



SHELTER CONSULTATION RESPONSE

**Ministry of Housing, Communities and Local
Government**

National Planning Policy Framework: Plan-making and national decision- making policies, December 2025

March 2025

Introduction

- We welcome the government's focus on reforming England's planning system. With 1.3 million households on the social housing waiting list and over 175,000 children experiencing homelessness, the country needs an effective and functioning planning system that builds the right homes in the right places.
- As the government looks towards economic growth and building 1.5 million homes, the focus must also be on delivering social rent homes as a central component of that agenda. As the only tenure tied to local income, social rent homes are the only genuinely affordable type of home, which provides safety and security to individuals and families.
- Too many people in England are denied the foundation of a good home. Millions face unaffordable rents, struggle to move out, or are trapped homeless in temporary accommodation. To address the scale of the housing emergency in England and end homelessness for good, it is widely recognised that we need to build 90,000 social rent homes a year for 10 years.
- The government has made positive steps towards increasing supply of social housing, including: a £39bn 10-year Social and Affordable Homes Programme (SAHP) which will deliver c.18,000 social rent homes a year; Right to Buy reforms; and a long-term social rent settlement. Ministers have recognised that housing unaffordability drives insecurity, poor conditions and homelessness and pointed to social housing's crucial role in tackling child poverty.
- While grant funding is the most direct and effective lever the government can use to increase social housing supply, the planning system has a crucial role to play in delivering social homes at scale and at pace. It should also ensure that developers contribute their fair share of the good quality social homes that communities urgently need. **The planning system must work for everyone and prioritise public interest and benefit.**
- The proposed changes to the NPPF include some very welcome additions. We strongly welcome the increased focus on assessing local housing need including the need for social rent homes and homes for different groups. Social homes are the only homes that will end homelessness and it is essential that local plans are based on accurate assessment of need. We also strongly welcome the suggestion that the government sets a minimum requirement for social rent on major developments unless otherwise specified in local plans. These requirements will need to be supported by more rigorous assessment of scheme viability; we are also encouraged by the steps to remove viability loopholes which too often allow local affordable housing requirements to be negotiated away.
- However, achieving greater delivery of genuinely affordable social housing through the planning system requires a robust approach which recognises that **development should be need-led**. There are other areas of the consultation where, as drafted, the NPPF will encourage development to come forward which does not meet local need for affordable homes.
- As part of our consultation response, we asked members of the public for their opinions on the consultation to help us respond, particularly about the payment in lieu medium sites proposal. People were asked to fill in a free form text box to address the Secretary of State, Steve Reed, on how they felt about the proposal. **1,903 people submitted a response.** Overwhelmingly, people felt developers should be made to build social homes as part of all developments. There was deep scepticism that cash payments instead of social homes would help reduce homelessness or end the housing emergency. Throughout this response, we share quotes from our supporters to demonstrate the public's feelings

towards, but also insight about, the proposals in this consultation. **We have included a wider selection of these responses as an annex (Annex A) to our response to the consultation below.**

- There is a serious risk that some proposals under consultation will reduce the already low level of genuinely affordable social rent homes built through the planning system – particularly the reversal of the 2024 emphasis on social and affordable housing requirements in relation to the presumption in favour of sustainable development and the proposed removal of on-site affordable housing requirements from schemes below 50 homes.
- Such proposals stem from an approach which prioritises removing or reducing planning requirements – including for affordable housing – in the hope that it will lead to higher private delivery. As set out in Shelter’s recently published report [Build Up Not Trickle Down: The Case For Need-Led Housing](#), such assumptions are flawed. While we welcome reforms which bring greater planning certainty, increasing land supply through planning reform is not a panacea for tackling the affordability crisis at the root of the housing emergency. Rather than a barrier to be overcome, social housing requirements are crucial to both meeting housing need and speeding up delivery of homes of all tenures.
- Planning reform therefore needs to be accompanied by a revitalised role for central and local government in using its power to ensure the right homes are built in the right places to meet the needs of local communities. As set out in our recommendations, this should include a robust approach to compulsory purchase, land assembly and masterplanning, making use of powers to disapply ‘hope value’ in order to deliver a new generation of social rent homes.
- We have responded to a selection of questions as detailed in our response below. The following are our major recommendations for the consultation, as well as the broader approach that the government should take alongside planning reform to ramp up delivery of social homes.

Recommendations:

- **National 20% social rent requirement, with higher requirements on green belt:** There should be a national requirement for at least 20% social rent homes on all medium and large sites (10+ units). For sites released from the green belt this should be 30%, to reflect the higher uplift in land value that is likely on such sites. This would set a ‘floor’ for viability negotiations and bake the cost of social housing into the price developers pay for land.
- **Reverse the reduced emphasis on social and affordable housing requirements in relation to the ‘tilted balance’:** The presumption in favour of sustainable development should be contingent on meeting affordable housing requirements. Failing to meet local social rent needs should be explicit grounds for refusal and given significant weight as an adverse effect within decision making. We also oppose the use of the Housing Delivery Test to trigger the presumption, as it penalises councils for delivery failures that are often within the control of private developers.
- **Retain on-site social housing requirements for ‘medium’ sites:** We, along with more than 1,900 supporters, strongly disagree with the proposal to allow developers of sites of up to 50 homes to pay cash contributions instead of providing on-site affordable

housing. Social and affordable housing requirements should be retained for all developments of 10+ homes.

- **Retain space standards for new homes, including temporary accommodation:** We oppose the lowering of space standards for temporary accommodation. New homes should be built to last and meet minimum national standards regardless of tenure.
- **Ensure viability assessments are robust:** We support proposals to standardise inputs in viability assessments. This should be supported by the use of mandatory upward review mechanisms (clawbacks) on all medium and large sites to ensure the public benefits if a development becomes more profitable than expected.

Ultimately, to ensure that new development is need-led and genuinely improves affordability, the **government also needs to take a more interventionist approach to land and planning policy**. Reliance on speculative private delivery means that even policy-compliant schemes frequently fall far short of what land could achieve under more proactive public-led approaches. The following are therefore crucial steps to ramping up delivery of social housing:

- **Take a more active role in compulsory purchasing stalled sites and empty land to push housing developments forwards,** skilling up councils and providing government support, including subsidised legal advice and government-backed liability insurance. The government's proposal to enable conditional confirmation of CPOs early in the planning process alongside wider reforms to speed up build out are welcome, but far more must be done to increase their use assuming this will be implemented.¹
- **Properly support and resource the deployment of hope value removal** by councils and mayoral authorities, development corporations, Homes England and other select public bodies on sites without planning permission. So far, we are not aware of any examples of the use of this power since its introduction by the Levelling Up and Regeneration Act 2023. Hope value removal can enable greater levels of state-led land acquisition, cut costs and expand development potential.² If deployed large-scale, it could also help depress market land values by beginning to weaken their link to house prices, thereby supporting the viability of both private and social housing delivery.³ Shelter supported the government's proposal (not yet implemented) to disapply hope value across entire sites and areas, especially for new towns, which could more dramatically depress land values within these areas.⁴
- **Use master-planning and public contracting more generally to support housing delivery and reduce reliance on the speculative development model.** As set out in Shelter's recent report on new towns, there are significant benefits to a development corporation (DevCo) or council acquiring and assembling land to contract parcels of land with planning permission (based on strict delivery timelines with significant financial penalties) to development partners to build out, including housing

¹ MHCLG. (2025) Planning Reform Working Paper: Speeding Up Build Out, GOV.UK. Available at: <https://www.gov.uk/government/publications/planning-reform-working-paper-speeding-up-build-out/planning-reform-working-paper-speeding-up-build-out>

² Diner, A. (2024) Building hope - how land reforms will help deliver the homes we need, New Economics Foundation. Available at: <https://neweconomics.org/2024/11/building-hope>

³ Ibid.

⁴ Trew, C., et al. (2025) Back to the Future: The Next Generation of New Towns, Shelter. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/back_to_the_future_the_next_generation_of_new_towns

associations and private house builders.⁵ This could be facilitated by tax reforms and/or 'use it or lose it' planning permissions.

- **Land value and property tax reform can further discourage speculative land holding, encourage sustainable development, and tackle inequality.** As detailed in [our joint report on new towns](#) with New Economics Foundation, reforms to land and property taxes would be a powerful tool to discourage speculation, push down land prices, and encourage the productive use of land as well as supporting the financial sustainability of new towns.
- **Unblocking council direct delivery and resourcing local planning authorities.** Government should address the financial and resourcing hurdles which hold councils back from delivering the new social homes their areas desperately needs. This should include reduction or removal of housing revenue account (HRA) debt and enabling access to low-cost loan financing. There is also a crucial need to properly resource planning departments to manage developer contributions and land assembly effectively.

