



Hello

FUTUREGOV

Viability Assessments Show and Tell 5

17 December



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#FGis10

Today's agenda

1. Intro & context
 2. What we've done
 3. Data discovery
 4. Future state experience
 5. Concept walkthroughs
 6. Next steps
-

An aerial photograph of a dense urban landscape, likely London, showing a mix of modern high-rise buildings and older, lower-rise structures. Green spaces and trees are interspersed among the buildings. The River Thames is visible in the distance. The sky is blue with scattered white clouds.

Context

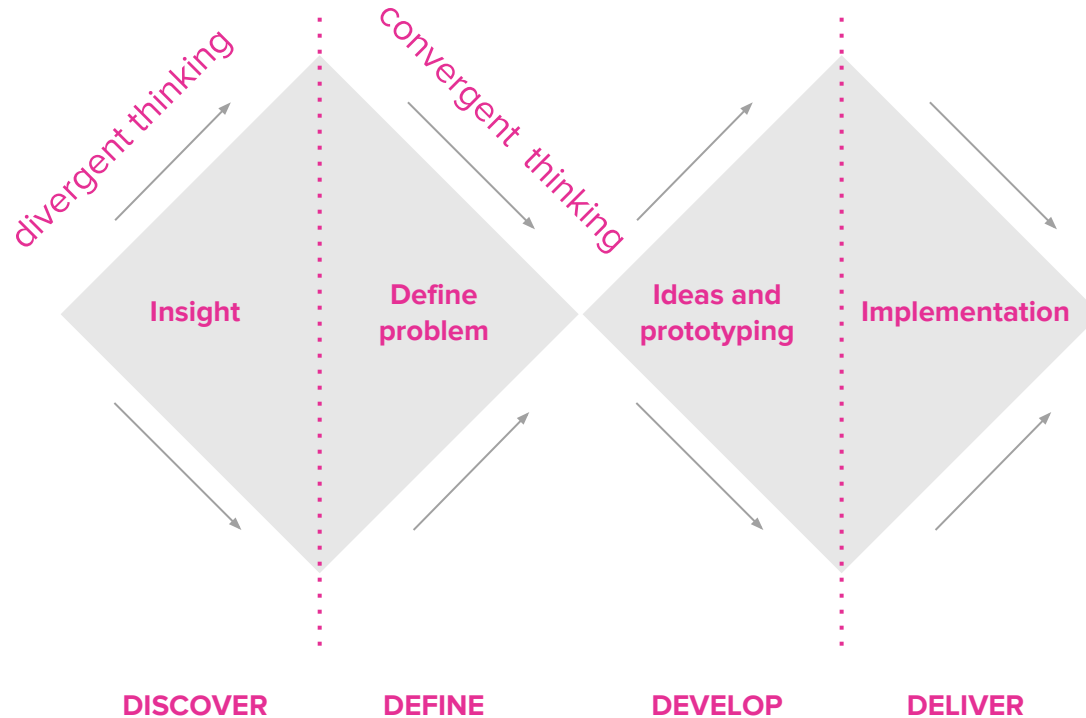
- **Losing affordable homes at the expense of others' profits**
- **Very long and resource-intensive process**
- **Not a problem unique to Southwark**

Problem statement

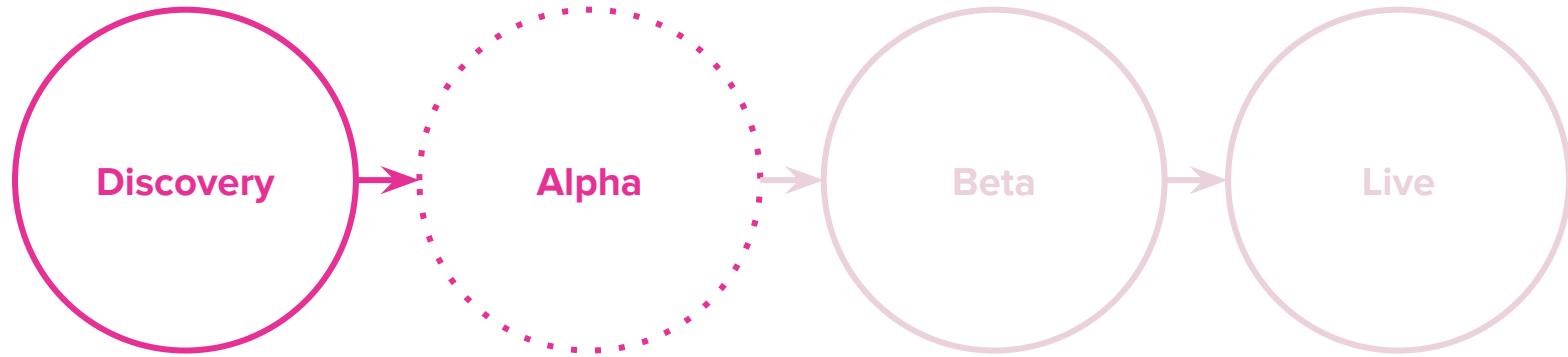
How might we scope and prototype a better way to evaluate viability assessments, so that councils can be on an equal playing field with developers in order to maximise the delivery of affordable homes?



The design process (mental model)



Discovery, alpha, beta, live



- Understand user needs
- Understand how things work now
- Look at the world of possibilities
- Define the challenge

