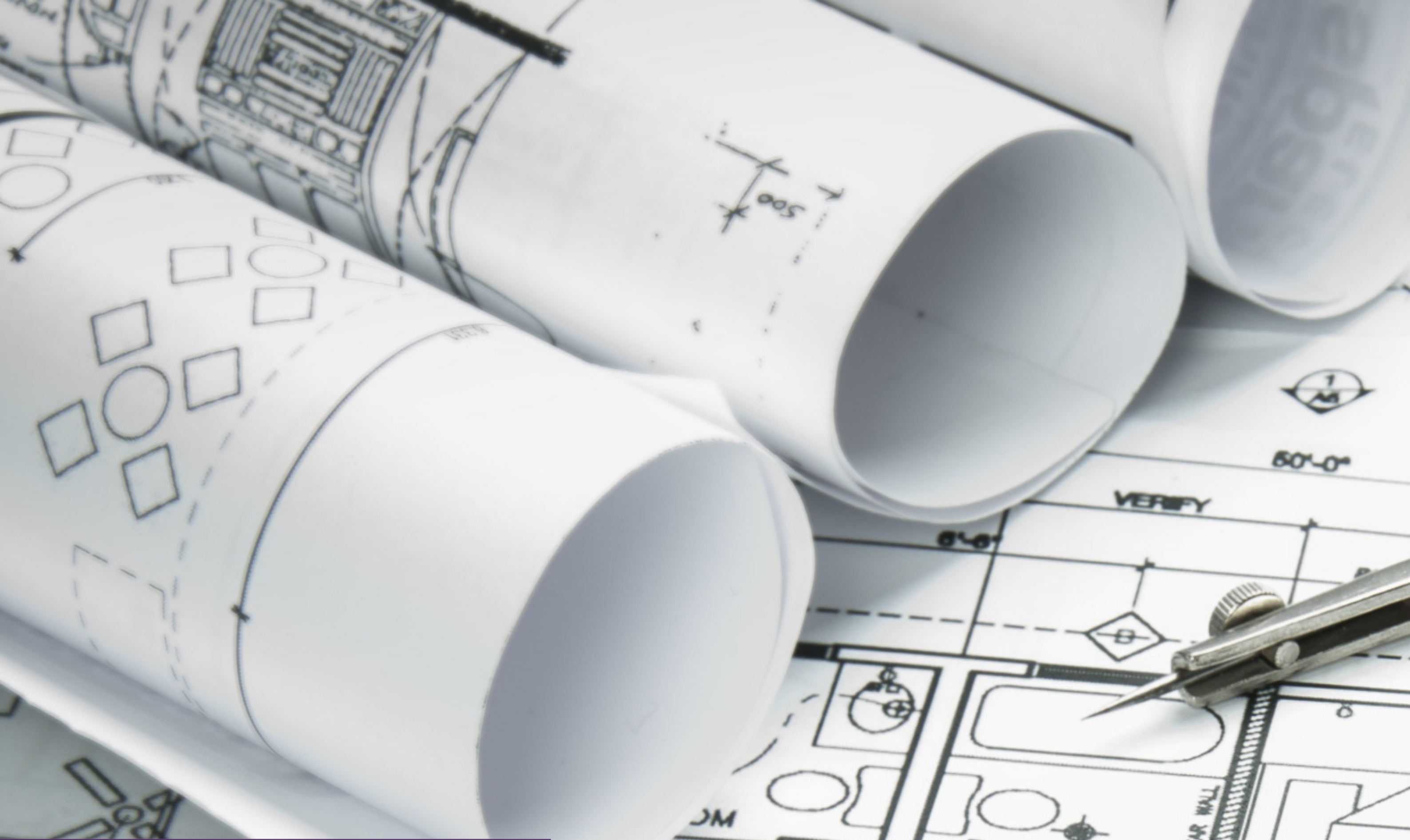

RICS Briefing

New Towns Taskforce

Mission Delivery Briefing by the Royal Institution of Chartered Surveyors

Introduction

The Royal Institution of Chartered Surveyors (RICS) is the largest organisation of its kind, with over 130,000 members working across the built and natural environment. Surveyors play a pivotal role in the UK's housing needs – from advising on land supply, development and project management, residential agency, infrastructure design and delivery and the setting and upholding of standards.