⁵ Trew, C., et al. (2025) Back to the Future: The Next Generation of New Towns, Shelter. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/back_to_the_future_the_next_generation_of_new_towns; Newton, J. (2025) Labour's Planning Reforms: Ends and Means, A social Democratic Future. Available at: <https://www.asocialdemocraticfuture.org/labours-planning-reforms-ends-and-means/>; Baxter, D., Cooke, G. (2023) The missing piece: the case for a public sector master developer, Joseph Rowntree Foundation. Available at: <https://www.jrf.org.uk/housing/the-missing-piece-the-case-for-a-public-sector-master-developer>;

RESPONSE TO CONSULTATION QUESTIONS

CHANGES TO STRUCTURE AND CONTENT

3) *Do you agree with the proposed set of annexes to be incorporated into the draft Framework? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. Please provide your reasons, particularly if you disagree.*

Partly agree. Shelter strongly supports the inclusion of Annex B on standardized inputs in viability assessments. As our responses to the questions on this annex suggest, despite some positive progress in recent years viability loopholes remain a major barrier to the delivery of social rent homes. Opacity within the inputs to viability assessments has allowed sites to be misrepresented as unviable for social housing delivery to local planning authorities at the same time as they are bought and sold on the land market for sums well in excess of the residual and benchmark land values. Creating greater clarity on inputs via the NPPF, provided it is done well, should bring far greater consistency and ensure more schemes are compliant with requirements for social housing.

As noted in response to question 48, the inclusion of the standard method for local housing need in Annex D without amendment means that councils will continue to focus assessment of how many homes an area needs based on house price-income ratios and existing housing stock. This is in conflict with policies H01 and H05 which we welcome as requiring tenure specific assessments and specific inclusion of need for social rent homes. Annex D should be amended to ensure that estimates of housing need take into account:

- Households that are at risk of homelessness; and
- Persons already experiencing homelessness, including families; and
- The number of households on local social housing waitlists (or an estimate of need where there is no waiting list)
- The Government's formula for local authority areas used to calculate Homelessness Prevention Grant funding (as a simple metric for the number of appropriate homes for people needing move-on options)

4) *Do you agree with incorporating Planning Policy for Traveller Sites within the draft Framework?*

Partly agree. Shelter welcomes the government's intention to incorporate planning policy for Traveller sites into the NPPF, particularly the inclusion of Traveller sites within requirements for assessment of housing need. This ought to ensure that both local plans and spatial development strategies (SDS) consider the needs of Gypsy, Romani and Traveller households and allocate suitable sites, something which is too often lacking from local plans. Our agreement is partial because we recognise that there are specific needs for provision of Gypsy and Traveller sites which differ from bricks-and-mortar housing so there remains a need for detailed guidance to ensure local authorities accurately identify and meet need: this could be done through inclusion of relevant sections from the planning practice guidance within the NPPF.

6) Do you agree with the role, purpose and content of spatial development strategies set out in policy PM1? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.

Partly agree. We are concerned that currently PM1 fails to give strategic consideration to the social and economic needs of rural communities. We support Rural Housing Solutions' recommendation to insert into Spatial Development Strategies policy PM1 a new sub para (d) to read as follows: *'Including a strategic approach that supports rural revitalisation through sustainable development in rural areas that recognises the need for rural communities to grow'*

CHAPTER 2: PLAN-MAKING POLICIES

16) Do you agree that policy PM12 increases certainty at plan-making stage regarding the contributions expected from development proposals?

Partly disagree. We welcome the greater clarity and tightened framework through which planning authorities are required to set out affordable housing requirements within local plans. For instance, requiring policies to be expressed as a single figure rather than as a range. However, it is vital that certainty is brought in at a national level as to the minimum amount of social rent homes required. For too long, poor local plan coverage and low or weakly enforced affordable housing requirements have propped up land prices and reduced the levels of social and affordable housing delivered by private developers. We, along with others in the sector, are calling for a minimum national 20% social rent requirement. We set out the many benefits of this in our response to question 65, including closing viability loopholes, setting a floor for viability negotiations, and speeding up both social and private housing delivery.

Ultimately, the extent to which policy DM5 in chapter 3 succeeds in minimising unnecessary viability debates will hinge on the robustness of viability assessment undertaken at the plan-making stage. This requires testing that genuinely reflects the range of sites and development types likely to come forward. It is also essential that sensitivity testing is carried out to examine how fluctuations in costs and values could affect the deliverability of policy requirements, ensuring they remain achievable under different market conditions.

Shelter supporters who responded to our consultation expressed strong views about the need for robust affordable housing requirements:

- *"I am fed up constantly reading that developers have been allowed to drastically reduce, or completely ignore the agreed number of social/affordable housing quotas once the planning permission has been agreed for a new development, or they have been excused by them threatening to pull out of the development. The developers should be made to build the agreed number of social housing allocation, no exceptions."*
- *"Developers make plenty of money and their responsibility should not be watered down. Social housing is always the first to go on any development, and it should be the last because it takes homes from already vulnerable people, to make massive profit. The whole system is backwards."*
- *"Every new development has built-in commitments to build a percentage of social housing, [but] very few commitments are honoured. Time the government got a grip of this and took positive action."*

17) Do you agree that plans should set out the circumstances in which review mechanisms will be used, or should national policy set clearer expectations?

Partly disagree. Viability reviews are essential to ensure that the public benefits from any additional land value uplift generated after planning consent. This is especially important where developments with non-compliant levels of affordable housing delivery have been granted permission, and we welcome the government's emphasis on encouraging the use of viability reviews. However, we believe the new NPPF should make upward review mechanisms a requirement on all medium and large sites. It is essential to ensure that 'superprofits' are driven back into local communities. Given that developers are often able to reduce affordable housing requirements if viability deteriorates, there is little justification that they should be able to keep superprofits if viability improves. It is not the state's role to underwrite private developer profits, especially without socializing the gains when viability outcomes improve. Review mechanisms create no new risk for the developer, and requiring review mechanisms across all large developments would also prevent a race to the bottom between councils to attract private development.

Local plans should clearly define expectations, including the framework for viability reviews and the intended allocation of any surplus profits identified. Where possible, flipping the tenure of homes for private sale (or affordable rent/shared ownership homes) to social rent homes should be prioritized, as opposed to any cash payment. There is also a strong case for greater standardisation of review mechanisms within section 106 agreements outside London – noting that the Greater London Authority already provides template clauses for borough use – as this could streamline negotiations and offer increased certainty for both developers and local planning authorities.

CHAPTER 3: DECISION-MAKING POLICIES

21) Do you agree with the principles set out in policy DM1? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. Please provide your reasons, particularly if you disagree.

Partly agree. We broadly welcome the approach taken. However, **policies DM1(1a) and DM1(2) should explicitly refer to pre-application discussions with registered providers, enabling early co-operation on design and standards, as well as delivery and management arrangements.** While the recent slump in demand by Registered Providers (RPs) for s106 homes is a resolvable issue which the government has recently announced decisive and welcome steps to address,⁶ more must be done to ensure this issue does not reoccur. It is equally important that effective pre-application support is provided for small and medium-scale proposals, rather than being focused solely on major developments.

DM1 and DM2 should also make explicit the requirement for applicants to demonstrate how a new development will meet local housing need.

Measures to improve the s106 system will speed up private as well as social housing delivery. As Professor Glen Bramley has shown through extensive modelling, the more social housing is built in a locality and time period, the more private housing completions will be delivered as

⁶ MHCLG. (2026) Policy statement: a roadmap for Section 106 delivery in England, GOV.UK. Available at: <https://www.gov.uk/government/publications/policy-statement-a-roadmap-for-section-106-delivery-in-england/policy-statement-a-roadmap-for-section-106-delivery-in-england>

well.⁷ A high provision of social housing within a private development motivates local authorities and residents to support new delivery. It also speeds up build out through guaranteeing the sale of a significant segment of new homes, reducing risk for developers.⁸

22) Do you agree with the policy DM2 on information requirements for planning applications?

Partly agree – see response to question 21.

25) Do you agree that policy DM5 would prevent unnecessary negotiation of developer contributions, whilst also providing sufficient flexibility for development to proceed?.

Partly agree. We especially welcome DM5(4) which requires justification and transparency as to how inputs within a viability assessment at application stage might differ from the plan stage viability assessment(s). This is a significant improvement on paragraph 59 in the current NPPF which lacks precision. We also welcome the greater incorporation of the planning policy guidance (PPG) into the NPPF.

