very interested in seeing your legal advice about that, if you can provide it.

Steve Akehurst: Sure. Demonstrably, other countries do this, and they are signatories to the same human rights law. It is a bit of a red herring, in our view.

Q46 **Kevin Hollinrake:** Do you agree with that, Mr Henneberry? Is it a red herring or is it realistically a problem here?

Professor Henneberry: I do not know, because I do not have that knowledge of the law, I am afraid.

Q47 **Kevin Hollinrake:** Yes, but you probably concede there has been a problem thus far, despite the fact that many Governments have tried to tackle this.

Professor Henneberry: You are talking, as I said earlier, about interim introductory periods. You have a real problem when you suddenly try to move from one regime to another. It is a natural outcome of that type of change.

Q48 **Chair:** Somebody has bought the land with the expectation of the existing system.

Professor Henneberry: Yes. This is exactly what happened under the 1947 Act. They had a fund for compensating people who had done exactly that: who had bought land when it had value, which was suddenly going to be taxed away. There was a fund to do it. It was never paid out but, nevertheless, they originally planned to do that, to overcome precisely that adjustment.

Kevin Hollinrake: It sounds more like a confiscation than a tax.

Q49 **Mary Robinson:** It is undoubtedly the case that people say CPOs have not been used effectively or as much as they could have been used. Part of that, I think, is down to the fact that local authorities do not have the money up front to buy the piece of land or the development opportunities. They will say that they cannot afford to do it and it is risky. The risk involved in it puts them off. If it were to be extended in a way that would enable local plans to be fulfilled by the use of an enhanced CPO, how would that be funded? How would they be able to use CPOs to purchase the land? Would it involve a deal with the developer? How would that leave the local authorities? They would be in a difficult position, would they not?

Steve Akehurst: I am not an expert on this, but there are lots of different ways you can do it. An important point to get across here is



that a local authority is not necessarily going to be CPO-ing vast swathes of land. For it to work properly, you need it to be a credible backstop. Then you can do it in all kinds of ways. You can set up a development corporation, or assemble land and encourage or incentivise the landowner to sell to a developer directly at a slightly lower value, rather than at existing use value or closer to it. There are lots of different ways you can do it. Then you can borrow off that, and all the rest of it. There are lots of innovative finance things where you can partner with the private sector, for instance, to fund the purchase. It is often the case, as I said, that it does not need to be used that much. Just the credible expectation of it is enough to completely change the game, in terms of the landowners and the price at which they sell to developers.

Q50 Mary Robinson: You would be envisaging a situation where perhaps local authorities set up a development corporation, buy up swathes of land and become land bankers themselves.

Steve Akehurst: That would not be useful. Ideally, you would like to see them partnering with the private sector. They zone an area for development, but fundamentally the landowner can then sell it at a slightly more reasonable value. The landowner can take a long-term rent instead of the upfront fee. There are lots of ways that this can be in partnership with the private sector, rather than the vision of vast swathes of CPO. It is key is that it is credible as a backstop and a last resort.

Professor Henneberry: Another mechanism that has been used is tax increment finance. On the assumption that public income from taxes will go up in the future, they can raise the money now and pay off the interest from the future income. This has been widely used in the US.

Liz Peace: Indeed, the enterprise zones are able to use that mechanism. Places like Birmingham have used that.

Q51 Matt Western: It has been a very interesting session, and my overriding impression is that we seem to have gone away from where we were in the post-war period: from being able to proactively plan, for want of a better term, where there was much greater control locally, to seemingly being more reactive. It is very much the case that local authorities are in a weaker position against developers than they would have been 40 or 50 years ago. You have alluded to some models and practice in other countries in Europe. I wonder if you can give some cases in other parts of Europe, maybe Scandinavia or wherever else, where they do that particularly well. I know you have made some comments so far. I would like to hear some more specific cases.