As an institution committed to professionalism and setting standards, and with a public interest remit underpinned by its Royal Charter, RICS offers this report to outline recommendations that will assist the New Towns Taskforce in meeting its objectives.

It provides guidance on sustainable planning, infrastructure development, housing affordability, land use, quality, and sustainability - along with suggestions for implementing these recommendations in a way that maximises efficiency and long-term success.

Key Recommendations

- Demonstrate site viability in finalising selection based on the **RICS Four Tests of Viability**, designed for new towns and urban expansions. To aid the ranking of potential sites, this can be complemented by the **Socioeconomic Viability Analysis** set out below.

- Establish a dedicated, centralised planning team to oversee the approval of new towns, ensuring collaboration with local planning authorities and stakeholders. This will alleviate pressure on existing authorities, which may lack the capacity to handle such large-scale projects effectively.

- The taskforce should view new towns as diverse, inclusive communities, offering a broad mix of housing types. This includes not only social and affordable homes but also first-time buyer homes, family residences, retirement housing, and options that accommodate flexible working lifestyles.

- To address potential objections, the taskforce must demonstrate, in its recommendations to the government, how each new town meets essential infrastructure needs (including grid capacity, utilities, and transport), employment demands, and the provision of key social services, such as healthcare and education.

- Updated National Model Design Codes should be applied to ensure that new towns foster distinctive, aesthetically pleasing communities that enhance residents' quality of life.

- The taskforce must seek valuation expertise to assess potential land value uplift, which will influence decisions on proposed new towns. Additionally, they should incorporate the forthcoming 'RICS Professional Standard: Affordable Housing Developments - Valuation Considerations' into their evaluations.

- The taskforce should identify any potential Compulsory Purchase Order (CPO) requirements for recommended sites early in the process and seek expert advice to anticipate and mitigate any legal challenges that could arise during site selection.

Initial observations

- The UK Government has set about delivering 1.5 million new homes by the end of its term. The reality is that new towns themselves will contribute very little to this figure within the current government term by the time planning, infrastructure, funding, and developments are completed. That said, year four or five of this government may start to see progress be made, and this shouldn't hinder the overall objective of the new town's mission.

- The New Towns Act 1946 demonstrates that the concept of such schemes is deliverable. However, history has taught us that for these towns to be delivered, the government must be willing to invest public money to deliver, and in many cases, a payback time extends beyond 50 years.

- Many commercial lenders require profit margins on average of 15-20% of Gross Development Value on private development projects, meaning developers must factor this into its pricing strategy – although it is common for that amount to drop to 6% for affordable housing projects. The taskforce should consider whether a lower, blanket margin should apply across new towns.

- Parts of the country, especially in the north of England and former industrial towns, may benefit from more potential sites. Likewise, many of these sites may have the advantage of having a single owner as opposed to an urban expansion of land, meaning land acquisition may be easier.

- The taskforce and government must consider what and where the economic centres will be that support these towns. Without anchor employers, many of these new towns, if developed outside of existing urban locations, will need attractive career propositions.

- The timeframe to deliver critical infrastructure for new towns must not be underestimated. In several cases of urban expansions of 4,000+, the transport, communication, and energy infrastructure to support such developments has taken over a decade to deliver.

- New town housing offers the opportunity to apply innovative, low-carbon build technologies to aid its delivery. For example, large-scale uptake of MMC was often held back by a lack of large pipelines and the need for sites to be ready to receive materials straight out of factories. In recent years, improved methods mean factories can bulk-make MMC housing material and store it for prolonged periods, improving the profitability and ability to scale up.

Four Tests of Viability

#1 Economic Viability

Market Demand Analysis

- **Population Growth Projections**: Regional and local population growth forecasts, with a focus on demographic trends that indicate the demand for housing, amenities, and services.
- **Housing Demand**: Assess the demand for housing in the region, considering affordability, existing housing supply, and unmet demand for various types of housing (e.g., affordable, family homes, rental).