However, **DM5(2) must be clearer and more specific about the exceptional circumstances that can justify the use of a viability assessment.** The current list of circumstances is left as an illustrative list rather than as strict limits, leaving the door open for developers to pressure councils into enabling the use of viability assessments in other circumstances. As set out in [our recent report](#), there is significant evidence that developers will exploit opportunities to reduce affordable housing contributions in order to increase their profits and/or increase the amount they can pay for land.⁹

As set out in response to question 65 below, **we believe that a 20% social rent minimum requirement on all medium and large sites (10+ units) would set a floor that viability negotiations could not reach below.** This would allow for a degree of flexibility within the system, while ensuring that development always meets local housing need. If implemented, the 20% requirement would help depress development land values to policy compliant levels.

⁷ Bramley, G. (2023) Homelessness Monitor Research Programme: Technical report on updated baseline estimates and scenario projections, Heriot-Watt University. Available at: <https://doi.org/10.17861/949n-am24>; Bramley, G. Watkins, D. (2016) Housebuilding, demographic change and affordability as outcomes of local planning decisions: Exploring interactions using a sub-regional model of housing markets in England, Progress in Planning. Available at: <https://www.sciencedirect.com/science/article/abs/pii/S0305900615000264>

⁸ Bramley, G. (ed.) (2025) The crowding-in effects of social housing (Safe as Houses), Shelter. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/safe_as_houses_why_investment_in_social_housing_is_great_for_us_and_our_economy; Lichfields. (2025) Start to Finish Update 3: How quickly do large-scale sites deliver?. Available at: https://lichfields.uk/media/iczbjalq/start-to-finish-3-how-quickly-do-large-scale-housing-sites-deliver_feb-25.pdf

⁹ Grayston, R. (2017) Slipping through the loophole: How viability assessments are reducing affordable housing supply in England, Shelter. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/report_slipping_through_the_loophole_how_viability_assessments_are_reducing_affordable_housing_supply_in_england; for more information and context on previous issues surrounding viability testing, see: Sayce, S., et al. (2017), Viability and the Planning System: The Relationship between Economic Viability Testing, Land Values and Affordable Housing. Available at: <https://centaur.reading.ac.uk/68820/>; Crosby, N., Wyatt, P. (2016), Financial viability appraisals for site-specific planning decisions in England', Environment and Planning C: Government and Policy, 34 (1716–33). Available at: <https://journals.sagepub.com/doi/10.1177/0263774X16636118>; Crosby, N. (2013) Fit for planning? An evaluation of the application of development viability appraisal models in the UK planning system', Environment and Planning B: Planning and Design, 40(3–22). Available at: <https://journals.sagepub.com/doi/10.1068/b37181>;

Ultimately, despite claims from the housebuilding industry that affordable (and even private) housing is unviable, our recent research indicates that, if viability loopholes were closed and affordable housing requirements properly enforced, many more policy-compliant schemes would likely prove viable.

Ultimately, what is needed are measures which ensure viability assessments at the application stage are objective, reasonable and realistic as well as consistent with planning policy, as set out below in response to questions on Annex B.

26) Do you have any further comments on the likely impact of policy DM5: Development viability?

Ensuring that local plan policies are rigorously tested for viability—alongside Policy DM5—will give landowners and developers more confidence when negotiating land values. This approach should help prevent viability assessments from being used later to argue for reduced policy obligations, particularly in cases where developers have chosen to pay significantly more than the benchmark land value established during plan preparation. As our recent *Build Up Not Trickle Down* report showed, there are many instances where developers in London are overpaying for residential development sites at prices many times higher than the residual land values (RLV) reported in their financial viability assessments (FVA) and also generally well above the benchmark land values (BLV) which are based on existing use values and set land values for planning assessments taking into account policy requirements. While the analysis relates directly to London, it is plausible that these practices are taking place across England, raising severe concerns about the potential loss of social homes across the country through viability loopholes, crystallising the importance of reducing the scope for using viability assessments.

27) Do you have any views on how the process of modifying planning obligations under S106A, where needed once a section 106 agreement has been entered into, could be improved? a) If so, please provide views on specific changes that may improve the efficacy of S106A and the main obstacles that result in delay when seeking modification of planning obligations.

See response to question 28.

28) Do you have any views on how the process of modifying planning obligations could be improved in advance of any legislative change, noting the government's commitment to boosting the supply of affordable housing. a) If so, please provide views on the current use of s73 and, if any, the impact on affordable housing obligations.

Yes. Section 73 should never be used to reduce affordable housing requirements. We are aware of numerous instances where developers submit a section 73 application seeking to reduce affordable housing requirements on viability grounds almost immediately after finalising the section 106 agreement. This practice effectively exploits the system. Approval of section 73 applications tends only to inflate the site's value and provides no assurance that the proposed development will actually be delivered, as set out in examples included within our

recent report such as the Ransome's Wharf development in the London Borough of Wandsworth.¹⁰

Taking a step back, it is important to recognise that the significant profit margins achieved by developers – typically set at 15–20% of gross development value within planning guidance (often reaching up to 20–25%) – are already risk-adjusted to account for fluctuations in the housing market. Allowing developers to renegotiate the affordable housing element within section 106 agreements therefore undermines the very justification for these elevated returns, which are substantially higher than, for instance, the roughly 6% target margins commonly accepted by private building contractors.

Where a developer's anticipated profit margin falls below expectations, it should not automatically become the state's responsibility to restore those returns. Social and affordable housing requirements should not be framed as a penalty additional to taxation which can be reduced: these requirements are an essential means through which the public recovers a share of the land value it helps create and ensures that development generates wider social benefit alongside private return. Government policy should avoid creating a market expectation that developer profits will be underwritten at all times through mechanisms such as reductions in affordable housing contributions, even after being allowed to aim for a risk-adjusted high level of return. As the renowned economist, Mariana Mazzucato, evidences extensively in her work, public policy should not socialise risk while privatising gains.¹¹ Lower-than-anticipated profits are an inherent feature of market risk; they should not be transferred onto the public through weakened planning obligations.

CHAPTER 4: ACHIEVING SUSTAINABLE DEVELOPMENT

36) Do you agree with the revised approach to the presumption in favour of sustainable development? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

Strongly disagree – in its current form. While there are positives to the extended application of the tilted balance (explored below), we are deeply concerned about the impact of the new tilted balance on social and affordable housing delivery. We explain this in detail below, but these are our key recommendations to mitigate the impact of the revised approach to the presumption:

- Policy S4 should mention failure to meet or exceed up-to-date development plan requirements for the proportion and mix of affordable housing tenures relevant to the location, including the minimum proportion of social rent as one of the bullet points in S4(2); and
- Policy S5 should mention addressing an evidenced unmet need for a proportion and mix of affordable housing tenures relevant to the location, including the minimum proportion of Social Rent as part of S5(j).

¹⁰ S. Bloomer, C. Berry and C. Trew, [Build Up Not Trickle Down Need-Led Housing](#), Shelter, February 2026.

¹¹ For instance, see: Mazzucato, M., Li, H. (2022) The Entrepreneurial State and public options: Socialising risks and rewards, UCL Working Paper. Available at:

https://www.ucl.ac.uk/bartlett/sites/bartlett/files/final_the_entrepreneurial_state_and_public_options.pdf

- Include explicit instruction to give significant weight to whether a development actually meets housing need within the presumption in favour decision making process.
- Implementing a requirement for all large developments to deliver a minimum 20% social rent homes within national policy.

SOCIAL AND AFFORDABLE HOUSING

The tilted balance and how it applies to decision making is complex and so the requirement to meet affordable housing requirements must be watertight, especially when the tilted balance is triggered. We argued this in our response to the government’s 2024 NPPF consultation.¹² The December 2024 NPPF included a welcome emphasis on affordable housing and social rent homes in relation to the presumption (in footnote 9, paragraph 66) but this has been lost in the draft new NPPF. As such, it seems that the importance of meeting affordable housing requirements in order to get planning permission (even when the presumption is triggered) has been watered down. It is therefore unclear how, when the presumption is engaged, national policy will ensure the safeguards of policy compliant levels of social and affordable housing delivery that it refers to in the consultation.

It is vital that the new NPPF is explicit that affordable housing requirements must be given significant weight in decision making and be one of the specific circumstances where development proposals should be refused (S4,2,c). Policy H08 in the draft NPPF is welcome, but it does not fulfil the same role as Policy 11, d, ii (footnote 9’s reference to paragraph 66) in the 2024 NPPF. As such, under the current draft, there will be significant scope for development proposals to come forward via the presumption under Policies S4 and S5 even where they do not deliver policy compliant levels of affordable housing, or meet *affordable housing need*.