Steve Akehurst: The main one we are aware of, which I know we have talked about a lot, is Germany, Holland and places like that. I will not test my German pronunciation. There are lots of different stages and plan-making stages, but fundamentally the process is exactly as you have said. The local authority zones an area for development, sets a local plan; the landowner sells, knowing it has to sell at a value that



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reflects that plan; and then the uplift goes to fund lots of different things: infrastructure, affordable housing and the rest of it. We can send some precise case studies of exact cities and schemes from across Europe, but fundamentally the German and Dutch model is the best one.

Every country that does it this way tends to build more homes, more affordable homes and have more popular development than we do. It is no coincidence that those are the countries that do housing better than we do, and have much less of a problem with housing costs and housebuilding than we do. I am happy to provide individual schemes but, as far as we are aware, Germany and Holland are the models you really need to be looking at.

Professor Henneberry: I am a record stuck in the groove as well. My experience is of the Netherlands. We took a trip to Amersfoort, which had a major town expansion scheme. Because of my age, when we were going around it I was thinking, "30 years ago, they were coming here to look at how we did it. Now we are going there to look at how they are doing it". It was exactly that scheme. There had been a major public consultation in the city. They had a growth agenda. They needed to expand the housing supply in the city for all different ranges of people. They decided on a particular area to the north of the old centre. We are talking about hundreds of hectares and thousands of houses that were being built on this model. I do not know the details of the funding, but Amersfoort municipality bought the land, which was agricultural land, and had been gradually rolling out new development and using the receipts from that to fund schools, hospitals, roads and everything else, in the way that Steve said.

Liz Peace: It is interesting that you talk about what happened 40 or 50 years ago. I was not in the industry 40 or 50 years ago, but my understanding is that there was a greater extent of freedom of borrowing, either from central Government or local government. The idea was that you borrowed, you put in the infrastructure and, once you put in the infrastructure, the development came. The development led to enhancement in business rates and general taxation, which refunded the original borrowing. That was the sort of principle. You put the lid on borrowing and that no longer works. In the 1990s and early 2000s, we started to see greater restriction on government borrowing. Then you have to find other people or other ways of financing your infrastructure. That is when the focus shifted to saying, "Ah, well, the development community can pay", or the landowning community, but particularly the development community.

Looking at things like Lord Falconer's idea for tariffs, we went through an optional planning charge and planning gain supplement. I know Mark and the Chairman lived through a lot of this as well. If you really want to do this, and do it quickly and well, frankly, both central Government and local government have to have the freedom and encouragement to do the



borrowing and upfront investment, be it in buying the land or supporting the infrastructure. Then you recoup it through general gain in value.

Professor Henneberry: To do that, we need a regular revaluation.

Chair: Thank you very much for coming and giving us a very interesting session. Thank you very much indeed.

Examination of Witnesses

Witnesses: David Ames, Tom Chance and Julian Ware.

Q52 **Chair:** Good afternoon. Thank you very much for coming to be our second panel this afternoon. For our records, could you say who you are and the organisation you are representing?

Julian Ware: I am Julian Ware. I work for Transport for London, where I am the head of major project funding.

David Ames: Hello. I am David Ames. I work for Letchworth Garden City Heritage Foundation, and I am head of strategic planning and development.

Tom Chance: I am Tom Chance. I work at the National Community Land Trust Network and I am head of grants and development.

Chair: Thank you all for coming.

Q53 **Helen Hayes:** I would like to start with David Ames, if I may. Could you explain to us, please, how the system of land value capture that you operate in Letchworth works? Do you think that that approach can be easily transferred to other settings and situations, or is it something that is wholly of Letchworth's history and entirely specific to the local circumstances?

David Ames: We are a community benefit society with charitable objectives. In essence, we are Ebenezer Howard's company. Ebenezer Howard created First Garden City Ltd in 1903 to deal with the very issue we are talking about today: land value capture, the unearned increment. Letchworth was set up as an example so that the public sector would then follow. It was an experiment in many ways. Originally privately funded, it had a lot of philanthropic investment, but limited dividend shares, which enabled the development of the town over a number of years within an original master plan.