- Turns insights into potential solutions
- Begin to experiment and rapidly test

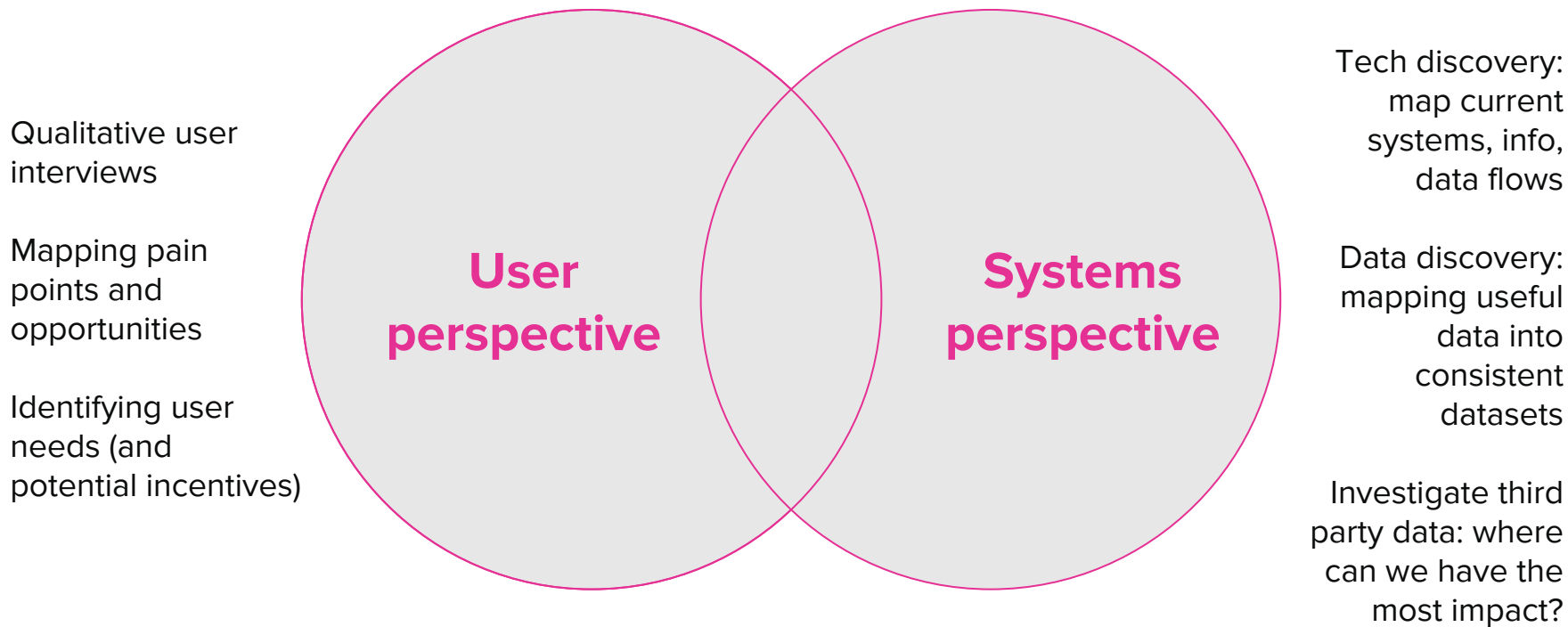
- Testing the service out in the world with a reduced audience or with reduced features (or both)
- Continuous iteration based on user insights

- When the beta service is addressing all the needs of its users
- Transitioning users to the new service

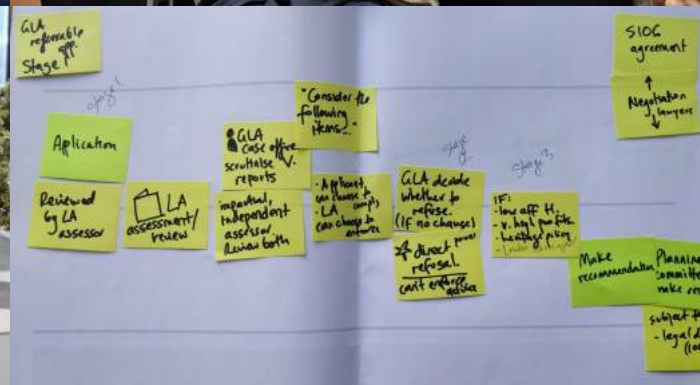
What we've done

- 10 research interviews
 - Data discovery
 - Mapping how things work now
 - Synthesising insights and pulling out user needs
 - Identifying opportunity areas and generating ideas
 - Developing a 'future state' map
 - Prototyping particular interactions and technical proof of concept
-

Our approach to discovery



Discovery interviews



[illegible]

Synthesising insights



Identifying opportunity areas and generating ideas



Developing prototypes



Insights



**Political pressure to deliver
affordable homes is superseded
only by the immediate demand for
housing of any kind**



There is pressure from the Mayor of London, the public and the media to deliver more affordable homes



“Affordable housing is way at the top of the agenda - it’s *the tail that wags the dog*. Other things have to adjust to deal with viability and affordable housing”

- Strategic Applications

“This administration wants to secure more affordable housing than the last”

- Greater London Authority

“A lot of my time goes into affordable housing - it’s the number one issue. We have other issues, but in a lot of ways they’re predicated on it”

- Planning Director
-

Developers see fair levels of affordable housing as ambitious, with the potential to jeopardise funding ultimate delivery of a scheme



Upward only reviews seen as a risk by lenders and “banks are a crucial element to delivery”

- Viability Consultant

“The Mayor [of London] says he wants everything under the sun, he has no sense of commerciality. For developers, what's the point. I'm providing you a school. That means I lose money. In a world of Brexit, so many unknowns”

- Developer

It's in the council's interest to accept planning applications - even if this means compromising on affordable housing



“<5% applications go to appeals... far too costly for bigger schemes”

“Very unusual for Southwark to have refusals going through committee based on viability - costs are very high. 2 in 10 years”

- Strategic Applications

“We then have the uphill struggle of convincing the committee that that is the final answer and there is no more”

- Planning Director

Cuts to funding and resourcing

—

Councils are reliant on developer contributions to improve local areas and fund core planning services



“Local government funding is being cut so the public realm work can't be funded... we latch onto developments nearby to get Section 106 funding for”

- Major Applications team

“We rely on Planning Performance Agreement money to resource the team. Now our whole planning service is self-funding”

- Major Applications team
-

The ability to effectively critique viability assessments in-house at Southwark is being lost



“Used to have people in-house as well that did [viability] but not anymore”

- Strategic Applications

“There's 7 people in our [Major Applications] team. Half contract, half permanent. The core staff is not enough”

- Major Applications team

“I spend a third of my time reviewing the work consultants provide”

- Viability Officer
-

Councils are dependent on small industry of expensive viability consultants



“The problem councils have is that there are very few firms who are expert in this that they can go to... we only use three”

- Strategic Applications

“Consultants work for both sides... it’s a small industry making lots of money from keeping things opaque and difficult to understand”

- Future Cities Catapult

In the last 12 months consultant fees have been circa £440,000:

- £70-80,000 for a larger scheme
 - £5-6,000 for a smaller scheme
-

Viability assessments are primarily used as a *negotiation tool*, rather than a true assessment of a scheme's viability



Viability emerged from encouraging development during the recession; the world has moved on



“System is unrecognisable to 10 years ago, the environment has completely changed”

- Strategic Applications

“The output you are entitled to as a developer is 20%”

- Developer

“I now spend half my time doing viability... in 2006, no time at all”

- Strategic Applications

Viability assessments are used by developers to minimise the affordable housing provision and maximise profits



“We need a viability assessment to say why we can't get to 50% affordable housing... we provide viability information to say why not, and why you can only provide X”

- Developer

Viability is “only of use as a negotiating tool” for negotiation of affordable housing contributions

- ‘Viability and the Planning System’ report
-

Negotiating viability is an exercise in trading compromises between sides



“It's a bit of horse trading and dealing really... If you give us 2%, we'll take it to committee and recommend for approval”

- Major Applications team

“There's a murky negotiation period around before the planning committee... offline 'horse trading' in discussion of positions. Developers trying to make their case offline, in an informal manner, to push application through”

- Southwark Planning Team

**There is a power imbalance between
councils and developers**



There is an asymmetry in the information available to developers and councils about a scheme's viability



“We rarely have viability assessments in pre-application, it’s in developers’ advantage to do as late as possible”

- Viability Officer

“Molior have market data, but don’t allow local authorities to subscribe”

- Viability Consultant

“Developers don’t want to explore viability early, they’ll try every trick in the book”

