

Highbury Group on Housing Delivery

Response to RICS consultation on Assessing Financial Viability under the NPPF

Introduction

The Highbury Group is an independent group of specialists from public, private and independent sectors from housing, planning and related professions which prepares proposals for Government and other agencies on policy options for optimising the output of housing including affordable housing.

Response

The Highbury Group has been concerned for some time as to the use of viability assessments within the planning system and the priority given to development viability from the perspective of the developer in relation to compliance with planning policies as set out in the statutory local plan.

We welcomed the amendments to the NPPF which removed the guarantee of a 'reasonable rate of return' to the landowner and developer. We therefore welcome the draft revision to the RICS guidance which recognises that a) land value is constrained by planning policy, b) that acquisition cost of land is not a justification for non-compliance with local planning policy requirements, including the provision of affordable housing, and c) that the basis the value of land for housing should be Existing Use Value + a premium, rather than market value of the land in relation to the proposed development.

We however remain concerned that what is lacking from the guidance, as is also lacking from Government guidance, is any methodology for determining the premium for a specific site. In our view this will vary according to both the existing land use and the potential future use (which should reflect both local planning policy and specific land use allocations). We do not consider that a fixed % uplift on existing use value is appropriate.

We recognise that there is a risk that the constraining of land value by the effective operation of planning policy may in some cases limit the release of land for residential development, as a landowner may not consider the increase in land value arising from development to be sufficient. It is therefore important if the release of land for appropriate housing development is to be enabled rather than constrained, that any framework for negotiation of the premium in relation to a specific site is supported by the local planning authority having the reserve power to acquire a site assessed as appropriate for housing development, and allocated in a plan for this purpose, at existing use value, discounting the value generated by the plan land use allocation or any planning consent granted. There should be a time limit for negotiation of the premium on EUV before this power is brought into effect, for example six months.

The guidance on transparency needs to be strengthened. It is important that all inputs in to a scheme viability assessment should be scheme specific and supported by appropriate evidence, so that these can be assessed by the local planning authority in relation to benchmarks which relate to

the scheme type and scheme location. Area wide viability assessments are of limited use as costs and values will vary between sites and between different development proposals for an individual site. There should be no exceptions in relation to any assertion of 'commercial confidentiality'. The information should be public and available for any third party, such as a community group, to assess. It is important that local planning authorities have the skills and capacity to undertake their own financial viability assessments of specific scheme proposals, and that these assessments, which should not be contracted out to private consultants. Local planning authorities should have their own monitoring systems and be able to use a range of assessments for different schemes to develop locally specific benchmarks for costs and values. Priority should be given to recruitment and training of local authority planning staff. Otherwise local authorities will not have the capacity to challenge assessments provided by developers which have been undertaken by specialist private consultants. It is this inequity in the system that has led to a bias against the interests of the local planning authority and compliance with local planning policy.

It is also important that local planning authorities have up to date authority wide infrastructure assessments as well as the capacity to assess the infrastructure requirements arising in relation to a specific development scheme, which can reasonably be incorporated in a scheme specific s106 agreement in accordance with existing government guidance on planning gain..

While the revised RICS guidance is welcomed, it is recognised that the guidance is based on the implementation of current Government housing and planning policy, which is itself inadequate.

The central reason for the increasing use by local planning authorities of planning powers and s106 agreements to support the provision of sub-market housing and infrastructure over the last two decades, has been the reduction of government investment grant for social rented and other forms of sub-market housing. The use of planning powers to operate a system of partial land value capture was initially intended to supplement public investment not replace it. Any system to seek to levy funds from private development to support housing provision for lower income groups and to provide infrastructure to meet other planning and public policy objectives is bound to be a source of dispute between public and private sector parties. As the group has previously argued, a substantial reform to the governments housing investment, taxation and land ownership policies are required as well as further reforms to the strategic planning policies and frameworks. Modifications to the existing framework for viability assessment, while welcome, will not in themselves overcome the serious deficiencies in the government policy framework.

Note: The views and recommendations of the Highbury Group as set out in this and other papers are ones reached collectively through debate and reflect the balance of member views. They do not necessarily represent those of individual members or of their employer organisations. The group's core membership and previous statements and research presentations are on the group's website:

<https://www.westminster.ac.uk/highbury-group-on-housing-delivery>

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