The organisation that we have today owns the freehold of the Letchworth Garden City estate. That is about 5,500 acres. From that estate, it gains an income, which, last year, was in the region of £12 million, predominantly from a property portfolio. As we have charitable objectives, as defined by a 1995 Act of Parliament, we are only enabled to reinvest that surplus from the estate via a series of charitable



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objectives. That is by way of a community governance structure that we have.

The interesting thing about Letchworth, and perhaps the lesson that is listened most to these days, is around a long-term model of community governance and stewardship. Listening to the discussion here today, we have been talking about infrastructure and delivery, but such an important part of place-making is long-term stewardship. We have all seen in the new towns, particularly the first phase of new towns, what has happened when that has not been in place.

We are able to reinvest the surplus, which is in the region of £7.5 million a year, or a little more perhaps, through a series of charitable services and grants for local people. That is governed by the local community. We have a board of nine trustees, all of whom are volunteers, one representative from the district council, one from the county council. Then the remaining seven are made up from our governor group, and are elected by way of local election in Letchworth, nominated by local clubs, groups and societies, or appointed by the trustees to meet a particular skill set. They are the ones who decide where this endowment is reinvested, through a series of services and grants for local people.

That, first of all, assists with the janitorial, "looking after" side. The local authority does what it would normally do. North Hertfordshire district council does a very good job of looking after its statutory functions, but we are able to look after certain parks, gardens, greenways, the rural estate and all these other elements. We also provide services such as a medical facility, which is outside the National Health Service, but funded by us and a league of friends. We provide museum services, community organisation support, so grants for local clubs and societies, a family farm, a cinema, a theatre, various cultural activities and a local transportation service, for example. All these things provide a key benefit for the local community as additionality to what local authority services provide at zero cost. Nothing is service-charged. It comes from reinvesting the income we receive each year through our property portfolio.

It is a very long answer to your question, so I do apologise. In terms of repeating, there is certainly a lot to be learned around stewardship and community governance, in the way that we look after our places. There are circumstances where the model could be applied, perhaps not at the scale of Letchworth. Look at, for example, the Parks Trust in Milton Keynes, where they have an endowment that is being invested. That is now used to look after the open spaces, not dissimilar to what we are able to do.

It relies upon some form of intervention for land to be purchased at below market value, or a willing landowner being involved. For example, if you look at a lot of the landed estates, where you have organisations with a long-term interest, they are looking at this type of model in their



own developments. Look at some of the housing association schemes, such as Joseph Rowntree's scheme at Derwenthorpe or the work that Peabody is doing at Thamesmead. There are examples but, for that to be wholesale, it requires some form of intervention, unless there is a willing landowner.

Q54 Andrew Lewer: Do you have any concerns around the current CPO regime and how it affects the likelihood of success in any modern approaches to development corporations?

David Ames: We heard quite a lot about compulsory purchase in the previous session. In terms of new settlement planning—and ultimately I am looking at garden cities, new towns, garden towns and those types of things—there needs to be some sort of intervention. The reason for that is certainty. That is certainty for landowners, developers, investors and the community. Compulsory purchase needs to be looked at as one of those tools. Local authorities have those tools, but, as it stands at the moment, hope value and other issues, including local authorities' willingness to make that investment, add to the complications.

Q55 Kevin Hollinrake: Mr Ware, in terms of TfL's experiences of land value capture, you wrote a report on this in 2017, where I think you stated that eight prospective TfL projects that cost around £36 billion—that was Crossrail 2, the Bakerloo line extension, et cetera—could produce land value uplifts of about £87 billion. How realistic is that?

Julian Ware: We employed KPMG and Savills to do a piece of work, first, around three historic projects, and to look at what we could measure around the Jubilee line extension and the DLR extension to Woolwich. We were also looking at Crossrail 1, which, as you know, is at the end of construction, due to open this year. They used a model that had a control in it. They looked at what was happening close to new stations, but also by comparison with what was happening a couple of kilometres away. It was not just looking at how the market as a whole had moved; it was an attempt to look at how those areas had moved against something comparable. If you applied their methodology to the next set of projects, which is dominated by Crossrail 2, those are the results that you would get. It implies, for these projects, that the uplift is more than the cost of the project. About 65% of that uplift in a London context will go into the existing residential market.