- Southwark Planning Team

Developers tell a completely different viability story to their investors than they do to the local authority



“Developers do detailed numbers, even before land purchase”

- Viability Consultant

“The red book appraisal, the figures they take to banks and investors, they will be completely different figures, the other way around”

- Rob Brew, Hackney

“We do our own hypothetical feasibility appraisal... the difference is we use actual market value, not EUV+ ”

- Developer

Generalised viability evidence in the Southwark Plan means developers anchor the starting figure for negotiation



“We run through different scenarios and know overall it is viable... but it’s not very specific, not thorough enough”

- Planning Policy

“[The Local Plan has] no obvious starting point for number of homes or capacity [of a site]”

- Future Cities Catapult

“[We] need evidence to justify Southwark’s position - ‘we know you can do 37%, and here’s our evidence, which is stronger than yours’”

- Viability Officer

**Back-and-forth viability
negotiations result in the
planning application process
being long and laborious**



Viability assessments are manually compiled from the ground up every time



“There is always inconsistency and people reinventing wheels about how to do things”

- Planning Director

“A lack of appreciation and collection of data. [It’s a] manual process and opaque”

- Future Cities Catapult

“Feel like we’re starting from a blank slate every time”

- Viability Officer

Viability is often the final figure to be agreed in negotiation, delaying approval and the delivery of affordable homes



“8-9 out of 10 cases we resolve design quality, space, transport... then we’re left with viability which is argued for a long time”

- Strategic Applications

“Missing information from viability assessments happens pretty much 100% of the time”

- Viability Officer

“The figures look reasonable but fall down like a pack of cards behind the scenes”

- Viability Consultant

Viability assessments are not standardised and are negotiated with evidence supporting both sides



Viability is negotiated with two different evidence bases supporting contrasting positions



“Not an exact science, lots of opinions and both sides collecting evidence”

- Strategic Applications

“It’s all down to interpretation, a matter of opinion... objectivity goes out the window”

- Southwark Planning Team

“More an art than a science”

- Viability Consultant
-

The viability calculation is sensitive to tiny changes; developers have even worked backwards to achieve their desired result



“Residual land value is sensitive to small changes... add up to big changes when aggregated”

- Viability Officer

“Minor tweaks of 0.25% in the equation change the answer by £12 million... ludicrous sums. Developers will argue until the cows come home”

- Major Applications team

Crystal Palace appeal: the Planning Inspector noted a figure that should have been an output was used as an input

Viability assessments speculate what costs and values might be in the future - the actual figures can differ significantly



“Need to be careful not to only use the initial set of figures that comes from a developer”

- Strategic Applications

“Important to capture transaction costs and sales values 6 months down the line... if it sold for 5x that”

- Viability Officer

“It’s not until a scheme has been completed you’ll know what the actual costs were”

- Major Applications team
-

The figures in viability assessments are unregulated and don't adhere to professional standards



“Range of figures and methodologies... EUV+ or Market Value or Alternative Use Value”

- Viability Officer

“It's like a financial market with low levels of regulation”

- Greater London Authority

“If the evaluation method were in the Red Book it would be done overnight”

- Viability Officer
-

**Viability reports are impenetrable
in their current format**



Viability reports are complex, difficult to understand and take time to identify and pull out the key figures



“Presenting viability information to committee - a viability expert goes along to get asked direct questions. But you can see the committee faces slightly glazing over”

- Major Applications team

“I can’t look at and immediately understand... we trust the consultants”

- Southwark Planning Policy

There's a tension between perceived commercial sensitivity and transparency in viability reports



A Canada Water site argued their affordable housing down on a single figure that was redacted in the report

“Lambeth said absolutely no way will they release viability assessments - only in person and redacted”

- MHCLG

There's been a move to be more open... Southwark, Islington and Greenwich. We had some moans but people realised inevitable”

- Strategic Applications

Viability assessments miss out on a sense check when treated as a bottom-up data entry exercise



“The residual method is very sensitive. A valuer sees what values are being paid. It’s elementary valuation... that’s key, seeing what a site sells for after”

- Viability Officer

“There’s 2 routes. A detailed appraisal or go straight to comparables. I call it a valuer sense check... If you’re not employing valuers you’ll never get a sense check - looking at the wider evidence in the market”

- Viability Consultant

User needs



Southwark Case Officer



- I need to sense check our consultant's figures, so I can be sure they have done their job thoroughly
 - I need to know our consultant has solid evidence supporting their position, so I can confidently negotiate with the developer
 - I need to negotiate viability figures with developers, so we can reach a compromise sooner and begin delivering a scheme
 - I need to convince the committee when a scheme is reasonable, so we can begin delivering more affordable homes in Southwark
-

Viability Consultant (valuer or surveyor)



- I need to check enough detail has been submitted as part of the viability assessment, so I don't have to request further documents
 - I need to check if a developer's viability assessment is reasonable, so my client gets a fair deal
 - I need to be able to provide counter evidence to assess a site's viability, so I can put my client in a stronger negotiating position
 - I need to take a step back and sense check the viability calculation, so we are not too reliant on an equation sensitive to small changes
-

Property developer



- I need to know what's expected in terms of affordable housing provision, so I can allow for it in plans from the beginning
 - I need to see the evidence behind a council's demands, so I know what they are requesting is possible
 - I need to know that my profit won't be chipped away, so I can return a profit to the banks and/or investors
-

Planning committee

- I need to know all new developments are providing at least 35% affordable housing, so I can be sure we're creating more homes locally
- I need to ensure Southwark has got the maximum affordable housing out of a developer, so we get the most out of every site
- I need to know why Southwark has made a particular recommendation, so I can understand their reasoning



Government

GREATER
LONDON
AUTHORITY



Ministry of Housing,
Communities &
Local Government

- I need monitoring and reporting of what's going on in planning system, so I can know why decisions have been made
 - I need to have access to the viability assessments from local authorities, so policy can be informed and evaluated
-

Residents

- I need appropriate amounts of affordable housing to be built locally, so there is a diverse supply of housing in my neighbourhood
 - I need to see how my community has benefitted from new developments, so I can also reap the benefits of new schemes
-

Data discovery



Systems Overview

Function	System (current + in development)
To search , view and comment on plans	planning.southwark.gov.uk
To view locations of sites in currently in the planning process	geo.southwark.gov.uk
To guide a potential applicant	PlanX (in dev)
To submit a planning application	<ul style="list-style-type: none">• Planning Portal• iApply• PAM - Planning Application Manager (in dev by Hackney)
To manage applications	<ul style="list-style-type: none">• Acolaid• Uniform• Therefore• Exacom
To model viability	<ul style="list-style-type: none">• Argus• Three Dragons• Custom spreadsheets!