It should be much more explicit that failing to “meet or exceed up-to-date development plan requirements for the proportion and mix of affordable housing tenures relevant to the location, including the minimum proportion of social rent” (as set out in policy H08) should be given significant weight on the ‘adverse effects’ side of the equation and failing to comply with this policy should be grounds for refusal at the application stage. In terms of policy wording adjustments, the government must change the following:

- Policy S4 should mention failure to meet or exceed up-to-date development plan requirements for the proportion and mix of affordable housing tenures relevant to the location, including the minimum proportion of Social Rent as one of the bullet points in S4(2); and
- Policy S5 should mention addressing an evidenced unmet need for a proportion and mix of affordable housing tenures relevant to the location, including the minimum proportion of Social Rent as part of S5(j).

The new NPPF should also be explicit in giving significant weight to whether a development actually meets local housing need within decision making and within the tilted balance; otherwise it risks undermining policy H07 on meeting the housing needs of the local community.

¹²

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/shelters_response_to_the_national_planning_policy_framework_proposals_2024

As stated, implementing a requirement for all large developments to deliver a minimum 20% social rent homes within national policy would further strengthen affordable housing requirements when the tilted balance is applied and ensure developments meet local housing need. We welcome the government's drive to increase up-to-date local plan coverage but, with this currently extremely low, a national 20% on-site social rent requirement is even more important to ensure strong affordable housing requirements exist across the country and to increase consistency between local authorities to prevent a race to the bottom to attract private development.

The government may be of the view that the need to strengthen affordable housing requirements is picked up in its proposed adjustments to viability guidance, including its tightening up of the set of circumstances in which a viability assessment will be acceptable. However, our reading is that watering down the importance and weight given to affordable housing requirements when the tilted balance is triggered within the new NPPF, in comparison to the 2024 NPPF, creates a huge risk of driving up land values and undermining social and affordable, as well as private housing delivery too.

ADDITIONAL CONSIDERATIONS ON THE TILTED BALANCE AND HOUSING SUPPLY

The government's recent proposals to build certainty into land use with a properly functioning plan-led system are broadly welcome, for instance by driving forwards universal plan coverage and increasing objectivity in local planning decisions based on democratically produced local plans¹³ Economic studies document the positive impact of greater planning certainty in comparable countries and across different local areas in England in terms of how quickly housing supply responds to price increases.¹⁴ However, exactly how this is done matters enormously. For instance, there are justified concerns about the extension of the tilted balance which forms an integral part of the government's current proposals:

- By shifting the power balance further in favour of landowners and developers over local authorities, especially without wider reforms like a land value tax, evidence shows it can actually increase speculation and give even greater market advantage to volume house builders over SMEs.¹⁵
- Linked to this, there are questions as to how effective the tilted balance is at increasing housing supply and not just permissions.¹⁶ For instance, many authorities who provide

¹³ For a discussion, see here: Clements, R., Spry, M. (2025) Tipping the scales? Can the revised presumption in a festive NPPF help unlock growth? Lichfields. Available at: https://lichfields.uk/blog/2025/december/16/tipping-the-scales-can-the-revised-presumption-in-this-year-s-festive-nppf-cut-through-and-unlock-growth#_ftn1

¹⁴ For instance, see: Hilber, C., Vermeulen, W. (2014) The impact of supply constraints on house prices in England, *The Economic Journal*, 126(591). Available at: <https://onlinelibrary.wiley.com/doi/abs/10.1111/econj.12213>; Drayton, E., Levell, P., Sturrock, D. (2024) The determinants of local housing supply in England, Working Paper. Available at: <https://ifs.org.uk/publications/determinants-local-housing-supply-england>; Saiz, A. (2010) The Geographic Determinants of Housing Supply, *Quarterly Journal of Economics* 125 (3): 1253–96. Available at: <https://academic.oup.com/qje/article-abstract/125/3/1253/1903664>

¹⁵ Bradley, Q. (2020) The financialisation of housing land supply in England, *Urban Studies*, 58(2). Available at: <https://journals.sagepub.com/doi/full/10.1177/0042098020907278>; Bradley, Q. (2021) The accountancy of marketisation – fictional markets in housing land supply, 54(3). Available at: <https://journals.sagepub.com/doi/pdf/10.1177/0308518X211061583>

¹⁶ Foye, C., Shepherd, E. (2023) Why have the volume housebuilders been so profitable?, UK Collaborative Centre for Housing Evidence. Available at: <https://housingevidence.ac.uk/wp-content/uploads/2024/01/CaCHE-housebuilding-report-v9-25.09.pdf>

adequate land supply still fail to meet the Housing Delivery Test and vice versa, demonstrating only a loose connection between land supply and housing delivery.¹⁷

- Moreover, in overriding local plans on a larger scale, the government risks contradicting its move towards a plan-led system.

In our recent *Build Up Not Trickle Down* report, we set out in detail how, at least in the short to medium term, evidences, planning reform alone, including increasing the land supply through a wider application of the tilted balance, is not sufficient to meaningfully reduce house prices or subvert the concentrated market power at the heart of our housebuilding model that limits supply – preventing the benefits of building from ‘trickling down’ into meeting housing need.¹⁸ The decline in overall housebuilding since 1980 is almost entirely accounted for by the decline in social housing investment.¹⁹ Moreover, in practice, overall housing delivery is extremely dependent on the wider make up of our economy and institutions.²⁰ We set out in the introduction how the government must actively intervene directly to greater support the delivery of both social and private homes.

37) Do you agree to the proposed approach to development within settlements? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

Strongly disagree. As set out in the previous question, while there are benefits to increasing certainty within the planning system, the government must strengthen affordable housing requirements when the tilted balance is applied.

38) Do you agree to the proposed approach to development outside settlements? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

Strongly disagree. As set out in the previous question, while there are benefits to increasing certainty within the planning system, the government must strengthen affordable housing requirements even when the tilted balance is applied.

We also warn against the inclusion of the Housing Delivery Test (HDT) as a trigger for the application of the tilted balance in these areas. It makes little sense to penalize councils for overall housing delivery in their areas when, under current circumstances, private developers

¹⁷ Callister, R. (2025) The presumption in favour of sustainable development - From policy to practice, Urbanist Architecture. Available at: <https://urbanistarchitecture.co.uk/presumption-in-favour-of-sustainable-development/>

¹⁸ Newton, J. (2025) Labour's Planning Reforms: Ends and Means, A social Democratic Future. Available at: <https://www.asocialdemocraticfuture.org/labours-planning-reforms-ends-and-means/>

¹⁹ Muellbauer, M. (ed.) (2025) Why social housing is crucial to the needed repairs of the UK's failing economy, (Safe as Houses), Shelter. pp.27. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/safe_as_houses_why_investment_in_social_housing_is_great_for_us_and_our_economy

²⁰ Muellbauer, J. (2025) Land, Housing and the British Economy: background paper, University of Oxford. Available at: https://oms-inet.files.svdcdn.com/production/files/Land_Housing_And_The_British_Economy_Background_Paper_V3_WP_Dec_25.pdf?dm=1764856631

have far more influence over this.²¹ Using the HDT as a trigger for the tilted balance also creates a potential perverse incentive for developers to hold back delivery to trigger this test. Further, analysis shows that it has little impact on the rate of housing delivered.²² Instead, it gives landowners and developers significantly greater opportunities to capture large land value increases.²³

The state can and should do far more to address dysfunction in the land and housing market that limits supply. Its role should not be reduced to incentivizing development by merely trying to ensure that development profits from housing delivery outweigh as much as possible those from pure land speculation.²⁴ As set out in the introduction, other policies, such as greater use/threat of CPO powers (including conditional CPOs), as well as a land value tax and use it or lose it policies, are more effective at encouraging development to come forward and build out at faster rates.

39) Do you have any views on the specific categories of development which the policy would allow to take place outside settlements, and the associated criteria? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons.

Partly disagree. We welcome many of the categories of development. However, for the reasons set out in Question 38, we oppose the inclusion of the Housing Delivery Test as a trigger for the application of the tilted balance in these areas.

We also share concerns raised by groups representing Gypsies and Travellers that the new NPPF as drafted overturns the long-established principle that sites for these groups are an acceptable form of development in the countryside. Assessments of Gypsy and Traveller need (on which permission for Traveller sites outside settlements would now rely) may not be reliable or up to date, meaning that individuals will instead have to disclose personal circumstances to substantiate planning applications, which can be an invasive and hostile process. We therefore recommend that 'address an evidenced unmet need for accommodation' is deleted from S5 1(g).

40) Do you agree with the proposed approach to development around stations, including that it applies only to housing and mixed-use development capable of meeting the density requirements in chapter 12? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, including any evidence that this policy would lead to adverse impacts on Gypsies and Travellers and other groups with protected characteristics.

Partly agree. We broadly welcome this policy. However, it must be made much clearer before it is implemented. This includes tightening and/or taking into account the following:

- the definition of 'well-connected' rail stations to further ensure that the development permitted by this policy is genuinely suitable to the location and area.