There have been other studies, particularly looking at Crossrail 1. There is a GVA Grimley study that the Crossrail company has done. Those studies are suggesting similar orders of magnitude for the Crossrail 1 project. There has also been a series of, I think, less deeply researched material in the press. No methodology is perfect. This is an area where we are very much learning, but those numbers are not surprising if viewed against other studies in the same area for the same projects.

Q56 Kevin Hollinrake: In that, you are implying that you could pay for an awful lot of affordable housing and community infrastructure through the



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land value uplift there. Is that what you are implying? There is £87 billion here? How much of that are you implying that we should capture?

Julian Ware: I stop at the “we should” point, because that is a decision for local and national politicians, not for me. What we picked up from this is that, over the course of the last 10 years in London, primarily linked to the Crossrail 1 project, but there is also the Northern line extension and Barking Riverside, we have looked really quite hard at what the business community can provide. As you know, we use the business rates supplement in London for the Crossrail project. It is paying for a bit under a third. Business rates move according to value over time. That is obviously a rental value, and you have to wait for the valuations. I know there are difficulties with that, but over, say, a 30-year period, increased business values will flow through into business rates. A part of that will come through in a business rate supplement and a part in other retention schemes. There is a contribution from business property.

I want to add my piece to the discussion that we have had. We have also looked at the mayoral community infrastructure levy, which has relatively low, flat rates across the whole of London. We targeted it for £300 million. It looks as though it will have produced over £500 million. That is a multiyear target for a project. It has come in, been delivered and we have spent the money on a single known project. It is a little different from some of the other CIL experience.

If we put those two together, business, new and existing, and new residential have all contributed. The area that we have not really looked at so far is whether there is a contribution from existing residents and whether there is a feasible way of doing that.

Q57 **Kevin Hollinrake:** Thinking about the existing landowners and how you capture some of that value, you mentioned Barking Riverside and the Northern line extension. How did that work in those situations?

Julian Ware: Those are both quite interesting circumstances. In the Northern line extension, with support from the two boroughs involved and the Government, we have managed to get 100% of the planned cost of the scheme—the £1 billion—out of the developments in the Vauxhall, Nine Elms, Battersea area. We have done that in two ways. We have used the borough CILs and section 106 to provide about 20% of the money. It changes over time. You get a slightly higher figure with the net present value.

We then used the government giving and enterprise zone, in something quite like the tax increment finance that was mentioned in the last part of the session. Over a 25 to 30-year period, the new businesses at Battersea will pay additional business rates over and above what the land was worth before. With Government’s agreement, that will be captured, paid to the GLA and we will use it to pay down the debt from the project. That is quite a neat thing there, but Battersea is a very particular place.



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It is very close to central London, and it is creating a new business centre. It is not a residential one. That business taxation will reflect values over time.

In Barking, we got about 65% of the cost of the scheme. It very much requires that new transport link to be successful. It is residential, but the key aspect there is that the GLA and L&Q are essentially the landowners, and therefore we could recycle it with a single agreement with them. Both of those are quite interesting, different places, with a single landowner, being a public sector landowner at Barking, in principle. At Battersea, two-thirds of the business rates money and the developer contributions will come off the Battersea Power Station Development Company's land. Again, that is one single large player.

Q58 **Kevin Hollinrake:** At Barking Riverside, the land was effectively gifted by the Mayor of London. That is essentially what happened; is that right?

Julian Ware: And a lot of money had been pre-invested in cleaning it up.

Q59 **Kevin Hollinrake:** That has been a huge success story in terms of regeneration, but it probably does not get to the heart of what we are looking at here, which is principally about, be it public sector or private sector landowners, how we capture the value of those sites and development opportunities when they come for development. Have you learned any lessons from the various different schemes you have mentioned that might inform that debate?

