

## Appendix 2B - Haringey Scrutiny Project – Viability Assessments (Affordable Housing)

| Review Topic     | Viability Assessments  |
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| <b>Rationale</b> | <p>Of the 42,870 affordable homes delivered in across the UK 2013/, it is estimated that approximately 60% would have been funded by developers through S106 planning gain contributions.</p> <p>Planning applications for major developments are normally required by planning polices in the Local Plan to make a range of appropriate and necessary contributions – either through cash or direct on site provision. Recent changes in legislation (Localism Act 2011) and National planning Policy Guidance (NPPF) mean that where the effect of S106 obligations renders a development unviable, developers are entitled to ask that the Local Planning Authority (LPA) consider reducing these obligations in order to ensure that development comes forward. LPA's are obliged to consider such requests. Against this background, it is now commonplace for planning application to be supported by a financial appraisal submitted by the developer.</p> <p>Councils including Haringey employ independent advisors to review the appraisals to verify the costs, values and other assumptions made by the developer. Viability assessments are normally made available to members of Planning Committees when applications are reported to them. In most councils this is done on a confidential basis. However some councils (e.g. the City of Westminster) require applicants to submit a full and a redacted version of their viability assessment, along with a justification for the components of the report</p> |

that have been redacted. The redacted assessment is published in a form agreed by the authority. Islington has just finished consulting on a proposal to publish its viability assessments. However, under the proposed scheme, if an applicant considers that any element of a viability assessment should be kept confidential, they can provide a justification for why disclosure would cause harm to their commercial interests / the public interest and the council may redact the document as a result.

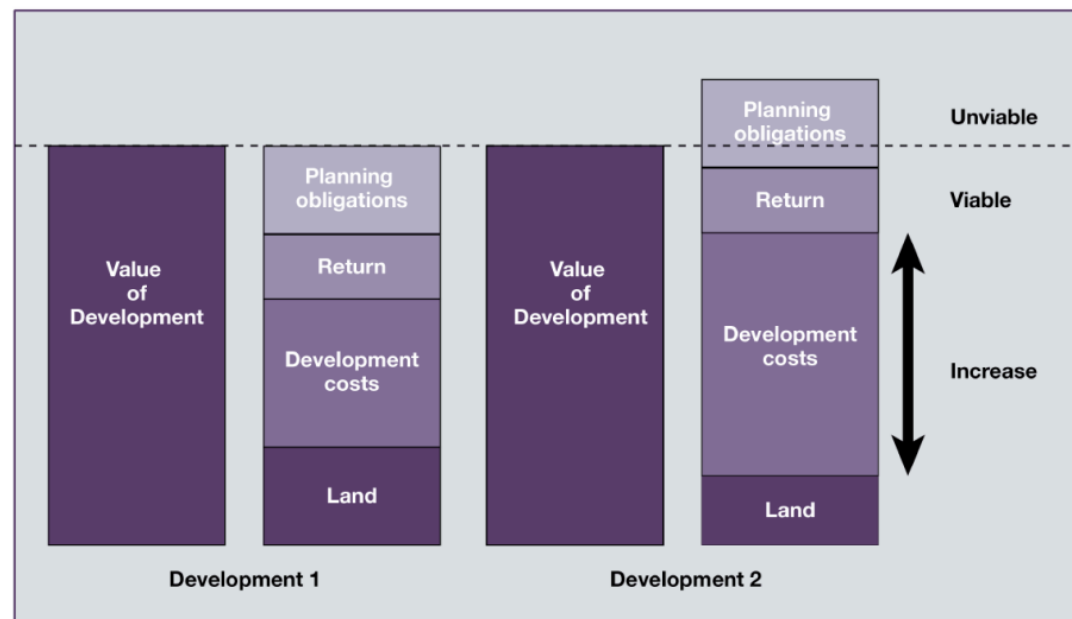
In recent years, where the financial appraisal demonstrates that the maximum amount of affordable housing that a scheme can reasonably support is below the agreed policy target Planning policy can require that a review of viability takes place. Reviews usually seek to take into account changes to the anticipated revenue and costs associated with a development and identifies what happens in the event that the viability changes.

The affordable housing component of major developments is usually the largest cost for a developer and the most often cited reason for schemes being considered unviable. This is because the value of an affordable housing unit is less than that of a similar sized private housing unit to a developer. Whereas in the past the affordable element could be supported by grant funding from the Homes and Communities Agency (or the GLA in London) this is now much reduced and normally unavailable in S106 schemes.

**What is Viability?**

*'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and*

*the costs and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade a land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.’ (Local Housing Delivery Group, Viability Testing in Local Plans – Advice for planning practitioners, 2012)*



Source: 'Financial Viability in Planning', RICS

The NPPF states that councils should not make planning conditions – such as requirements for affordable housing – so onerous that schemes do not 'provide competitive returns' to land owners and developers.