²¹ Bradley, Q. (2022) The accountancy of marketisation: fictional markets in housing land supply, *Environment and Planning A: Economy and Space*, 54 (3), 493-507. Available at: <https://eprints.leedsbeckett.ac.uk/id/eprint/8125/8/TheAccountancyOfMarketisationFictionalMarketsInHousingLandSupplyPV-BRADLEY.pdf>

²² Ibid.

²³ Ibid.

²⁴ Bradley, Q. (2021) The financialisation of housing land supply in England, *Urban Studies*, 58 (2), 389-404. Available at: <https://journals.sagepub.com/doi/epub/10.1177/0042098020907278>

- ‘within reasonable walking distance’ is vague and also depends on the type of accommodation being provided, for example sheltered housing.
- ‘physically well-related’ is particularly unclear and should also be made more specific.
- the potential ease by which railway stations can be expanded and/or service levels increased should also be taken into account when determining the scale of development possible.
- the current provision of local services (schools, health, utilities) should also be a vital factor taken into account.
- additional emphasis should be given to ensuring high quality walking and cycling links.

CHAPTER 6: DELIVERING A SUFFICIENT SUPPLY OF HOMES

48) Do you agree the requirements for spatial development strategies and local plans in policy HO1 and policy HO2 are appropriate? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.

Partly agree. We strongly welcome the requirement to assess local housing need for homes of particular types and tenures, especially for social rent. The policy as drafted is much clearer that both spatial development strategies and local plans should take account of the kinds of households in an area and ensure that planned homes should meet their requirements.

However, these policies are in conflict with the standard method for calculating Local Housing Need (LHN) in Annex D which only takes into account house price to income ratios, to which the present consultation suggests no change, as detailed in response to question 3 above. House prices are driven by a complex range of factors, with only a limited relationship to actual housing need. To resolve the conflict, government should amend LHN calculations to instead be tenure specific so that there is a clearer relationship to policies HO1 and HO2. LHN should be based on and include:

- Households that are at risk of homelessness; and
- Persons already experiencing homelessness, including families; and
- The number of households on local social housing waitlists (or an estimate of need where there is no waiting list)
- The Government’s formula for local authority areas used to calculate Homelessness Prevention Grant funding (as a simple metric for the number of appropriate homes for people needing move-on options)

Shelter supporters who responded to our action expressed strong support for requirements for social rent home to be prioritised:

- *“There have been urgent needs for building tens of thousands of social housing for decades. I don't understand why you don't see it and keep emphasising the needs for housing to buy. You are encouraging the two tier system, leaving poor people in the hands of bad landlords and countless number of children in unsuitable accommodations, or worse, homeless. Please stop this and think if you would put up with the desperate situation if it's your family”*

- *“Social housing is essential for people who don’t have the means to buy a home. Developers and councils should be building hundreds of thousands of social housing to enable families with children to have a decent home to rent at affordable costs.”*
- *“I am 66 and a retired teacher but I went to 13 different schools before I was 10 as we had to keep moving as we had no home - it was being given social housing that changed my life around ... my heart goes out to children suffering (and that’s not too strong a word) now. We need more social housing being developed, new built or made from refurbished buildings as a priority”*

49) *Is further guidance required on assessing the needs of different groups, including older people, disabled people, and those who require social and affordable housing? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.*

Strongly agree. As detailed in answer to question 48, if Annex D is retained in the new NPPF then assessments of LHN should consider the need for social rent homes in an area, based on assessment of the number of households at risk of and experiencing homelessness and the local waiting list for social housing.

Additionally, as policy HO1 is drafted, tenure and household type are treated as discrete categories for assessment. Stronger direction should be given to indicate that need for social and affordable homes for particular groups are assessed. This would ensure that local authorities set not just an overall target for social rent units but the numbers that are needed of a specific nature to meet need, such as social provision of Gypsy and Traveller sites, family-size social rent homes and social rent homes for single people with experience of homelessness.

52) *Do you agree the new Annex D to the draft Framework is sufficiently clear on how local planning authorities should set the appropriate buffer for their local plan 5-year housing land supply?*

Partly agree. Annex D brings greater clarity to how the 5YHLS and HDT interact with decision making. We understand the government’s emphasis on this and welcome attempts to bring greater certainty into the planning system. However, the standard method should be amended to ensure that land supply is tied to housing need, as we argue in our responses to the previous questions.

Similarly, as set out in question 36, we warn government against over-relying on the tilted balance and 5YHLS to increase housing delivery. On its own, it is insufficient to rapidly increase housing delivery or meaningfully improve housing affordability to meet housing need.

As we argued in our response to the government’s 2024 NPPF consultation, it is vital that a nationwide 5-year continuous land supply for all local planning authorities is accompanied with policy that sets a required percentage or set number of social rent homes on most or all of the sites identified for housing. As discussed, we recommend a 20% minimum social rent requirement on all medium and large sites (10+ units).

53) *Do you agree the new Annex D to the draft Framework is sufficiently clear on the wider procedural elements of 5-year housing land supply, the Housing Delivery Test and how they relate to decision-making?*

See response to question 52.

55) *Do you agree the plan-making requirements, for both local plans and spatial development strategies, in relation to large scale residential and mixed-use development are sufficiently clear? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.*

Partly agree. We welcome the requirements, particularly the reference to the need for social rent to be explicitly planned for within large-scale developments and identifying opportunities for public-led land assembly and development corporations. However, as detailed above, there ought to be an explicit requirement for all sites of more than 10 homes to include 20% social rent homes.

There should also be greater emphasis within HO4 on local authorities and/or development corporation to use their ability to act as master developers to assemble land, directly deliver (social) housing themselves, and contract out land to developers based on strict timelines and delay penalties. For instance, the current wording to make 'a realistic assessment of the likely rates of delivery' is largely a null point given the ability of private developers to build out at rates largely of their choosing under current circumstances. This should be replaced with an explicit requirement for planning authorities to prioritize master planning and where possible use CPO and hope value removal alongside public contracting to speed up delivery and increase public land value capture, as is common in other countries which achieve higher housing delivery rates than England.²⁵

A policy of this nature will of course require additional action by the government outside of the new NPPF. For instance, while the government's proposal to enable conditional confirmation of CPOs early in the planning process alongside wider reforms to speed up build out are welcome, far more must be done to increase their use assuming this will be implemented.²⁶ We set out a range of policy interventions in the introduction to this consultation response which are required to achieve this aim.

56) *Do you agree our proposed changes to the definition of designated rural areas will better support rural social and affordable housing? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.*

Strongly agree.

²⁵ Satsangi, M., et al. (2020) Housing land allocation, assembly and delivery: Lessons from Europe. Scottish Land Commission. Available at: <https://www.landcommission.gov.scot/news-events/news/land-for-housing-what-europe-can-teach-us>; Falk, N. (2020). Applying land value capture tools, Urban Maestro - UN Habitat. Available at: <https://urbedtrust.org/publication/land-value-capture-tools/>; Jones, C. and Stephens, M. (2020) Challenge of capturing socially generated land values: principle versus practicality, Town Planning Review. Available at: <https://eprints.gla.ac.uk/220443/7/220443.pdf>; Davies, B., et al. (2016) German model homes? a comparison of UK and German housing markets, Institute for Public Policy Research. Available at: <https://www.ippr.org/articles/german-model-homes>; Muellbauer, J. (2018) Housing, debt and the economy: a tale of two countries, National Institute Economic Review. Available at: <https://www.cambridge.org/core/journals/national-institute-economic-review/article/abs/housing-debt-and-the-economy-a-tale-of-two-countries/0C5ADFFE46B47ED148A8B5E9CCB102A2>

²⁶ MHCLG. (2025) Planning Reform Working Paper: Speeding Up Build Out, GOVUK. Available at: <https://www.gov.uk/government/publications/planning-reform-working-paper-speeding-up-build-out/planning-reform-working-paper-speeding-up-build-out>

59) Do you agree the proposals to support the needs of different groups, through requiring authorities to identify sites or set requirements for parts of allocated sites are proportionate? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.

Partly agree. Shelter welcomes a move towards setting a requirement for local authorities to identify sites for the needs of specific groups. However, as currently worded policy H05 represents a missed opportunity to bring across the encouragement in the existing NPPF paragraph 73(b) for local authorities to identify sites for community-led housing. Including community-led housing within the list of suggestions would support the diversification of the housebuilding market, which the government has elsewhere identified as a policy aim, and increase delivery of social and affordable homes.

60) Do you agree with our proposals to ask authorities to set out requirements for a broader mix of tenures to be provided on sites of 150 homes or more? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. Please provide your reasons and indicate if an alternative site size threshold would be preferable?

