



**Resources and Public Realm  
Scrutiny Committee**  
21 February 2018

**Report from the Director of  
Performance, Policy &  
Partnerships**

**Scope for task group on financial viability assessments**

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
<b>No. of Appendices:</b>	1
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Amina Khatun Senior Policy & Scrutiny Officer <a href="mailto:Amina.khatun@brent.gov.uk">Amina.khatun@brent.gov.uk</a> 020 8937 3151

## **1.0 Purpose of the Report**

- 1.1 This report sets out the proposed scope for a task group on the use of financial viability assessments for developments in Brent.

## **2.0 Recommendation(s)**

- 2.1 Members of the Resources & Public Realm Scrutiny Committee are asked to agree the scope and terms of reference for the task group attached as Appendix A.

## **3.0 Detail**

- 3.1 The scope draws together issues around financial viability of housing developments. There are concerns and some evidence suggesting that viability assessments are a block to building more affordable houses, and therefore are in need of reform.
- 3.2 Many affordable homes are delivered through the Section 106 (S106) system, also known as 'planning obligations', where developers are required to provide

a proportion of homes as affordable, as part of a housing development granted planning permission.

- 3.3 All planning decisions for developments are underpinned by national, regional and local policies. The National Planning Policy Framework (NPPF) states that plans must be deliverable, and that “[t]o ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”
- 3.4 This has led to the rise of financial viability assessments being used by developers to negotiate reductions in the proportions of affordable homes they are obliged to provide in developments, and therefore increased profits. These are financial appraisals conducted on planned housing developments, which estimate the amount of cost to a developer for building homes, and the profit they will make from selling them. When profit levels are too low, the scheme can be considered ‘non-viable’ – which means the development might not proceed. The local authority may then decide to decrease the proportion of affordable housing required, as well as other contributions for local infrastructure, in order to increase the developer’s profit to a viable level.
- 3.5 There are genuine and unforeseen reasons when developments are unviable. However, research by Shelter raises concerns that assessments are being used beyond such cases. This cites data from 2015-16, showing that they were submitted on 44% of new housing schemes across nine English cities, and are “cutting affordable homes by 79%”. Where viability assessments have been used, new housing sites achieved just 7% of affordable housing, in comparison to the required average of 28% of new homes intended to be affordable.
- 3.6 Along with the consequences for the delivery of affordable homes, other areas of concern include transparency (as the assessments are normally confidential); and the fact that the methodology and judgements of the assessments are, to a large extent, in the hands of developers themselves. As they become normalised, they also become an essential tool for developers to remain competitive with each other.
- 3.7 These concerns are shared by members in Brent, where delivery of affordable housing is a major objective for the council, and there is evidence that the use of viability assessments reduces this. Therefore, the committee intends to form a task group to investigate this issue and develop recommendations. Its terms of reference will be:
- To understand the national policy context of subsidising housing and barriers and solutions to affordable house building.
  - Gather data on Brent’s affordable housing levels and make comparisons with other boroughs.
  - Evaluate the effectiveness of current Brent viability policies against the Mayor’s new proposals, as well as those being discussed by the Government.

- Highlight case studies where Brent has been successful in building affordable homes, as in the case of South Kilburn, and spot light target areas.
- Learn from other case studies of good practice across the nation.
- Investigate Brent's own viability assessment application process to make any meaningful improvements.
- Explore the option of Brent becoming a developer, as in the case of Birmingham City Council.

3.8 It should be noted that, as this task group is being created near the end of the municipal year, it will report its findings in the next.

#### **4.0 Financial Implications**

4.1 There are no implications.

#### **5.0 Legal Implications**

5.1 There are no implications.

#### **6.0 Equality Implications**

6.1 There are no implications.

#### **7.0 Consultation with Ward Members and Stakeholders**

7.1 There are no implications.

#### **8.0 Human Resources/Property Implications (if appropriate)**

8.1 There are no implications.

#### **Report sign off:**

**PETER GADSDON**

Director of Performance Policy & Partnerships.