Data Flows

During lifetime of a development, there are multiple **creators**, **managers** and **consumers** of data:

- Developers
- Viability consultants
 - Their sources for the data used by consultants
- The planning department
 - With users focussing on viability, S106, CIL and many more
- Planning committee
- General public
- The Planning Inspectorate
- GLA
- MHCLG



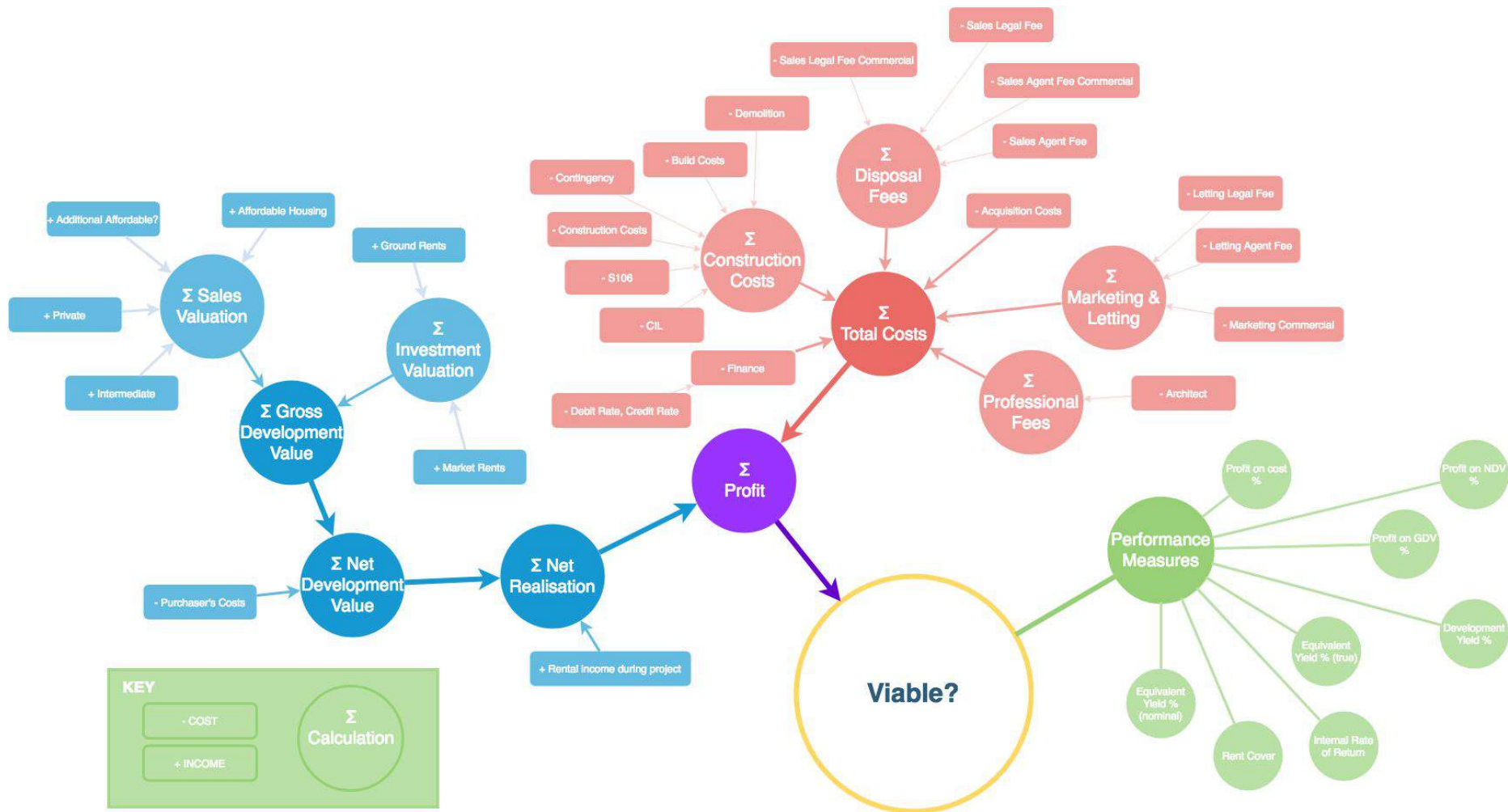
**All these users
experience challenges
using viability data**



Data Challenges

- **Difficult to collect data** across multiple systems to monitor processes
- **Difficult to track evolution** of proposals and negotiations over time
- **Difficult to reuse valuable, historic data** to inform future proposals
- **Difficult to contextualise** submitted data using 3rd party information
- **Difficult to share** viability data between different stakeholders,
consistently and securely





Data Opportunities

- Encourage the submission of viability data in **machine readable forms**
 - Making it easier to manage, analyse and refer to in future
- **Automatically extract key data** from historic viability assessments to contextualise new proposals
- Provide a **system to host this data**, and expose it via APIs for other systems to use



Data Opportunities

- Expose more **3rd party data sources** to give planning officers up-to-date information to better evaluate a development
 - Current property and land market information, trusted trend analysis
 - Recent build costs from across construction sector
 - Recent viability data from neighbouring boroughs
- Give viability officers **access to the same data** that developers and their consultants have
- Provide **tailored, data-driven tools** that support the evaluation of proposal viability in line with Southwark planning policy



Opportunity areas



Theme:

Improve decision making process

How might we...

**summarise and interpret viability
assessments without needing
expert knowledge?**



How might we...

**align the goals of planning
officers and planning committee
members?**



How might we...

**surface what's most important
about viability for the council to
better understand and back-up
negotiations and evidence?**



How might we...

**help councils become aware of
the current pipeline of
applications in order to make
decisions?**



How might we...

**help councils make better
decisions based on their goals?**



How might we...

**let planning committee see the
impact of individual applications
with respect to borough targets?**



Theme:

Improve quality of negotiation

How might we...

**structure and reuse previous
data from viability assessments
and actual figures to effectively
support a case?**



How might we...

**use examples of Southwark's
own developments and what is
possible on a site as counter
examples?**



How might we...

**find and use other sources of
compelling data?**



How might we...

**best evaluate and counter the
evidence of others?**



How might we...

**put councils in a stronger
starting position about what's
viable across the borough?**



How might we...

**feed viability assessment data
back into plan-making?**



How might we...

**help the local plan be more
reactive to the evidence base, or
“live”?**



How might we...

**open up data and information so
that it is more open and
transparent?**



How might we...

**design a space for councils,
developers and consultants to
collaborate on viability
assessments despite different
objectives?**



How might we...

raise red flags about what is out of line with expected values from data and policy?

—

How might we...

**incentivise viability consultants
to help meet policy goals for
councils?**



How might we...

downplay the importance of how much a developer paid for land?



Theme:

Streamline the process

How might we...

**ensure all documents and
figures are present at the
application stage?**



How might we...

**redesign the validation checklist
to request information in
sufficient detail to save chasing?**



Ideation



How might we...