Partly welcome. It is welcome that local authorities will be required to set out a tenure mix for large sites. However, 150 units is an extremely high bar before a tenure mix becomes mandatory, and is also inconsistent with the medium sites threshold (10-49 units).

As the NPPF is currently drafted, the application of the tilted balance without regard to local affordable housing requirements and the lack of a national social rent floor means that local authorities may be pushed to approve 100% market sale developments of as many of 149 homes. Yet it is well documented that social rent homes and other affordable tenures speed up build out rates where market sale homes will only be delivered at a rate which maintains high house prices. It is also vital that such large developments actually benefit the local community of which they are a part, including meeting evidenced local housing need under policies H01 and H02.

There are also a number of flaws in the proposed approach which may allow developers to 'game the system'. One potential risk is that developers simply split up sites to sizes just below the threshold boundaries in order to minimise section 106 obligations. Another would be through viability assessments: as detailed in response to Annex B below, it is vital that loopholes are closed so that requirements under policy H05 are not undermined through on-site viability assessments.

In order to ensure large developments benefit local communities, the NPPF should:

- Set a minimum national on-site social rent requirement of 20% on all sites of 10 homes or more, as detailed in response to question 65 below
- Include within policy H05 a direction for large sites to include opportunities for community-led development

61) Do you agree with proposals for authorities to allocate land to accommodate 10% of the housing requirement on sites of between 1 and 2.5 hectares? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.

Strongly agree, but only if onsite affordable housing requirements for these sites are fully retained.

We strongly support the proposal for authorities to allocate land to meet 10% of their housing requirement on sites between 1 and 2.5 hectares, but only if onsite **affordable housing requirements for these sites are fully retained**. A clear expectation to plan for a pipeline of small and medium-sized sites will broaden opportunities for SME developers, Community Land Trusts (CLTs) and other community-led housing groups, helping to diversify the market, ensure that development is more locally responsive, and likely increase social housing delivery. This is particularly important in rural areas, where smaller sites are often the most appropriate scale of growth and can strengthen village vitality when planned proactively through the Local Plan.

However, the benefits of this policy will only materialise if affordable housing requirements are fully retained. Any proposals to reduce or dilute affordable housing obligations on medium-sized sites are unnecessary to get SMEs and CLTs building and are ultimately counterproductive to the aim of increasing social housing delivery. Instead, SMEs require reliable access to suitable, developable land. Maintaining strong on-site affordable housing expectations ensures that increased delivery of small sites translates into increased delivery of affordable homes—especially in rural communities where need is acute. And it provides greater certainty in land values and helps depress them, thereby enabling supporting SMEs to deliver on these sites.

Overall, allocating 1–2.5 hectare sites offers a valuable opportunity to support SME builders, strengthen rural settlements, and expand community-led housing—but this must go hand-in-hand with robust affordable housing requirements to deliver truly inclusive and sustainable growth.

62) Are any changes to policy H07 needed in order to ensure that substantial weight is given to meeting relevant needs?

As noted in response to questions in Chapter 4, the draft NPPF reverses changes made to the 2024 version that gave local affordable housing contributions significant weight when applying the tilted balance. This undermines the substantial weight given to meeting relevant needs in policy H07, as in practice it will allow high value market sale homes to be prioritised over locally assessed need for social rent and other affordable housing.

The most effective way to ensure policy H07 achieves its aim would be via amendments to policies S4 and S5. Meeting or exceeding up-to-date development plan requirements for the proportion and mix of affordable housing tenures relevant to the location, including the minimum proportion of social rent, should be given significant weight on the ‘adverse effects’ side of the equation within the tilted balance.

65) Would requiring a minimum proportion of social rent, unless otherwise specified in development plans, support the delivery of greater number of social rent homes? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) If so, what would be an appropriate minimum proportion and development size threshold taking into account development viability?

Strongly agree. There should be a 20% national minimum requirement for social rent homes on sites larger than 10 units. Shelter-commissioned research by Arup found that over 25,000

social homes per year could be delivered nationally if a 20% requirement were set, which sat within the mid-range of modelled options.²⁷ This national minimum requirement would set a clear expectation which would support the government's proposals in Annex B to close viability loopholes and standardise inputs into assessments. This requirement would bake in the cost of building good quality social homes onsite to the price that landowners can expect, dampening speculation in the land market and mitigating the risks of some genuine viability concerns, such as rising labour and materials costs. It would also reorient section 106 delivery away from other 'affordable' tenures which are not genuinely affordable based on local incomes.

It is vital that the planning system delivers desperately needed social rent homes and that the barriers to doing so are not overstated. Shelter's recently published report [Build Up Not Trickle Down](#) set out evidence that, despite policy changes intended to prevent inflated land costs from being used to negotiate down affordable housing requirements, developers in London are consistently overpaying for residential development sites at prices many times higher than the residual land values reported in their financial viability assessments. An analysis of 23 of the transactions which were linked to standard residential schemes in London between January 2023 and June 2025, showed the total difference between the benchmark land values and the prices paid for these sites was c£230m. **This 'over-payment' equates to a staggering c£10m per site.** If this additional money had been used to convert market housing within the schemes to affordable housing, **it is estimated that almost 1,000 additional affordable homes (of which 60-70% would be social rent) could have been provided** in total across just 23 sites that were analysed. While the analysis relates directly to London, it is plausible that these practices are taking place across England.

A national social rent minimum being included within the NPPF would also bring immediate clarity for the many parts of the country which currently either lack a local plan or, where there is a local plan, lack a specific social rent target. Research by the Campaign for the Protection of Rural England found that it is rare for local plans for rural areas to include specific requirements for social rent homes: only 20% of examined authorities did so.²⁸ This would ensure that the government's intention of increasing delivery of social rent homes is achieved within this Parliament rather than waiting for new local plans to be developed and adopted. Further, as set out in our response to question 36, 20% minimum social rent duty is especially important given the government's proposals to extend the application of the titled balance.

The impact of a national social rent requirement would also be to speed up section 106 negotiations and build out rates. Disagreements about land values are often at the root of delays to section 106 negotiations, so that the clarity provided by a national target over land prices ought to limit this as a source of delays.²⁹ As Professor Glen Bramley has shown, the more social housing is built in a locality and time period, the more private housing completions will be delivered as well.³⁰ A high provision of social housing within a private development

²⁷ Arup, Research: Council Housing Social Rent Delivery, June 2024, Shelter, https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/research_council_housing_social_rent_delivery.

²⁸ D. Sinnett, K. McClymont and Z. Fouad, [Strategic Housing Market Assessments in rural areas](#), CPRE, January 2026, <https://www.cpre.org.uk/wp-content/uploads/2026/01/Strategic-Housing-Market-Assessments-in-rural-areas.pdf>.

²⁹ Lichfields, [Small sites: Unlocking housing delivery](#), September 2020, https://lichfields.uk/media/6180/small-sites-unlocking-housing-delivery_sep-2020.pdf.

³⁰ Bramley, G. Watkins, D. (2016) Housebuilding, demographic change and affordability as outcomes of local planning decisions: Exploring interactions using a sub-regional model of housing markets in England, *Progress in Planning*. Available at: <https://www.sciencedirect.com/science/article/abs/pii/S0305900615000264>.

motivates local authorities and residents to support new delivery. It also speeds up build out through guaranteeing the sale of a significant segment of new homes, reducing risk for developers.³¹

66) Are changes to planning policy needed to ensure that affordable temporary accommodation, such as stepping stone housing, is appropriately supported, including flexibilities around space standards? If so, what changes would be beneficial?

No. Changes to planning policy are not needed to deliver temporary accommodation. We strongly disagree with flexibility on space standards for temporary accommodation, which risks incentivising its delivery over permanent social rent homes.

Our [Still Living in Limbo](#) research (2023) is the largest ever survey of people in temporary accommodation (over 1,000 respondents).³² This shows how temporary accommodation is damaging, whatever its quality, cost or location, particularly to families with children. This is because it's insecure, with frequent short notice moves. Three in ten (30%) of the households surveyed had lived in three or more temporary accommodation places. One person had moved fourteen times. Almost two thirds (62%) of people were given less than 48 hours' notice when they were last moved between temporary accommodation placements. This insecurity takes its toll on mental health, particularly anxiety. Two in three (66%) people reported temporary accommodation having a negative impact on physical or mental health. Seven in ten (71%) say that their stress or anxiety had worsened because of being in temporary accommodation. Six in ten (61%) parents report that temporary accommodation has had a negative impact on their children's stress or anxiety.