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| <b>Scrutiny Membership</b>   | <p>The review will be undertaken by members of the Housing and Regeneration Scrutiny Panel: Cllrs Akwasi-Ayisi (Chair), Engert, Gallagher, Griffiths, Gunes, Ibrahim and Newton. Other non-executive members will be made aware of the review and invited to participate.</p>   |
| <b>Terms of Reference<br/>(Purpose of the Review / Objectives)</b> | <p><b><u>Overarching aim:</u></b><br/>To assess the Councils policy and practice in relation to the application of policy and guidance in respect of viability assessments and to make recommendations to ensure confidence and transparency to the process – and application of the process in order to assist the Council (including Planning Committee) in the consideration of planning applications where viability is a material planning consideration.</p> <p><b><u>Objectives:</u></b></p> <ul style="list-style-type: none"> <li>• To review legislation and policy guidance in respect of development viability</li> <li>• To review the Councils current policy and practice in respect of viability assessments and their role in delivering S106 outcomes – including affordable homes;</li> <li>• To assess the policy and practice of viability assessments in operation at other local authorities with a view of identifying good practice in respect of: <ul style="list-style-type: none"> <li>○ Transparency – members, community</li> <li>○ Improving local challenge</li> <li>○ Increasing the provision of affordable homes</li> </ul> </li> <li>• To consider the potential impact of new legislation on viability assessments – Housing and Planning Bill - in particular the requirement to provide for Starter Homes.</li> <li>• To identify any further mechanisms, at the disposal of the Council, which may</li> </ul> |

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|                                    | <p>assist in maintaining levels of S106/affordable housing delivery in the Borough through viability discussions (e.g. 'claw back' arrangements)</p> <ul style="list-style-type: none"> <li>• To assess the potential for any collective response through London Councils or other collective of local authorities, which may assist in more robust challenge to viability assessments</li> <li>• To consider how the assessment of viability within the planning application process may be made more transparent</li> <li>• To outline what impact that the establishment of a local development vehicle may have on housing viability assessments.</li> </ul> |
| <b>Links to the Corporate Plan</b> | <p>This work would link to corporate priorities 4 and 5:</p> <p>(4) Drive growth and employment from which everyone can benefit – and - (5) create homes and communities where people choose to live and are able to thrive</p>  |
| <b>Evidence Sources</b>            | <p>The review will look at the following key documents:</p> <p>Planning Portal – Viability Assessments</p> <p>LB Haringey SPD Planning Obligations</p>   |
| <b>Witnesses</b>                   | <p><b><u>Planning Officers</u></b><br/>AD Planning, Head of Development Management, Head of Planning Policy</p> <p><b><u>Specialist advice</u></b><br/>Planning Officers Society, RICS, London Councils (S106 Viability Assessment Project)</p> <p><b><u>Housing Viability Assessment</u></b><br/>Anthony Lee BNP Paribas</p>  |

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|                                | <p><b><u>Developer perspectives</u></b><br/>Pollard Thomas Edwards (Developers) DP9/DP2 Planning Consultants, Higgins, Haringey Property Team</p> <p><b><u>Other authorities</u></b><br/>Islington, Greenwich, Westminster, Southwark</p>   |
| <b>Methodology/Approach</b>    | <p>It is proposed that the format will take the form of scrutiny in a day, in which all witnesses will be encouraged to attend on the same day to give evidence. This conference type approach will facilitate continuity in the assessment of evidence presented:</p> <p><b>Part 1</b> - National Policy overview - POS/Haringey Planning<br/> <b>Part 2</b> - Local policy and practice – Haringey Planning Officers<br/> <b>Part 3</b> – Specialist Advisers – the housing viability assessment - components<br/> <b>Part 4</b> – Other local authorities - London Boroughs<br/> <b>Part 5</b> – Developers perspectives</p> |
| <b>Equalities Implications</b> | Any emerging equalities issues will be assessed and highlighted for inclusion in final recommendations for Housing Viability Assessment.  |
| <b>Timescale</b>               | Work to commence in April 2016 and complete by mid-summer 2016  |
| <b>Reporting arrangements</b>  | <p>Evidence collection: April 7<sup>th</sup> 2016 Report Writing – April<br/> Recommendations approved by OSC – May/June 2016-02-29<br/> Cabinet Agreement: Jul/September 2016</p>  |

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| <b>Publicity</b>                      | As the evidence gathering will be in Purdah, there will be no publicity for this event. |
| <b>Constraints / Barriers / Risks</b> | 1. Securing attendance of key informants (e.g. specialist advisor, Developers)          |
| <b>Officer Support</b>                | Scrutiny Officer and Planning Officers  |