Labour Market and Employment Opportunities

- **Proximity to Employment Hubs**: Assess the site's distance from existing employment centres and evaluate the potential for job creation within the new town. Identify major employers or sectors that could establish a presence, creating local job opportunities. This could be influenced by the UK Government's ongoing Industrial Strategy and the creation of regional centres of industry e.g. GB Energy in Aberdeenshire and carbon capture and storage in Liverpool.
- **Workforce Availability and Skills**: Analyse the current local workforce's skills and education levels, as well as the potential for workforce training programs. Sites near skilled labour pools are more likely to attract high-paying industries and reduce economic leakage.

Return on investment

- **Profit margins:** Standard profit margins (based only on construction, now land acquisition cost) for new-build homes vary significantly in regions. Whilst any charge for land acquisition and infrastructure will significantly impact ROI, profit margins on construction should also be factored in (Data based on BCIS):
    - East of England – 45.61%
    - East Midlands – 45.08%
    - London – 63.47%
    - North East – 48.19%
    - North West – 26.72%
    - South East – 54.99%

- South West – 64.77%
- West Midlands – 47.74%
- Yorkshire & Humber – 42.30%

Land Acquisition and Development Costs

- **Land Availability and Costs**: Assess the cost of acquiring land, considering the price per acre, existing ownership structures, and any potential CPO requirements. Change in land use classification, whether the land is publicly or privately owned, will likely result in a significant uplift in the potential value of that land. As part of the recommendation of potential sites, the taskforce must seek valuation expertise to determine the potential uplift in value that may ultimately impact the overall budget and selection choice of towns. This is especially important as the government has indicated its intention to review future 'hope value'.
- **Site Preparation Costs**: Evaluate any costs associated with preparing the land for construction, such as clearing, levelling, and environmental remediation. Some sites may also require mitigation for environmental concerns, such as floodplains or contaminated land.

Local authority

- **Funding**: Is the local authority in a financial position to support the additional growth in population and the demand for resources including waste, highways and school provision? Has the local authority demonstrated its ability to delivery Section 106 and levy payments effectively or will it need additional support?

#2 Delivery Viability

Land preparation

- **Construction-ready preparation**: Evaluate the timings and resources required to prepare the land for construction, such as clearing, levelling, and environmental remediation. Some sites may also require mitigation for environmental concerns, such as floodplains or contaminated land.
- **Stakeholder support**: Will selected sites have the political support to overcome likely planning objections? Can it demonstrate to stakeholders how the site can benefit the wider region, including economic growth potential, progress towards net zero and initiatives such as Sustainable Development Goals?

Delivery resource

- **Skills and materials:** Will the site be located near enough to the relevant skills location and material source to support the delivery of the towns? RICS Construction Monitors and BCIS can support with geographic identification of skills and material resources.
- **Phased delivery:** Will the site support a phased approach of housebuilding, and then infrastructure investment, and then additional housebuilding as is increasingly becoming common?

#3 Infrastructure Viability

Upfront requirements

- **Foundational infrastructure**: What critical, upfront infrastructure will be required to support construction and immediate occupation – this must include an analysis of required transport access and utility capacity. Consideration of any environmental mitigation needs must be assessed as well, such as water treatment facilities.
- **Transport engagement**: What potential changes and negotiations will need to occur with transport operators and highways agencies to service the site and minimise disruption, including temporary transport infrastructure needs.

Utility provision

- **Grid and water capacity**: How do proposed sites align with the National Grid Capacity Map and will it require improvement works to grid infrastructure? Will the site also have water mitigation challenges, including offsetting and nutrient neutrality risks?

Social infrastructure

- **Social service provision**: Will additional schools, healthcare and public services be required to support the town, or can existing provisions cope? If further investment is required, can the relevant authorities finance such work?

#4 Investment Viability

Government support

- **Government Funding and Grants**: Will any government grants, loans, or subsidies be available for part, or all of the new town?

Investor considerations

- **Section 106 and future levy's**: Will any developer contribution be required, or ringfenced for affordable housing delivery?

- **Institutional Investment**: Do proposed sites offer an attractive proposition to investors when factoring in estimated profit margins from land, infrastructure and construction costs? Is the site likely to achieve timely planning approval to reduce the risk of investment?

Ordering of new town sites – socioeconomic analysis

Socioeconomic Benefit Viability Assessment

Economic

- **Local Economic Impact Calculator**: Estimate the GVA of the proposed development, using the National Housing Federation Model for housing delivery, including social and affordable developments.
- **Job creation**: Will the new town complement predicted regional population and job creation trends, or will it exasperate predicted models?