"I have been in temporary accommodation since 2004... They have not made me permanent. Still, 19 years [later]. My daughter is 21, we don't know what will happen to us and I'm approaching 60 years. Living in temporary accommodation is depressing and makes me anxious... I still hope for permanent in the near future. I don't know how long I have"

Survey respondent

Recent 2026 research by King's College London³³ found children in temporary accommodation: *'Are moved suddenly, without timelines, often with repeated relocations. Removing these stabilising supports can place the child in a state of emotional deprivation that can become psychologically excruciating, not unlike solitary stressors used in coercive environments. Disruption of schooling, therapy, and support networks further isolates children. For many, this leads to regression in communication, heightened anxiety, increased self-harm behaviours, and...decreased ability to self-regulate. For neurodivergent children then, the foundations for emotional regulation and basic safety are not being met.'*

³¹ Bramley, G. (ed.) (2025) The crowding-in effects of social housing (Safe as Houses), Shelter. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/safe_as_houses_why_investment_in_social_housing_is_great_for_us_and_our_economy.

³² D. Garvie et al, [Still Living in Limbo: Why the use of temporary accommodation must end](#), Shelter, March 2023, https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/still_living_in_limbo.

³³ Warnock, R., Brickell, K., & Keast, M. 2026. ['It's Like Torture': Life in Temporary Accommodation for Neurodivergent Children and their Families](#). King's College London, All-Party Parliamentary Group for Households in Temporary Accommodation, Shared Health Foundation, Justlife & Autistica. <https://doi.org/10.18742/PUB01-238>.

Given the damaging insecurity of temporary accommodation, particularly for families with children, we do not want to see an increased supply of good-quality temporary accommodation, as the government proposes in its [National Plan to End Homelessness](#) (December 2025). We want land for housing development to be prioritised for delivering permanent and genuinely affordable social rent homes, aimed at urgently getting families out of damaging temporary accommodation. Families [tell us](#) all the time of the transformative effects of moving into a permanent family home. This is backed by our [2025 research](#) which highlighted the immediate benefits of moving into a social rent home.³⁴

We strongly oppose lower space standards for temporary accommodation. In 2013, Shelter [successfully campaigned](#), along with [Royal Institute of British Architects](#) (RIBA),³⁵ for national space standards for new homes. This resulted in the government publishing 2015 space standards for new-build homes. These should apply whatever the accommodation is used for.

Space standards are particularly important in temporary accommodation. This is because people who've been through the trauma of homelessness need calm, space and privacy to recover. Their homelessness often follows the trauma of bereavement, domestic abuse, relationship breakdown, serious illness and/or disability. Cramped temporary accommodation is particularly damaging for children. Our *Still Living in Limbo* research found more than one in three (35%) parents say their children do not have their own bed. Six in ten (61%) parents reported there was insufficient space for children to play in their accommodation. Teenagers in temporary accommodation frequently report lack of private space to study.

When new homes are built, they should be designed to last for decades, if not centuries, for reasons of environmental and financial sustainability. Many existing older homes have changed use (e.g. from a family home to a shared house and back again) many times over the decades because they have generous room sizes. New-build temporary accommodation should be designed for conversion into permanent social homes. This wouldn't be possible if it fails to meet minimum space standards.

67) Do you agree that applicants should have discretion to deliver social and affordable housing requirements via cash payments in lieu of on-site delivery on medium sites? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.

Strongly disagree. With 175,990 children homeless in damaging temporary accommodation – up 12,020 (7%) in a year, the highest figure since records began³⁶ – the government must not dilute affordable housing requirements by enabling developers to make payments in lieu on medium sites (or large sites) instead of onsite affordable housing delivery. Specifically, the government must not insert the proposed sentence 1b 'The development meets the definition of medium site, in which case a cash payment in lieu should be accepted' into Policy HO8. The proposal would actively reduce the number of social and affordable homes being built with no

³⁴ Housing Association Charitable Trust, [Impact of social rent homes](#), Shelter, HACT and IKEA, September 2025, https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/impact_of_social_rent_homes_interim_findings.

³⁵ D. Garvie, Briefing: [Little boxes, fewer homes](#), Shelter, April 2013, https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/briefing_little_boxes_fewer_homes; R. Robert-Hughes, [The Case for Space: The Size of England's New Homes](#), RIBA, September 2011.

³⁶ MHCLG, Statutory homelessness live tables, Table TA1, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

guarantee of achieving its purpose of increasing private housing delivery, which should never come at the expense of social housing delivery. The proposal threatens to inflate land values while needlessly creating additional avenues for developers to avoid building the social homes our communities desperately need. We set out these problems in greater detail within our response to question 68.

One Shelter supporter who responded to our action put it as follows:

- *"I think creating new loopholes at a time of rising homelessness risks making an already serious crisis worse. Social housing is often the only stable, affordable option for families stuck in temporary accommodation, and any policy that makes it easier to avoid building those homes could mean fewer people getting the security they need. When developers are given alternative routes instead of clear obligations, it can weaken the overall supply of genuinely affordable housing. If we want to prevent homelessness rather than just manage it, we shouldn't be introducing loopholes that reduce the number of secure social homes being built."*

a) If so, would it be desirable to limit the circumstances in which cash contributions in lieu of on-site delivery can be provided – for example, should it not be permitted on land released from the Green Belt where the Golden Rules apply? Please explain your answer.

Shelter strongly opposes this proposal but, if implemented, it is of course not appropriate to extend the proposal to Green Belt sites given the importance of maintaining strong golden rules to justify green belt release and secure maximum public land value capture from these developments.

b) If you do not believe applicants should have blanket discretion to discharge social and affordable housing requirements through commuted sums, do you think cash contributions in lieu of on-site delivery should be permitted in certain circumstances – for example where it could be evidenced that onsite delivery would prevent a scheme from being delivered? Please explain your answer

No. The current wording of the NPPF already allows for cash payments in lieu where they can be justified robustly or where off-site delivery on an alternative nearby site would optimise the quality or quantity of homes built. The government must not create a wider expectation that on-site affordable housing delivery is no longer the default requirement.

68) What risks and benefits would you expect this policy to have? Please explain your answer. The government is particularly interested in views on the potential impact on SME housing delivery, overall housing delivery, land values, build out rates, overall social and affordable housing delivery, and Registered Providers (including SME providers).

The proposal would directly reduce social and affordable housing delivery. As the National Housing Federation sets out in their consultation response, their members have direct experience of how cash payments in lieu are rarely equivalent to the actual cost of delivery social and affordable homes. We provide strong evidence for this in our response to question 70. Moreover, unused s106 monies are also returned to developers if the local authority does not have the means or capacity to put it towards social and affordable housing delivery within

the timeframe set, as recent HBF analysis shows.³⁷ The solution to this problem is to provide councils with the necessary means to ensure these funds are spent, explored further in our response to question 69. However, while increasing the use of current s106 funds to deliver social housing is a matter of urgency, even if the cash payments are ultimately used to deliver social and affordable housing, this approach introduces an additional step compared to onsite requirements that means that any new homes delivered through the government's medium sites proposal will most likely be built at a much later date than they would have if on-site delivery was required.

- **This problem is especially concerning for rural communities.** Even if more sites are allocated in rural areas, it is unlikely that smaller rural communities will have suitable alternative locations where these commuted sums could realistically support the delivery of affordable housing locally. The suggestion in the draft new NPPF that funds should be spent "nearby" where they might maximise the quality or quantity of homes delivered, while welcome, does not do enough to address this issue. In practice, within a rural context, this could result in contributions being directed towards urban centres located a significant distance from the communities where the funds originated.
- **The proposal would likely inflate land values undermining the viability of both social and private housing.** This is because, as evidenced in questions 68 and 70, if the proposal allows developers additional profit compared to on-site affordable housing delivery requirements, landowners will expect a higher price for their land. The government must not create a new avenue by which land values can inflate and push out affordable housing delivery.
- **The proposal will slow down build out rates and increase finance costs of private developments.** Increasing the number of market homes within developments will place further stress on local absorption rates. By extending sales periods, it will potentially increase the financing and delivery risks for SMEs, already a central challenge for SMEs.³⁸ Increased financing costs also threaten to reduce the level of PIL (see question 70). As noted elsewhere in our response, analysis shows that inclusion of social housing encourages local support for developments and speeds up build out by guaranteeing sale of a portion of the homes to registered providers. The government's s106 roadmap is an important step to once again helping guarantee the sale of these s106 homes.³⁹
- **The proposal threatens to create a loophole whereby developers are encouraged to parcel up larger sites into medium sites** to avoid onsite affordable housing requirements. Given the potential benefits arising from payments in lieu, namely the potential for higher profits, there is a financial incentive to carve up sites in order to

³⁷ <https://www.hbf.co.uk/research-insight/unspent-developer-contributions/unspent-developer-contributions-2026/>

³⁸ Gaganis, A., Whitehead, C. (2024) Supporting SME Housebuilders – challenges and opportunities. Federation of Master Builders and London School of Economics. Available at: <https://www.lse.ac.uk/geography-and-environment/research/lse-london/documents/Reports/Supporting-SME-Housebuilders-nov24-A5-proof4.pdf>

³⁹ MHCLG. (2026) Policy statement: a roadmap for Section 106 delivery in England, GOVUK. Available at: <https://www.gov.uk/government/publications/policy-statement-a-roadmap-for-section-106-delivery-in-england/policy-statement-a-roadmap-for-section-106-delivery-in-england>; see also Shelter. (2025) Section 106 – supporting demand, sustaining supply. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/section_106__supporting_demand_sustaining_supply

class them as medium sites. And, as it currently stands, we are not aware of specific measures in place to actually ensure that these medium sites are available for SME developers.