**Design a space for councils,
consultants and developers to
collaborate on VAs, despite different
objectives, to speed up and increase
the delivery of affordable homes?**



The size of the opportunity

- Southwark spent **£440,000** in one year on consultants' fees alone, funded ultimately by developers
 - Around 35% of viability officer's time is spent **reviewing consultants' reports** and answering questions from planning officers
 - An additional 15% of their time is spent looking at policy and methodology considerations for viability
 - Approx. 10 case officers at Southwark dealing with viability, 20% of their time is spent on it, primarily **acting as a go-between** with developers, consultants and viability officer
-

Our working hypothesis

- By streamlining the process, and the viability negotiations that can often take months to conclude, we will be able to save both **time** (getting more affordable housing built quicker) and **money** (the cost to plan and develop)
 - We can help viability officers reduce the time they spend analysing reports, and let them focus on **higher value analysis**
 - By standardising some of the information consultants provide to the Borough for viability assessments, collating this and making it easy to access, some of their **review and analysis time** can also be streamlined
 - By improving the quality of the data supporting negotiation, we can **address the power imbalance** between councils and developers
-

Future state experience

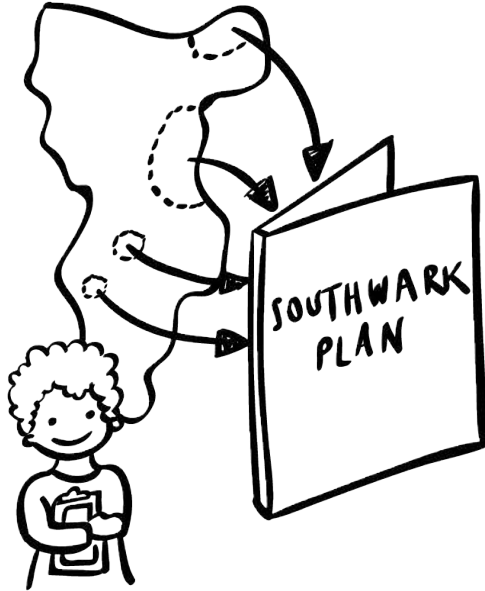


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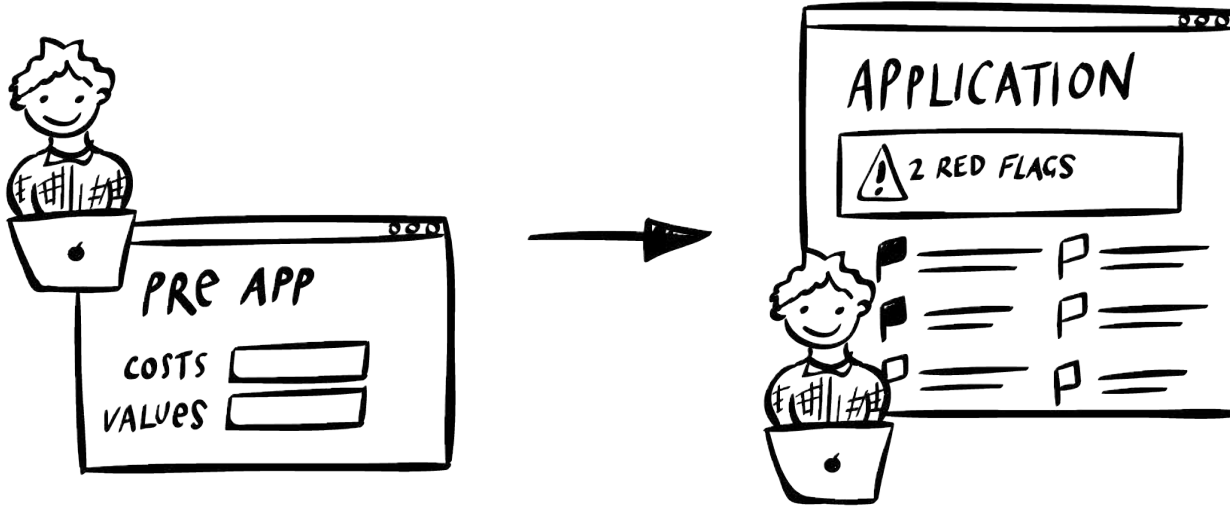
The underlying evidence base



Understand what is viable where

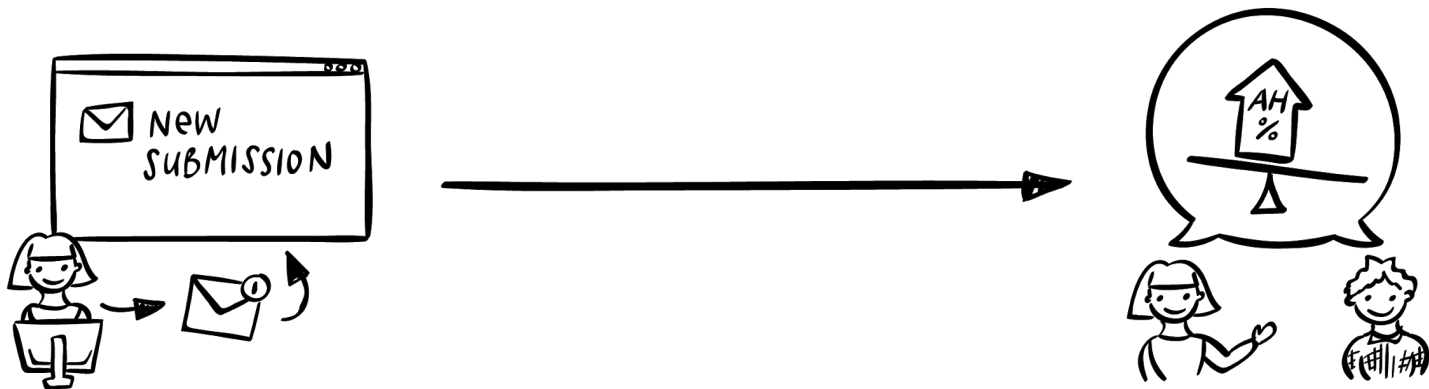


Submit planning application

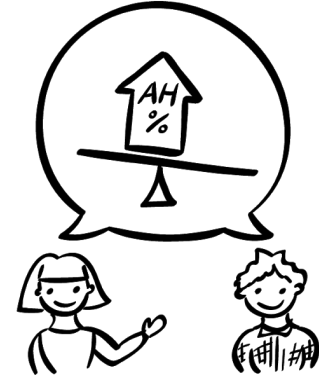


Concept 1:
Viability assessment checker

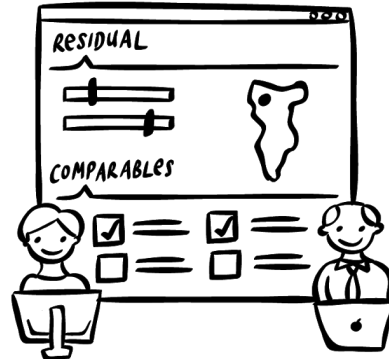
Triaging: **policy compliant and simple**



