

NPPF calls for forward planning using viability testing

Local authorities will need to identify sites that are not only viable but also likely to find the line of least resistance through the planning system, says Andrew Golland

Viability – the big picture

Viability depends largely on the size of the gap between development value and development costs. As long as there is a positive gap then it is only the existing use value that prevents a site coming forward.

Whether the gap widens or narrows is important to viability and to developers' and investors' attitude towards risk. And there is no doubt, against the current swathe of pessimistic economic forecasts that there is a lot of risk. According to the House Builders Federation (HBF) house building is due to fall to its lowest level since the Second World War.

In terms of numbers, the gap has widened over the past four years; and interestingly, during a period of Covid and the initial impacts of Brexit. And Rightmove recently report that prices in fact rose by £3,000 in the last month. The widening gap is shown below:

Following a classical argument of economics, we should be seeing record levels of house building – as

the gap between prices and costs widens. That this isn't happening is worthy of further comment from the perspective of planning and the market alike.

What needs to be done

To deliver significant community benefits will require much higher levels of house building. This point needs to be made more strongly by the industry itself as it faces a government which appears to have taken fright in the face of NIMBY interests.

Developers will need to make their case to local planning authorities that their sites are viable and deliverable, and can bring forward the necessary infrastructure. This means detailed submissions at for example, the Call for Sites stage of planning.

The pressure on housing delivery is going to be acute in the next few months. This is because as land supply tightens in line with overarching government policy, land owner expectations will shift prices to levels which are not discounted for com-

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munity benefits. This will happen especially on large sites which are in relatively scarce supply.

In turn this means that local authorities, ideally in conjunction with developers, will need to identify sites that are not only viable, but also likely to find the line of least resistance through the planning system.

The emerging national planning policy framework envisages, I understand, greater forward planning using viability testing. But this is complex, resource intensive and as such, will be very challenging for LPAs to deliver. In this key respect, not a lot changes! ■