Julian Ware: First, the most powerful thing has been the creation of the mayoral CIL: a regional CIL, about 1% of the value on all London development. That has produced money from places we did not really expect there to be development in. It is giving us an income of something like £100 million to £120 million a year. We are proposing new sets of rates at present. We are going to go from it raising, as I said, £500 million for Crossrail 1 to something in the region of 15% to 20% of the Crossrail 2 costs, in the planning. That will give you a number in the region of £5 billion. We developed a tool, we are using it for the next project and it has been powerful for that.

My other main lesson would be that all these projects have had to blend a range of different tools. Those tools have varied project by project. You have to be quite particular as to what you do in places. My final point is that there is not a model at present for some of the other schemes that we have in London. We are still looking around as to what you might do if a further funding stream was needed for Crossrail 2 or for schemes such as the Bakerloo line extension.

Q60 **Chair:** You talked about this transport premium charge in your report. Tell us how this might operate, and how it would fit in with all the other ways of raising money that you have just described.

Julian Ware: First, I should say that this was put out as an option. It is in a published report, but it has not been endorsed and will probably need



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further work. It is a way of asking, if in the London context 65% of the uplift is going into the existing residential market, whether there are ways within a British context that we could ask people to contribute to that infrastructure investment. The transport premium change—and there are variants of it that are on a transaction and variants that are more of an annual charge—would apply to areas where there was significant uplift from a major transport project, and would apply not just to new development but to property that was already there, primarily residential but also commercial.

Q61 Chair: Basically, a householder who lived near a new tube line would pay a premium.

Julian Ware: Yes. If you took a London property in the south-west London area that, at present, was worth a round figure of £1 million, we are saying that we would add 15% to that, on the numbers that are coming forward. That would happen over a period of time. That is £150,000. These projects are expensive. There are other ways of paying for them, but they all come back to national Government, fare-payers and so on. I agree; it is extraordinarily difficult, but we need to continue to explore options in the area.

Q62 Chair: Presumably, you will have a problem where a householder lives in a house worth a certain amount of money, which may now be worth a bit more, but that money is not there for them to pay you in the meantime. They might realise it once they sell their house at some point.

Julian Ware: That is why you can think about transaction-based mechanisms when you know that the money would be available. The other thought in the report was that you could exempt everybody who was already there. You would say that people who were coming into the area would be coming in knowing that there was the new transport provision. They would be paying a higher price in either rent or purchase value because of that. If you set up a tax or levy at that point, you would be diverting some of it back to the project.

Q63 Chair: Is this done anywhere else?

Julian Ware: No. This would be at the cutting edge. I am not trying to say that any of it is easy or agreed. I am just saying that, if you look at these projects and you start from a position that perhaps those who benefit should pay, this is a group where we may want to think about things, because at present we have evidence that there are benefits going into that group and they are not being asked to contribute.

Q64 Bob Blackman: You are making the point about south London, which I understand completely, because the constant complaint from south Londoners is that they are not connected to the tube network. In many places, that is true. TfL operations extend beyond the GLA boundaries, particularly into Hertfordshire and other areas. Were there to be extensions to existing tube lines beyond the London area, which could increase the value of properties outside the GLA area, what would happen



to that money?

Julian Ware: At present, none of the main mechanisms I have talked about apply outside the London area. The mayor's powers and the governance for it would stop at the London boundary. For Crossrail 2, the mayor and the Government have talked about a 50/50 arrangement. There is an argument that the national contribution is coming in another way, but I know that this is something the independent review and others are interested in looking at.

Q65 **Bob Blackman:** I have one other thing in relation to how TfL operates. TfL owns a huge amount of land in London. How many developments are going on for housing on that land at the moment?

Julian Ware: I can get you that figure. It is not my area of TfL, but TfL is committed to bringing forward the land that it has and can dispose of, and to developing it within the mayor's affordable housing policy.

Q66 **Bob Blackman:** It would be very useful for us to receive that information, because I piloted through the legislation that allowed that to happen, and I am not aware of a single development going on since that legislation became law. I understand completely, Mr Ware, that you are not responsible for that, but TfL is.

Julian Ware: I think you are talking about the private Bill that was promoted a couple of years ago.

Bob Blackman: Yes.

