

MAYOR OF LONDON

Nicky Gavron AM

Chair of the London Assembly Planning Committee
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Dear Nicky

The need for Supplementary Planning Guidance on Viability Assessments

Thank you for your letter of 1 February on the above.

As you know, I also have concerns over the way viability assessment bears on the effectiveness of the planning process and in particular its impact on housing delivery, especially that of affordable housing. I would agree that more specific guidance is required on the approach to be taken to viability but think that this will have the greatest impact if it is integrated with broader guidance which deals with implementing other, often related aspects of London Plan policy on housing.

I will shortly be considering a final draft of the Housing Supplementary Planning Guidance (SPG) which addresses it in this way and hope to publish that as soon as possible. It will take into account the wide range of views expressed during the consultation process, including those of the Assembly, and will be designed to provide clear strategic direction on a pan London approach to viability while recognising that individual boroughs do require a degree of flexibility to address their distinct circumstances.

Your letter raises a series of more specific points which I address below using your numbering system:

Recommendation 1

I have already made clear that as a general principle I support EUV+ as the preferred approach, but recognise that case specifics can mean that other Benchmark Land Values (BLVs)/approaches can be more appropriate in some circumstances. However, if these are used, policy requirements should be built into the valuations.

Recommendation 2

Each application must be treated on its merits but BLVs should reflect policy requirements rather than the price paid for the land.

Recommendation 3

As the Assembly notes, 'there may be exceptional circumstances where the release of information would not be acceptable'. However, as a general principle I would encourage transparency of information to increase public trust in the planning process and ask developers to keep confidential information to a minimum.

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Recommendation 4

As you know, the London Plan is already clear that 'Boroughs should set an overall target in LDFs for the amount of affordable housing provision needed over the plan period....' (Policy 3.11B) but does provide flexibility to express these targets 'in absolute or percentage term in light of local circumstances....' (Policy 3.11D).

To help achieve these targets to provide certainty for developers and subject to viability testing, I would support the principle of boroughs extending this policy for application to specific Housing Zones and Opportunity Areas. However, a more formal policy requirement for fixed targets for particular areas within boroughs would require a formal change to the London Plan as the current policy requires the 'maximum reasonable' amount of affordable housing to be sought on individual sites and provides boroughs with the flexibility to express their targets in different ways.

Recommendation 5

The London Plan already supports the use of contingent obligations and I hope that the final SPG will provide further guidance to the Boroughs on this.

Recommendation 6

The draft SPG does not include a profit benchmark and I hope that the final version will make it clear that applicants should provide site specific justification for their assumed profit level. Though the Toolkit does have a default 20 per cent profit margin, the associated guidance sets a clear principle that site specific information should be used wherever possible when using the Toolkit to assess site viability.

Recommendation 7

A number of organisations already offer viability training for the public sector (which the Boroughs do take up themselves) and the Greater London Authority does run Toolkit training sessions on an ad hoc basis. However, much of the difficulty associated with viability assessments is to do with understanding the market and valuations, which is not something that can be taught in a training session.

Recommendation 8

Part of the reason viability has become such a contested issue is because there is no clear view on what constitutes best practice. There has been ongoing, albeit intermittent dialogue between GLA planners and the RICS on this, which seems to suggest that there is also not a uniform view within the RICS itself on the approach to be taken. To provide strategic planning certainty, I have been clear on my general preference for EUV+ based approaches.

Recommendation 9

Officers have already engaged with this group and discussions have fed into the updates to the section of the SPG dealing with viability.

Recommendation 10

The London Plan already supports maximising affordable housing. However, affordable housing is one of many policy requirements and in some cases other requirements, such as transport or social infrastructure must be secured in order to bring a site forward.

My officers have been in discussions with DCLG on the more general issue of 'land value capture' through the Compulsory Purchase (CPO) process, including the potential of the 'Dutch model' for this. Introduction of such an approach is likely to require a significant change to the national framework for CPO.

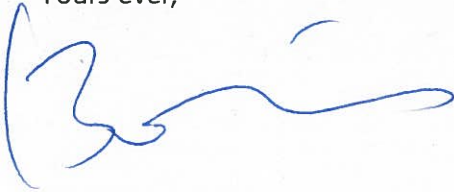
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I hope that my responses to the recommendations above have addressed your concerns.

On a more general issue, the Assembly may wish to note that government's proposals for affordable housing devolving from the Housing & Planning Bill and associated regulatory and policy changes may have significant implications for the way affordable housing policy is currently taken forward in the London Plan. Once finalised these new national measures should be addressed through a review of the Plan.

As an interim measure GLA officers are exploring how strategic advice can be developed on implementing these changes to national policy in the unique circumstances of London.

Yours ever,



Boris Johnson
Mayor of London