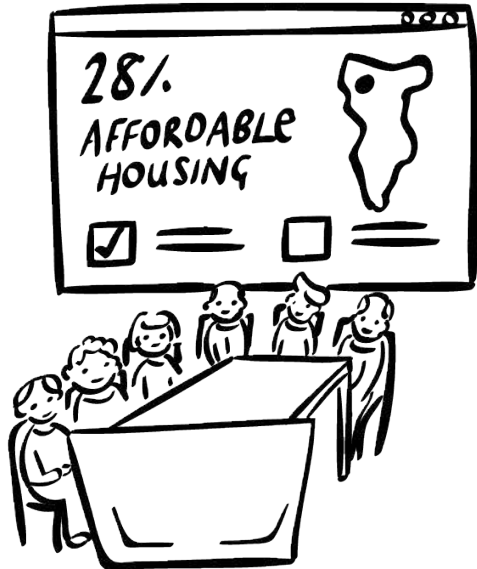
Triaging: **larger or more complex**



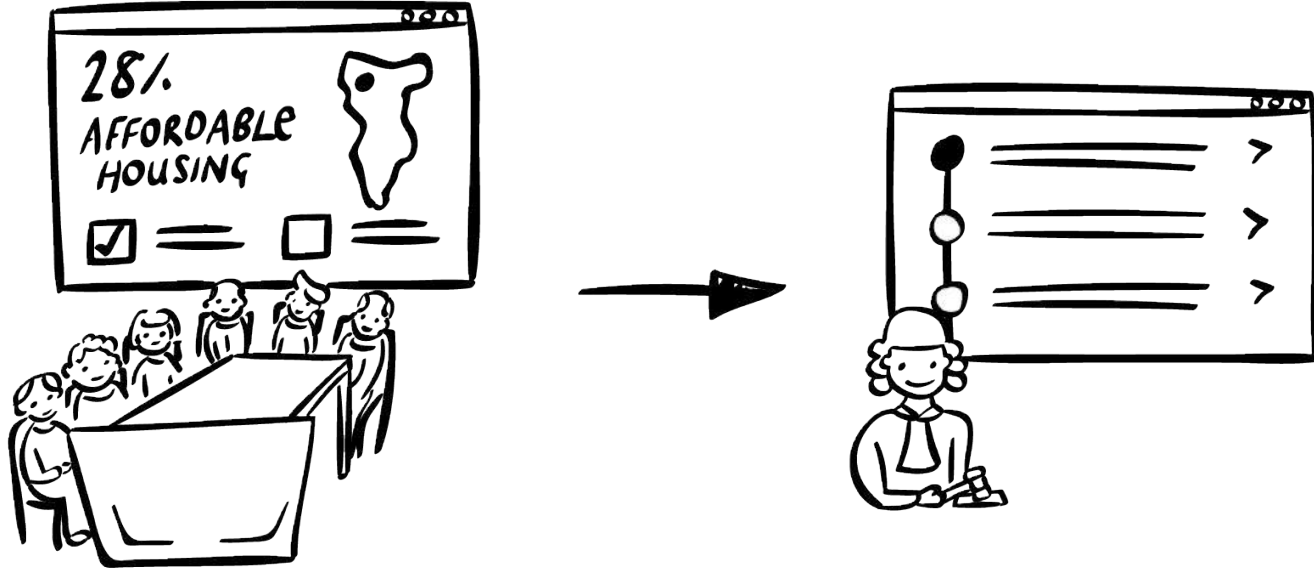
Concept 2: Review and comparison tool



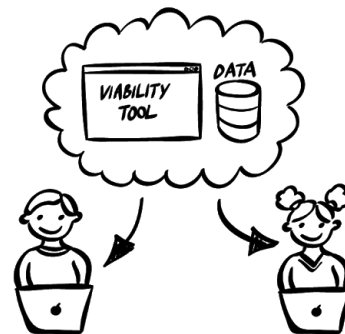
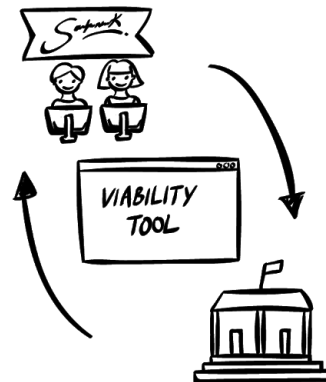
Committee



Committee and appeals

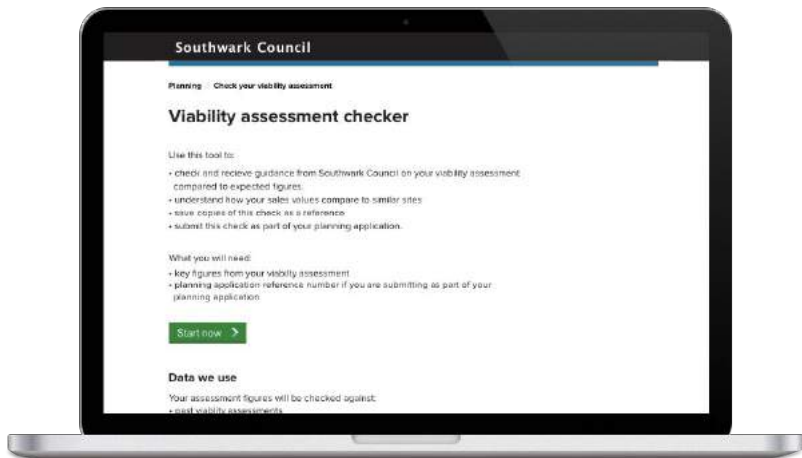


Third party use





Developer



Viability assessment checker

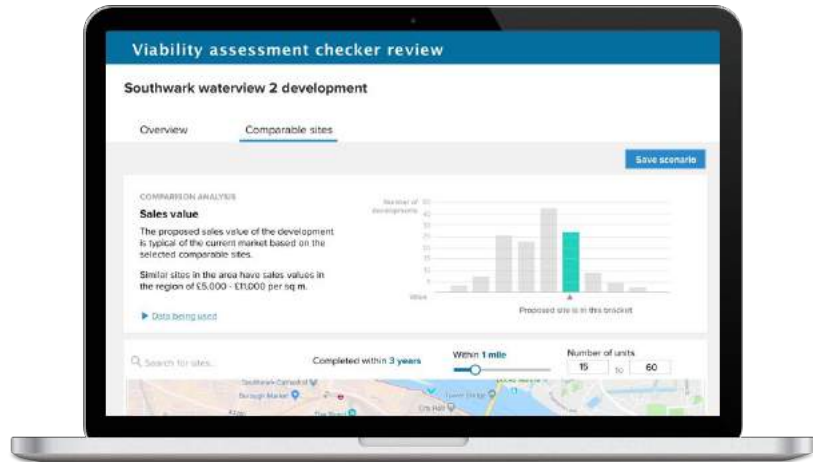
An open tool that provides developers early, high-level indications of expected ranges on figures from the council compared to their viability assessment. This enables developers to adjust and test out figures before submitting.



Case Officer



Viability Officer



Review and comparison tool

A tool that supports the council to better understand viability assessments. Allowing them to explore and compare with similar sites along with high level analysis. Scenarios can be exported for use in negotiations with developers.