Julian Ware: We can get you something on that.

Q67 **Chair:** It would be helpful to have that information. Thank you. Finally, even more radically, you are talking about a development rights auction model. Is this a kite you are flying or something serious you are looking at?

Julian Ware: There were four ideas in the first report. One of them was the development rights auction model. Two of them related to work that was happening with the London Finance Commission around stamp duty and business rates, which could be devolved to the mayor, either on a zonal basis or across London. The development rights auction model was the final one of those four. That was the one that Government and the mayor asked us to have a deeper look at. We have just today published a further report on the development rights auction model.

The further work really showed that it is unlikely to work in the context of most areas in London. We studied areas in north-east London around Crossrail 2 and we studied the Old Kent Road. We were looking at primarily existing industrial areas. We were not looking, in the London context, at agricultural land; we were looking at the conversation of industrial over time into residential. The work on the DRAM did not say it was impossible. It did not say that those areas might not convert into residential, but it showed that it was unlikely to be an effective way of



paying for transport projects. That report is now available and I can send it in to you.

Q68 **Matt Western:** On the land value capture, should we be looking at improving existing mechanisms or looking for totally new approaches, Mr Chance?

Tom Chance: Yes. A lot of communities start community land trusts out of a frustration with the way that the current mechanisms work, when they see development occurring that is not delivering the kind of housing that they want in their community and feel their community needs. Particular issues, which were discussed in the previous session, are the way in which developers circumvent section 106 contributions, and the way in which the circularity of the land market delivers low levels of affordable housing. They start them in order to take control of that process and make some of those decisions themselves.

There is nothing in the work that CLTs do that particularly pertains to your question about alternative systems, because ultimately they act like developers and they are looking to purchase land. If there were mechanisms to enable them to acquire sites at lower values, closer to existing use values, that would obviously have great benefit. From the conversations around CPO in other European countries, where community-led housing is much more mainstream, they often work hand in hand to give communities access to sites at lower values.

There is currently a consultation out on the National Planning Policy Framework. There is a proposal for something called an entry level exception site, which has both potential and real dangers for community land trusts. In the way that it is currently drafted, it could undermine rural exception sites, which are a significant way in which CLTs and other rural affordable housing developers can get access to sites at low values, which essentially captures that entire value and puts it into affordable housing. If entry level exception sites are given to landowners as an equal option, the temptation will be to go for that because you get a higher land value, so it will undermine that route to it.

From the CLTs' point of view, any process that enables communities to acquire sites at closer to existing use values would be the main point, as was said earlier. By coming in earlier in the discussion, rather than trying to claw it back through the planning system, betterment taxes or anything else, it gives communities the option to buy it at a lower value in the first place.

David Ames: Around the community land trust, we have been doing some work in north Hertfordshire through the local plan public examination, because we have been pushing for a greater formal recognition of community land trusts within the affordable housing definition. Obviously, by essence, it puts forward an intermediate definition of affordable housing. We have been discussing with the inspector and requested a modification, which makes a very clear



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statement that community-led housing and community land trusts should be part of that overall affordable housing provision, in the hope that that will lead to cheaper land being available to community land trusts to deliver their schemes, as it has to be part of the overall affordable provision. That is a way in which a more implicit reference to those could assist in that form of delivery.

Q69 Matt Western: Mr Ware, do you have any views on the existing models or mechanisms for land value capture beyond what you have described?

Julian Ware: The Crossrail 1 project led to two quite important initiatives, which went out as national powers, but the business rate supplement was only used in London and the London has led the way on the mayoral CIL. Those are now being used again for our next big project. Keeping the thing with some innovation in it is quite useful. I am not sure the existing measures on their own are sufficient.

Q70 Kevin Hollinrake: Coming back on the entry level exception sites, I can see that you are concerned, but would it not encourage more landowners to come forward if they got a bit more in terms of the value of their site than they do currently, as a pure exception site?