Social

- **Housing demand:** What estimates of local housing need will be met through the creation of the new town? What will the financial benefit be of the new town in reducing the dependence on social housing supply and public funding?
- **Local authority resource:** What is the additional revenue, set against estimated spending needs, be for the local authority? Will it be a net contributor to the local authority financing?

Demographic and geographic considerations

Population growth versus new build growth

Location	Estimated 10-year population growth	% new build growth in the last five years
Coventry	13.9%	3.5%
Norwich	9.9%	4.9%
Bristol	9.8%	4.8%
Leicester	9.1%	5.3%
Nottingham	8.9%	3.5%
Liverpool	8.8%	4%
Edinburgh	8.5%	4.3%
Sheffield	7.4%	3.5%
Manchester	7.3%	4.4%
Newcastle Upon Tyne	6.9%	4.9%
Birmingham	6.4%	3.1%
Leeds	6.3%	3.6%
Southampton	6.3%	4.1%
London	6.1%	4.8%
Glasgow	4.2%	3.9%

Urban expansions through grey belt

- Data from CACI International and VirginLand, part of RICS-firm Ringley Group, identify that much of the population traditionally won't relocate more than two miles away from their current location or where they have spent most of their life. It is important, in this case, to consider the benefits of urban expansions and densification, which may provide less than the 10,000 + threshold for homes but address immediate housing needs, which builds on the case for the grey belt.

The same data analysed the potential for grey belt land, producing an estimated 7,800 potential sites in England – with upwards of potentially 524,000 new homes based on current density models.

- 38% of the population lives within 2 miles of a potential Grey Belt site.
- 64% of the North West population lives within 2 miles.
- The last 5-year new build rate lagged behind; just 2.6% of stock within 2 miles of Grey Belt is "new" vs 4.1% of the Total UK housing stock.
- Although 28% of all housing is within 2 miles of Grey Belt, only 23% of New Build Housing is.
- Driven primarily by London, house prices in the Grey Belt are 13% lower than their regional average.
- In London, Grey Belt could unlock more affordable housing, with House Prices 23% lower and Private Rents 27% lower than the regional average.
- In the East of England and South East, house-to-earnings ratios within 2 miles of the Grey Belt are 12% and 15% higher, respectively. That said, these sites would not necessarily open up more affordable housing based on their local population stats.
- 21% of all population reached by grey belt is in the North West.
- Scotland, West Midlands and Yorkshire all account for 14% of the population reached by Grey Belt.
- London only accounts for 5% and the South West 4%

Overcoming barriers

Stakeholder support and objections

- NIMBYism risks planning approval being subject to years of opposition, protest, and potential legal challenges. Public attitudes currently favour several different options over creating new towns, although that is not to say a blended approach isn't possible. Top ten options for delivering new homes (in popularity order):

    1. Development on grey belt land (supported by 87% of the population)
    2. Repurposing of office blocks (supported by 87% of the population)
    3. Repurposing of commercial property (supported by 86% of the population)
    4. Replacement of existing tower blocks (supported by 84% of the population)
    5. Urban expansion (supported by 75% of the population)

6. Densification on existing properties, e.g., growth in mixed-use property (supported by 73% of the population)
7. **New towns (supported by 66% of the population)**
8. Densification of urban areas, e.g., development on large gardens, small green spaces, etc. (supported by 59% of the population)
9. Conversion of homes into HMOs/multi-let units (supported by 59% of the population)
10. Green belt development (supported by 45% of the population)

Common objections to overcome

- **Proposed development clashes with national or local policies** – historically, this was a common reason to object, but with ongoing NPPF reforms and the mandating of housing targets, this should indeed support the selection of sites and demonstrate agreement with government policy.

- **Lack of need** – while this is becoming increasingly uncommon, it is important that selected sites can demonstrate predicted population growth, supplemented by economic development and job growth estimates. Furthermore, this needs to consider the types of housing built, and not just affordable housing. Bungalows, as an example, are a core part of encouraging older generations to downsize, helping to support them in later life whilst also freeing up larger homes for families – yet in 2023, hit an 80-year low for construction.[1]

- **Community impact** – developments that could have a detrimental impact on the amenity of neighbourhoods have been a frequent reason for objections, especially applications with multiple dwellings. 'Amenity' in this regard is traditionally referred to in planning policy as the attractiveness, enjoyment, and overall quality of an area for those living, working, and visiting within it. Planning authorities are obliged to protect living standards for those within communities when deciding on applications – which the development of 10,000 + homes would significantly impact.