Design principles



Open and transparent

—

API first



**Supportive not
directive**



**Use the best data
available**



**Make viability less
scary**



Do one thing well



Standardise data capture



Concept walkthroughs

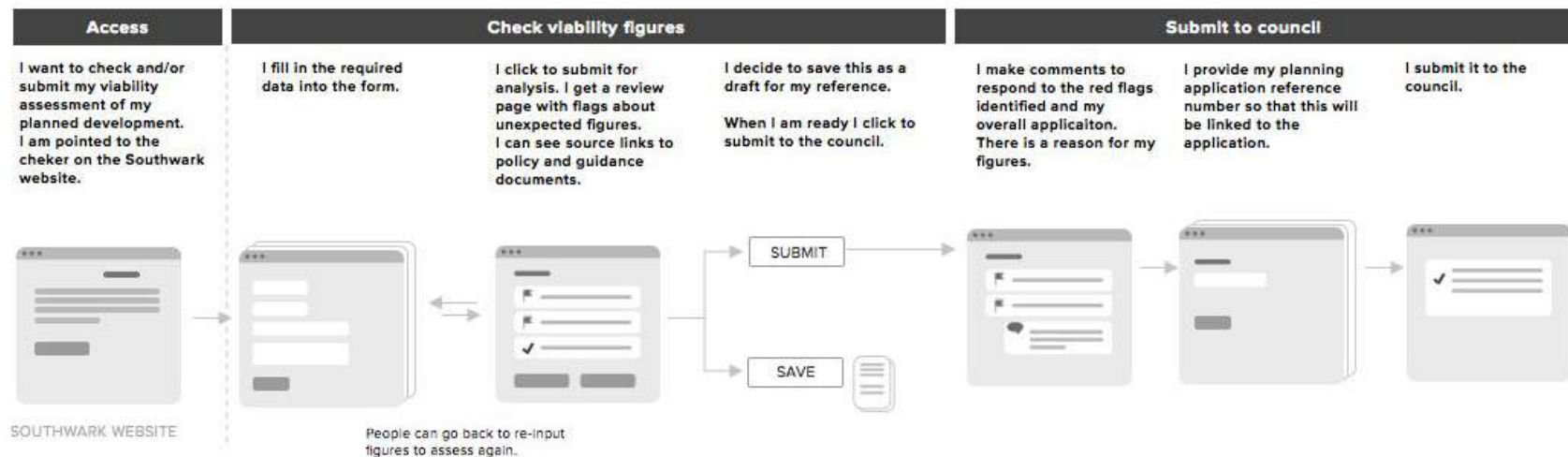


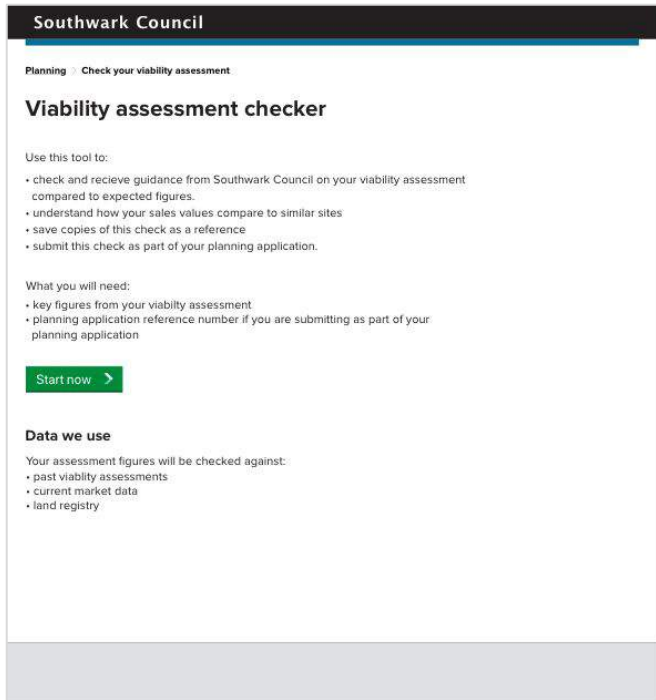
Concept
**Viability assessment
checker and
submission tool**

A tool that provides developers early,
high-level indications of expected
ranges on the figures from a
development's viability assessment.



Developer





Concept

Viability assessment checker and submission

An open tool that provides developers early, high-level indications of expected ranges on figures from the council compared to their viability assessment. Allowing them to adjust and test out figures before submitting.

Video on next slide

Planning > Check your viability assessment

Viability assessment checker

Use this tool to:

- check and receive guidance from Southwark Council on your viability assessment compared to expected figures.
- understand how your sales values compare to similar sites.
- save copies of this check as a reference.
- submit this check as part of your planning application.

What you will need:

- key figures from your viability assessment.
- planning application reference number if you are submitting as part of your planning application.

Start now >

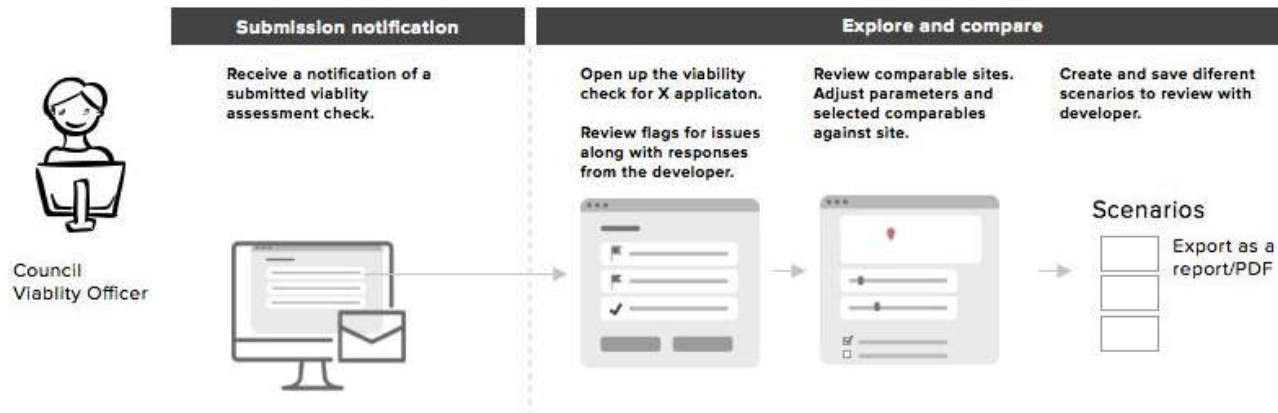
Data we use

Your assessment figures will be checked against:

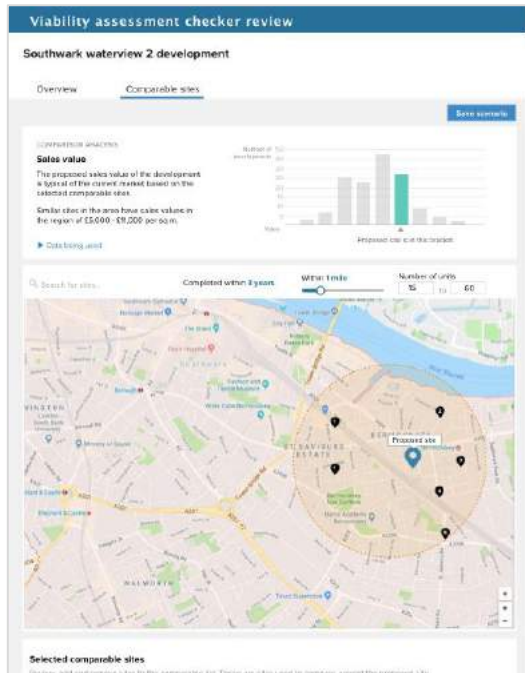
- past viability assessments.