Tom Chance: It probably would, but rural exception sites have certain specific restrictions. They have to be for affordable housing. There is a limited proportion of market housing on them. Affordable housing is unusually interpreted, according to the local plan, to include a lot of low-rent housing, which means lower values. There are also local affordability criteria and a requirement for local involvement. There is a set of criteria or requirements for rural exception sites that are not currently proposed for entry level exception sites. The likelihood is that an entry level exception site would have a significantly higher uplift to the existing use value, the agricultural value, compared to a rural exception site. We have proposed in our consultation response that entry level exception sites could provide a significant increase in land supply, either if they are constrained to urban areas, so they do not conflict with rural exception sites, or if the same restrictions that apply to rural exception sites were to apply to urban.

There is a working model. In east Cambridgeshire, the district council, in its local plan, has planning policy that enables community land trusts to bring forward sites on the edge of settlements but outside the allocated site list, and have a presumed consent for their application. It is essentially the entry level exception site, but it is only for community land trusts: bodies, as I will describe in a moment, that incorporate the specific well being requirement and objects for the community. It could be very beneficial, so long as it does not undermine rural exception sites.

Q71 Kevin Hollinrake: Could you not just have two separate policies, one for rural areas and one for urban?

Tom Chance: Absolutely.



Q72 **Kevin Hollinrake:** Would that not be more sensible and more location specific?

Tom Chance: Yes. In urban areas, it would be good if it were not simply entry level home ownership, as described, but local planning authorities ought to be able to describe the sorts of conditions that would apply to those sites.

Q73 **Liz Twist:** I want to ask a bit more about community land trusts, and how they capture the uplift in land value and return it back to local communities. You have touched upon that already, but could you go through that approach and talk about whether it is more widely applicable?

Tom Chance: Community land trusts are defined in the 2008 Housing and Regeneration Act, although they precede that, having a statutory basis. They are incorporated bodies that own land and other assets for the well being of a defined community. Anybody who lives or works in the area of that defined community can join and become involved in their governance. They originated in the United States, where a different legal regime enables them to own the land, and then separate the value of the land and the buildings on top of it, so that the community land trust can hold all the value in the land and then homeowners, renters or businesses can get the benefits of what they do to their properties and the investment on the land itself.

In the UK, that is not possible. Our property law is not set up in the same way, although, almost every time you read a policy report about community land trusts, they are described in this way. They look to try to achieve a similar effect in other ways. When it comes to purchasing sites, to the question we have had about the uplift through the planning system and the development value, they have no particular powers to do that except through mechanisms such as the rural exception site. Their interest is more about the ongoing land value into the future. In the UK, they rent homes for a variety of different rent levels; they go for forms of low-cost home ownership, with which you are probably quite familiar, like shared equity, shared ownership, discounted market value tied to the market prices, but with a cap on the amount that people can own, so there is a share held by the community and a share held by the homeowner.

In some cases, they have sought to emulate the US model by tying the value of the homes that people buy to local incomes and being completely unconnected to the local market. The community owns and controls the value of the land, and the homeowner can purchase the home at a price that is tied to local incomes. They can then go on to use the uplift and growth in value of that land for the well being of the community.

For example, there is a community land trust in Liverpool called Granby 4 Streets, which has taken on an area where there are a lot of empty



homes. They are renovating those homes. They initially took on 10 homes; they are now going on to take on more homes and renovate shop units. They are creating a winter garden; they started a market; they are trying to regenerate the area by introducing a lot of community enterprise. They are mindful of what can happen, which is that the people who put the energy into that, particularly business owners and residents, will not reap the benefit; it will be reaped by the landowners and landlords of the commercial properties, and they may then get priced out of the area.

They want to create a mechanism whereby the benefits of their investment into their community are captured and held locally by the residents through their community land trust, rather than being extracted from the community by the shareholders or held by the landlords, who have just gained that unearned increment from their activity.

Q74 Liz Twist: It sounds like it relies a lot on individuals. Is that right?

Tom Chance: Yes and no. Of course, you will always need committed individuals for any community body like this, but in our experience there are ample numbers of people like that in just about any community up and down the country. Where good support mechanisms have been put in place, they have grown very quickly. Particularly in the south-west, because of issues like second home ownership, they have become very relevant. They have grown very, very quickly, village after village, like a domino effect: they hear about it happening in the next village down the road and think, "We want one of those for ourselves".

