

Viable villages: closing the planning loophole that undercuts affordable housing in the countryside

Rose Grayston and Rebecca Pullinger | March 2018

Executive summary

For decades, England hasn't built enough genuinely affordable homes in rural or urban areas. Following cuts to capital grant and financial restrictions on councils, we now rely on private developers to deliver a large share of new affordable homes through the Section 106 system. But since 2012, national planning rules have blunted this tool by enabling the widespread use and abuse of viability assessments.

Developers can use viability assessments to argue that building affordable homes could reduce their profits below competitive levels, which they define as around 20%. This gives them a legal right to cut their affordable housing quota.

This means developers can overpay for land to guarantee they win sites, safe in the knowledge they will be able to recoup the costs later by squeezing affordable housing. This viability loophole is contributing to the country's affordable housing drought, reducing the social diversity and vitality of rural communities.

Last year, Shelter's research showed how much-needed affordable homes are slipping through the viability loophole in cities across the country. New research from Shelter and the Campaign to Protect Rural England (CPRE) shows that the problem is just as bad in the countryside.

The consequences for rural communities can be particularly devastating, as house prices are often higher – and wages lower. Losing even a small number of affordable homes can be the difference between post offices and schools staying open or not, and villages thriving or dying as families and young people are priced out.

But this crisis of affordable housing supply in rural settings is poorly understood, and is not discussed with anything like the urgency it deserves. Shelter and CPRE are addressing this gap, using new research across eight rural local authorities to shine a light on the impact of viability assessments on the countryside ahead of the government's review of the National Planning Policy Framework (NPPF).

Key recommendations

It is crucial that the government closes down the viability loophole – taking the opportunity of the revised National Planning Policy Framework (NPPF) to create a system of viability assessments that is fair, limited and transparent.

1. Fair

The government should produce new standards on how viability assessments must be completed, ensuring that the price paid for land reflects affordable housing and other policy requirements. Protection for landowners and developers should be given to 'a return' – not 'competitive returns'.

2. Limited

Viability assessments should not be used to manage normal market risks. The government should produce new rules on the limited, exceptional circumstances in which they can be used.

3. Transparent

Appraisals should be published and open to public scrutiny, with results and supporting documents available online in a standardised, accessible format.

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Key findings

The viability loophole is slashing affordable housing supply in the countryside

In one year alone, in just eight rural councils, sites on which a viability assessment was submitted lost 938 affordable homes. **That's a 48% cut in affordable homes**, compared to what council policies said developers should build. These new housing sites achieved just 18% affordable housing – half the level required by councils' policies.

Of the councils we studied, rural communities in the south and east of England lost especially large numbers of affordable homes – in the very areas where affordability pressures are most acute. On sites where developers submitted a viability assessment:

- Central Bedfordshire lost 533 affordable homes – a 58% cut compared to local policy
- Cornwall lost 232 affordable homes – a 35% cut
- Horsham lost 67 affordable homes – a 26% cut

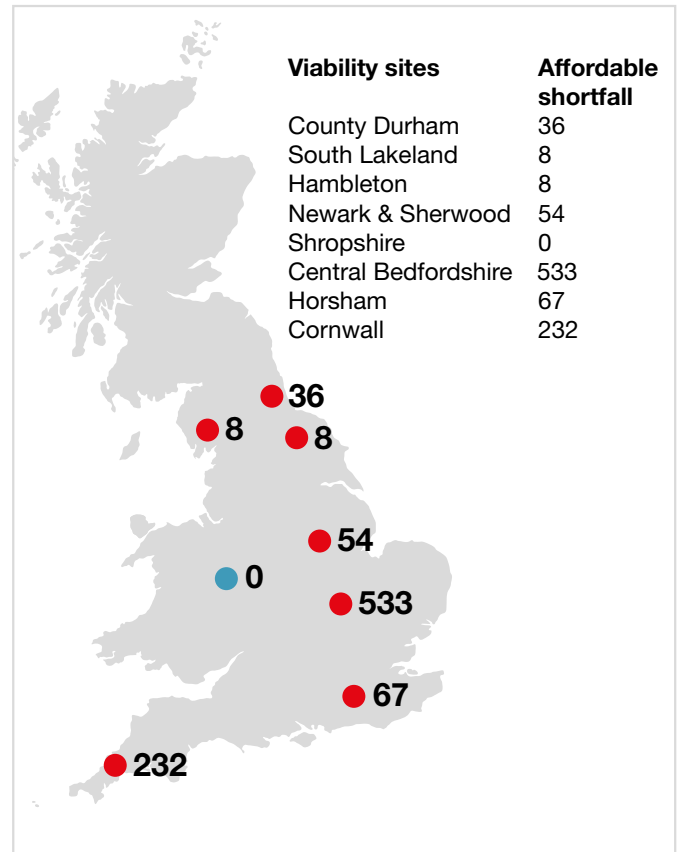
Big schemes are more likely to lose out

Developers of larger schemes are far more likely to use viability assessments to cut affordable housing. The average number of homes on sites where viability was used was 166, compared to an average of 71 on schemes with no viability assessment.

This has implications for competitiveness and the overall efficiency of the housebuilding sector. It skews opportunities in favour of big developers building big sites, with those building smaller schemes more likely to play by the rules and lose out financially. This is particularly important in rural areas, which often rely on smaller schemes to meet their housing needs.

Time for action

Central government first introduced the current rules on viability in 2012, protecting developers' profits and inflating land values at the expense of urgently needed affordable homes. Now the new Ministry of Housing, Communities and Local Government has an opportunity to fix this broken system in its upcoming re-write of its planning rules – the NPPF.



Shelter and CPRE urge the Ministry to enact reforms in line with our recommendations. The benefits of a **fair, limited and transparent viability system** are clear:

- many more rural affordable homes will come through the planning system every year
- new developments will better reflect rural communities' needs, driving up public support for new housebuilding locally
- more diverse housing schemes that meet a wider range of local needs will build out faster, driving up overall housing supply
- a more level playing field for small to medium-sized enterprise (SME) builders, increasing overall housebuilding capacity

A stronger planning system providing more certainty is in everyone's interests. The time for action is now.

Read online or download at cpre.org.uk/viablevillages