Concept
**Review and
comparison tool**

A tool that supports the council to better understand viability assessments. Allowing them to explore and compare with like sites along with high level analysis and enabling them to bring explored scenarios to discussions with developers.



Walkthroughs



Concept

Explore and compare

A tool that supports the council to better understand viability assessments. Allowing them to explore and compare with like sites along with high level analysis and enabling them to bring explored scenarios to discussions with developers.

Link to prototype:
https://invis.io/K6PNJFX2UX4#/337316436_Overview_Page

These concept prototypes are not full working prototypes. They have been designed to demonstrate the concepts and what might be possible.

Data prototype demo



Check property price

Development size (sq metres)

--

Expected price (£)

--

Site location



Benefits



Benefits for Southwark...

- Stronger negotiating power supported by data
- Greater, faster delivery of affordable homes - many developments not meeting requirements
- Robust arguments and history of case for when put to appeal
- **Fewer dealings with consultants and lower associated costs - £440,000 per year, funded by developers but time and admin support from council**
- Could lead to more viability expertise in-house
- Building evidence base to inform a strong local plan, which in turn informs viability
- Clear action on viability problems - relieve political pressures
- **Red flags help developers put in the right work before the council has to start dealing with cases**
- Reduces the information gap between the council and developers

Benefits for case officers...

- Having all the data and information required for an application in the first instance
- Less time spent as a go-between on viability - currently 20% of total time of roughly 10 planning officers, and only one piece of an application
- Robust and standardised analysis to inform reports and recommendations to the planning committee
- **Better high level understanding and visualisation of viability of an application - ability and confidence to deal with less complex cases, demystifying viability**
- Can view record of different versions of application - track changes
- Provides context within which to review the application
- Immediate initial sense check of figures and residual vs comparable methods, even though not specialist valuers

Benefits for viability officers...

- **Less time spent reviewing consultants' reports and answering questions on viability from planning officers - currently accounts for 35% of total time**
- Ability and confidence to deal with viability cases in-house
- More time to spend on higher value analysis - viability policy and approach, land valuations etc
- Some standardisation of information will make it quicker to review both applications and consultants' reports
- Helps identify and fine tune correct context for developments
- Bank of possible comparable sites and ability to filter
- **Provides sense check of figures as starting point for residuals vs comparables assessment**

Benefits for planning committee...

- **Confidence that the right recommendation has been made and a maximum amount of affordable housing is being delivered in each scheme**
- Trust in the process and that records exist for accountability
- Clear action on viability problems - relieve political pressures
- Standardised report to inform decision making

Benefits for other boroughs...

- All the benefits for Southwark and more!
- Ability to use and build on evidence base of previous viability assessments and other data sources
- **Ability to use and adapt open source tool for local purposes/circumstances**
- Better ability to assess applications near borough boundaries

Benefits for GLA, MHCLG...

- **Building better evidence base to support plan-led approach to viability**
- Reporting data on planning applications and viability assessments - monitoring, evaluating, policy-making
- Potential for joined-up approach across London and UK
- Open source tools and standardised data available for reuse or for others to develop with (PlanTech/PropTech)
- Greater wealth of information to inform GLA judgement if referable application

Benefits for developers...

- **Clear, upfront expectation setting of what is required from developers and how long/tricky the application might be**
- Standardised inputs
- Faster processing of applications
- Direction on where to focus efforts in application, what to explain
- Helps meet requirement for open and transparent viability assessments
- Indicators on how to make application more likely to be successful

Benefits for developers...

- Less money spent on consultants' fees - £440,000 a year just on council side, likely spend more on own consultants
- **Visible reasoning and data to support council's claims/requests**
- SME developers can benefit from data-informed recommendations, clarity of the process and may be able to make more compelling case (to council and committee) for why some smaller developments can't do 35%
- A provided way to meet RICS professional standards

Benefits for consultants...

- Access to all the required information in an application upfront, in a standard format
- Developers and councils better informed on which part(s) of an application to focus on, where the sticking points are
- **Better informed parties bring consultants on at more appropriate, earlier stage (where necessary)**
- Provided with some initial comparable sites

Benefits for residents...

- **Potential for publicly available viability data that can be interrogated - without the need for an FOI request**
- Maximising delivery of affordable housing
- Potential for better illustration of community benefits from planning process

Next steps



Things to take into testing...

- How and where this fits within the planning application?
 - What information is critical to collect, what is extraneous?
 - How to deal with complex developments (e.g. multiple buildings, mix of uses)?
 - How can we make sure the data doesn't go out of date?
 - Are any policy/legislation changes required? Any system/organisation changes?
 - Can we get RICS seal of approval?
 - *Exactly* how open should we make the underlying dataset (i.e. for developers)?
 - What information is most useful for developers and the council?
 - What ways can we visualise data for better understanding?
 - How do people want to create and explore comparable sites?
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Next steps & ask

- Southwark are looking to take this forward into alpha and building prototypes to test with service users
 - We are hoping to commence the alpha phase in January. Activities will involve testing assumptions, understanding more about what information is useful to inform negotiations, sourcing and analysing data sets, developing the prototype and understanding organisational change and capabilities required to deliver the service
 - This is not a unique challenge for Southwark and it represents a fantastic opportunity for collaboration between councils. The process and principles of the work are highly applicable across local authorities and by providing data sets from a wider range of sources it will add to the richness and strength of the evidence base
 - Southwark are seeking £10,000 contribution from other local authorities to partner with them to fund the alpha phase
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Why get involved with the alpha phase?

- Southwark led project with a consortium of partners
 - Prototypes will use sets of Southwark data and other boroughs', this will enhance the robustness of the evidence base and help demonstrate scalability
 - We will involve you closely in the project through regular show & tells, conducting testing with your planning teams, and feeding your insights into the design of the tool
 - You will have open access to the system and we will share all our outputs including code, designs, research insights
 - The alpha phase is focused on more than the tool, we will be understanding the sustainability and business model of how to deliver the new service
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What are you all up to?

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Other planning projects



Concept - An open data standard for planning applications

Alpha - Develop a digital service to enable users to submit, view and comment on a Planning Application



Discovery into automation??



Discovery - New Planning IT solution

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Ministry of Housing,
Communities &
Local Government

Digital land team working on a number of prototypes



Discovery - Redesigning planning application advice



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Thanks!