We have regional organisations that provide communities with good advice and handholding, in order to give them the technical support that they need. There is funding in place, with mechanisms like the community housing fund coming down the road. Yes, they need certain individuals, but just about every community in the country has people like that who would be willing to put themselves forward and take on a certain amount of burden to run something like this.

Q75 Liz Twist: You have touched upon this. We are talking about a lot of them being in rural areas and about applicability to urban regeneration sites. I do not know if there is anything you wanted to add to that.

Tom Chance: Yes. They grew fastest initially in rural areas, partly because of policies like rural exception sites, partly also because rural local authorities, such as Cornwall County Council, had been very supportive of it because it met a particular issue in rural areas of second homes. Now, about half of the new community land trusts starting are in urban areas. There is a huge interest and a huge variety of different urban areas: areas that are very run down and need regeneration; areas that have become extremely expensive where people are feeling priced out.



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The issue in urban areas is acquiring land, particularly in competitive land markets where others will bid at inflated hope values. CLTs are looking to develop something for their community. They are not really interested in bidding at prices that mean they will not be able to provide what they feel the area needs. They have tended to be more dependent on public authorities for land disposals. In rural areas, there are also many more private individuals who are willing to dispose of sites to support the health of their local community. You do not get so many landowners like that in urban areas.

Q76 Liz Twist: You were talking just now about the Liverpool example, where there are some commercial properties involved. Could this model be applied to commercial or other types of land?

Tom Chance: It could, yes. I have experienced this a lot when working across different parts of London, where businesses have found themselves squeezed out, having improved their areas. You can imagine a community land trust almost exclusively focused on commercial land, where business owners would come together to try to acquire the freehold for their high street or whatever. At the moment, it has been more mixed use. There is a community land trust, for example, in Bronllys in Wales, which is connected to a hospital, creating a well being park through the well being powers that they have in Wales from the Welsh Government. They are going to have housing, transport, work and leisure. They are doing the whole thing, which is very ambitious. In the United States, where it is much bigger, they tend to do commercial as well as residential.

Q77 Liz Twist: Finally, what needs to change if community land trusts are to become much more common?

Tom Chance: First of all, they are becoming much more common, which is very nice. There are 250 of them now. There were only eight a few years ago. They built 800 homes, and there are about 4,000 deliverable homes in the pipeline, as opposed to the ones that are more fantastical. The Government are already looking to address this with the community housing fund. That will provide a range of revenue and capital finance, tailored to community land trusts, because in the past government funds have been quite straitjacketed and not flexible enough for the sorts of schemes that community land trusts bring forward.

Opportunities are needed for access to land at affordable prices. Entry level exception sites could play a role there, if they do not undermine rural exception sites. Public bodies are taking more of an interest in this, thinking about the benefits of disposing of land for the highest possible capital receipt, and whether it really delivers long-term benefits for their communities. There is a particular issue relating to this to do with mortgage finance, which we have done a lot of work on. As we have already found with shared ownership, it creates difficulties for people getting mortgages. Not many lenders understood it. It took a lot of work to get lenders interested in that. For a while, we have asked for



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Government to consider giving community land trusts support similar to that they give other sectors, to help bring more lenders on board for the forms of ownership where they try to detach the price from the local market.

The final thing is Government, particularly at a local level, seeing a role for communities to do their own thing. There is an understanding of the role of the public sector in developing housing. There is an understanding of the role of the public sector and local authorities. There is a lot of interest in local authority companies, but the level of government support for communities trying to do things for themselves is very patchy around the country. East Cambridgeshire is one where the local authority understood that completely and integrated it into its housing strategy and planning policy. In other parts of the country, it has been much more mixed. We are working to help more local authorities understand the value that communities can play in trying to capture uplift in land values for the benefit of their communities.

Chair: Thank you all very much for coming and giving answers to the Committee this afternoon.