  To counter likely objections, the taskforce must demonstrate how each new town would address infrastructure (including grid capacity, utility, and transport) needs, employment requirements and social service support, including health and education provision.

- **Character** – before the 2024 General Election, the government made a push to promote their new towns as 'beautiful' locations underpinned by design codes and high-quality architecture. Many large developments have a reputation for lacking character, centred around rows of identical properties without distinguishable features and a sense of unique identity. Whilst planning authority objections based on character are more commonly seen in conservation areas or single property developments within urban areas, new towns must win over the support of existing communities to support social cohesion – and beautiful, unique towns must be created. Updated National Model Design Codes must be considered to ensure new towns create distinctive, beautiful communities, which will also improve the quality of life for those within it**.**

[1] https://www.nhbc.co.uk/media-centre/statistics/2023/11/08/house-building-drops-to-lowest-levels-since-covid-as-challenging-economic-conditions-persist

Planning Resource

- The challenges of planning authority capacity are well acknowledged. The government has announced an investment in 300 new planners to support the backlog of applications, and while this announcement may seem a good initiative, the LGA Planning Advisory Service estimates that in 2023, there were over 1,000 long-term vacancies in planning departments. This indicates that it is not simply a challenge of creating and funding new roles but recruiting and retaining existing posts.

- Planning authority resources may again become further stretched with new NPPF reforms and housing targets seeing plans updated – which will take considerable resources to update and likely see planners reprioritise new plans over existing applications.

- One solution may be to create a dedicated, central planning function to oversee the approval of new towns while continuing to collaborate with local planning authorities and stakeholders. This will mean a dedicated team to oversee new town applications, which otherwise may severely impact the current capacity of planning authorities.

Utility capacity

- It is well-documented that National Grid Capacity is becoming an increasing challenge in housebuilding. While there are cases of the grid intervening and opposing housing developments across the country, this is particularly common in the South East of England and the home counties. Many LDPs, especially those designed and still in use over a decade later, fail to account for the grid capacity map produced by the National Grid.

- Research shows that grid capacity requirements are being over-estimated, and calculations fail to account for the increasing energy efficiency and low-carbon demand of newly built homes. Planning consultants Turley report that, on average, it is assumed a new home needs 4.5kVA of energy supply[2]. As new-build homes get delivered to higher energy and design standards, especially with any upcoming changes to the Future Homes Standard, the reality is that the actual energy supply of a new home is closer to 2kVA. This means the grid could support over two times the amount of housing as is currently estimated.

- For this reason, it is imperative that homes delivered through new towns set the benchmark for energy-efficiency, low-carbon designs. If the taskforce can demonstrate the low energy consumption of the designs, then the National Grid and DNOs must provide reasonable grounds for assuming any opposition to plans where their estimates are above 2kVA.

[2] https://www.turley.co.uk/comment/housebuilding-industry-electric-grid-miscalculations

Infrastructure development

Well-planned infrastructure is essential for the success of new towns. The Taskforce must consider long-term infrastructure needs, not only for transportation but also for energy, digital connectivity, and social services.

Local authorities must also be supported in creating infrastructure strategies that support LDPs and new towns. In 2019, it was estimated that over £1.3 billion in Section 106 and Community Infrastructure Levy funds went unspent.[3] Without such a strategy on how to spend such funds, income for infrastructure investment, either collected via developments via government, risks going unspent and harming the modern infrastructure needs of new towns.

Examples of the infrastructure that needs to be considered include:

Transportation Infrastructure

- **Prioritise sustainable transport**: Invest in high-quality public transport systems, including bus rapid transit (BRT), light rail, and cycle paths to reduce car dependency.

- **Electric vehicle infrastructure**: Ensure that the necessary electric vehicle (EV) charging infrastructure is in place, both at residential and public locations.

- **Walkability and cycling**: Design streets and public spaces to encourage walking and cycling, enhancing the liveability of new towns, and embracing 15-minute city principles.

Digital Infrastructure

- **High-speed broadband**: Fast and reliable internet connectivity is a necessity for attracting businesses and supporting remote working. This is particularly important in the post-pandemic era, where flexible work environments are more prevalent.

- **Smart infrastructure**: Incorporate data-driven solutions, such as smart heating systems and waste management tools, to optimise resource use and enhance the quality of life for residents.

2.3 Social Infrastructure

- **Health and education facilities**: Ensure that new towns are well-served by health clinics, hospitals, schools, and further education institutions. These should be integrated into the master plan from the outset to avoid the strain on services that can occur with rapid population growth.

[3] https://www.propertyweek.com/insight/the-great-section-106-and-cil-scandal

Land supply & valuation

- Change in land use classification, whether the land is publicly or privately owned, will likely result in a significant uplift in the potential value of that land. As part of the recommendation of potential sites, the taskforce must seek valuation expertise to determine the potential uplift in value that may ultimately impact the overall budget and selection choice of towns. This is especially important as the government has indicated its intention to review future 'hope value'.

- Compulsory Purchase Orders (CPO) will likely play a significant part in the land acquisition for new towns. While public and private owners may be incentivised to put up land given a valuation uplift, much of the land may be reliant on CPO. Similar to other major infrastructure projects, such as HS2, RICS has developed a recognised standard for professionals to advise on the CPO process, which has commonly been adopted by the government. To ensure market fairness, as well as professionalism in the CPO process and minimising long delays, the taskforce should ensure any sites for recommendation identify any CPO requirements and seek advice first to pre-empt any potential challenges.

- In Q4 2024, RICS will launch the RICS Professional Standard: Affordable Housing Developments - Valuation Considerations, 1st edition, to aid the valuation of land. Whilst still under development, this will be critical to aiding the taskforce, government, and bodies such as Homes England in accurate market valuations of land.

Conclusion

The New Towns Taskforce faces a crucial and complex challenge in shaping the future of housing and infrastructure in the UK.

The success of this initiative will depend on how well the taskforce navigates the interconnected issues of land valuation, infrastructure development, housing affordability, and environmental sustainability. Each of these factors plays a key role in ensuring that the new towns meet the country's growing housing demands while creating communities that are vibrant, sustainable, and resilient.

Land acquisition is a foundational concern, with changes in land use classification and the potential for compulsory purchase orders (CPOs) having a significant impact on the viability of new town projects. Accurate and fair land valuations, supported by the forthcoming RICS Professional Standard on Affordable Housing Developments, will be essential in managing costs and ensuring equitable land deals. The taskforce must work closely with valuation experts and adopt best practices to navigate this issue and keep projects on track.

Infrastructure development is another critical challenge. New towns will require well-planned transport, energy, and digital connectivity to be successful. The taskforce must take a long-term approach, prioritising sustainable infrastructure solutions such as public transport systems, electric vehicle (EV) infrastructure, and walkable communities. High-speed digital connectivity will also be essential for attracting businesses and supporting modern lifestyles, particularly in an era of flexible working arrangements. Social infrastructure, including health and education services, must be integrated from the outset to ensure that new towns can support growing populations without overburdening local services.

Public engagement and stakeholder support are equally vital to overcoming potential opposition. Demonstrating the long-term benefits of new town development—such as improved housing affordability, economic growth, and enhanced quality of life—will help build public trust and mitigate resistance. Additionally, incorporating sustainable, energy-efficient designs and innovative building technologies will align new towns with the UK's climate goals, making them models for future development.

In conclusion, the New Towns Taskforce must adopt a holistic, forward-thinking approach to create sustainable, affordable, and well-connected communities. By addressing land acquisition, infrastructure needs, and public engagement, the taskforce can ensure that new towns are not just housing developments but thriving, resilient places where people can live, work, and flourish.

Delivering confidence

We are RICS. As a member-led chartered professional body working in the public interest, we uphold the highest technical and ethical standards.

We inspire professionalism, advance knowledge and support our members across global markets to make an effective contribution for the benefit of society. We independently regulate our members in the management of land, real estate, construction and infrastructure. Our work with others supports their professional practice and pioneers a natural and built environment that is sustainable, resilient and inclusive for all.

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