In terms of public benefit, these risks greatly outweigh any potential benefits that the proposal might bring. As set out in our recent report, there is a strong need to diversify the housebuilding market, but we do not think removing onsite affordable housing requirements is an effective policy to achieve this. While there are potential benefits for SME developers from the proposal, there are also significant risks. There are far more effective ways to support SME developers that also don't negatively impact the delivery of social housing. For instance, as stated in our response to question 61, the government's proposal to require 10% of sites as medium sites is welcome and addresses the key barrier to SMEs identified within a recent report from the Federation of Master Builders and London School of Economics.⁴⁰ Moreover, if the government is concerned about the difficulties for SMEs finding affordable housing providers, the answer is not to remove onsite affordable housing requirements for medium sites. Instead, the government must do more to address this potential problem rather than abandoning onsite delivery. For instance, in addition to the s106 road map it recently announced, the government must provide councils with low-cost loans (well below rates available from the PWLB) to take on S106 sites where there is no private registered provider (PRP) demand and work with small and medium size PRPs.

69) What guidance or wider changes would be needed to enable Local Planning Authorities to spend commuted sums more effectively and more quickly? Please explain your answer.

Many councils are currently unable to deliver social and affordable housing themselves. This is a central issue that government must address both to ensure s106 funds are spent in a timely manner and to support the wider ramping up of social housing delivery more generally. The government must also properly resource council planning departments to enable them to manage the allocation of s106 funds efficiently. Current resourcing proposals for council planning departments fall short of replacing resourcing lost through years of austerity in local government. A forthcoming report by Shelter will advocate further steps to get councils building again. This will include revisiting the 2012 housing revenue account settlement [which local authorities say](#) is the key challenge for the future viability of council housing, and reviewing how the government's debt measure treats council debt. Zero or low-interest rate public loans for both councils and private RPs would also be an effective route to overcome the hurdle of low-interest cover.

70) Would further guidance be helpful in supporting authorities to calculate the appropriate value of cash contributions in lieu? If so, what elements and principles should this guidance set out? Please explain your answer. For example, guidance could make clear that contributions in lieu should be an amount which is the equivalent value of providing affordable housing on site, based

⁴⁰ Gaganis, A., Whitehead, C. (2024) Supporting SME Housebuilders – challenges and opportunities. Federation of Master Builders and London School of Economics. Available at: <https://www.lse.ac.uk/geography-and-environment/research/lse-london/documents/Reports/Supporting-SME-Housebuilders-nov24-A5-proof4.pdf>

on a comparison of the Gross Development Value of the proposed scheme with the Gross Development Value of the scheme assuming affordable housing was provided onsite.

Yes. Shelter is firmly against the proposal to allow PIL on medium sites. However, if the government does proceed with this proposal, we recommend that the basic principle should be that the payment of the PIL leaves both the developer and the LPA as close as possible to their position if the affordable housing had been delivered on site with a formula-based approach. Annex B to our response details expert advice we have received in relation to the calculation of PIL contributions with worked examples. A developer should not benefit financially from paying a PIL rather than providing affordable homes on-site.

71) Do you support proposals to enable off site delivery where affordable housing delivery can be optimised to produce better outcomes in terms of quality or quantity? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

Partly disagree. While we disagree overall, there may be a case for this proposal where the alternative ensures all three of the following:

- 1) deliver significantly more social/affordable housing than otherwise possible,
- 2) where the alternative location meets the same identified housing need as onsite delivery would have within the same community as well as delivery being guaranteed in a similar time period as otherwise would be the case, and;
- 3) only if PIL, where used, is calculated as set out in a formula-based approach, offering no financial advantage to the developer.

Where financial contributions are accepted in exceptional circumstances, these should be directed to registered providers or community-led organisations, or used directly by the council, to ensure affordable homes are delivered within the same community, preserving the local benefits of the s106 agreement.

75) Do you agree the proposals provide adequate additional support for rural exception sites? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. Please provide your reasons, including what other changes may be needed to increase their uptake?

Partly agree. We welcome greater emphasis and detail on Rural Exception Sites (RES) within the draft new NPPF. However, we echo Rural Housing Solutions in their recommendation that the government amend the Town and Country Planning (Permission in Principle) Order 2017 to include a RES Permission in Principle (RES PiP) that requires the applicant to state the location, number of dwellings and proposed tenure mix. This is important for RESs to reduce delays at planning application stage which frequently derail RES schemes. Additional funding support and low-cost borrowing options to compliment these changes in the NPPF are also needed.

Currently, the proposed PiP does not require the applicant to specify the tenure mix, meaning planning authorities will be justified in refusing generic PiP applications for a RES scheme given the lack of assurance or mechanism to ensure the ensuing development will meet the

NDMP requirements of the RES policy to provide affordable housing to meet local housing needs in perpetuity – as now stated as a NDMP H010.

We are also concerned that applying a 5% site limit to Exception Sites is a fairly blunt policy measure. In the context of smaller settlements, it could unduly constrain development by limiting schemes to an impractically small scale. Conversely, in larger settlements, it may permit developments of a size that are not appropriately sensitive to the surrounding area. The government should therefore consider adopting an approach more responsive to the local context.

76) Do you agree with proposals to remove First Homes exception sites as a discrete form of exception site? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

Strongly agree. We strongly welcome the removal of First Homes exception sites as a discrete form of exception site. Unlike social rent homes for which there is the greatest need, First Homes are not genuinely affordable and channel resources and land away from social rent delivery.

77) Do you agree proposals for a benchmark land value for rural exception sites will help to bring forward more rural affordable homes? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) If so, which approach and value as set out in the narrative for policy H010 of the consultation document is the most beneficial for government to set out?

Partly agree. Where appropriate, it is important to set clear expectations within the planning system as to the price landowners should expect for their land. This should be set as a percentage of existing use value.

80) Do you agree the proposals in policy H013 will help to ensure development proposals are built out in a reasonable period? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

Partly disagree. While we welcome the government's ambition to speed up build out, it is unlikely that policy H013 will be sufficient to achieve this. Slow build out is inherent to the speculative model of development which dominates UK housebuilding, tied to demand for high-cost market sale homes. As detailed elsewhere in this response, clear national and local social rent requirements are an important means through which build out can be sped up. But to support delivery of new towns and other strategic developments, a different approach to planning with an expanded role for the public sector is required (see response to question 82).

82) Are any more specific approaches or definitions needed to support the delivery of very large (super strategic) sites, including new towns? Yes, no. Please provide your reasons.

Yes. As set out in Shelter and the New Economics Foundation's 2025 report [Back to the Future: The Next Generation of New Towns](#), the success of these large strategic developments relies upon a robust approach to public-led land assembly and planning arrangements to support

timely build out.⁴¹ To support this approach, the NPPF should be amended to make clear that local authorities and other public bodies, including development corporations (DevCos), will be able to make use of powers introduced by the Levelling Up and Regeneration Act 2023 to disapply 'hope value' when compulsarily purchasing land in the public interest and that the government will approve applications to do so. This will ensure land for new towns can be purchased at prices which enable delivery of high levels of social and affordable housing and essential infrastructure and services.

Beyond this, ensuring new towns deliver significant public value will also require a new approach to planning which overcomes the weaknesses and delays in the section 106 system. The Shelter and New Economic Foundation report sets out an alternative approach. Rather than traditional permissions, new towns could utilize planning contracts: legally binding, non-negotiable agreements between the DevCo and developers. These contracts would fix social rent targets and infrastructure requirements upfront and include sanctions or forfeitures if build-out milestones are not met. They would be initiated with a higher planning fee, scaled to the scheme size, to fund a streamlined approval process and local planning capacity. Such an approach would bring far greater certainty to the process and support a greater role for public-led masterplanning that is crucial to more effective housing delivery in other European countries.⁴²

CHAPTER 13: PROTECTING GREEN BELT LAND

139) Do you agree that site-specific viability assessment should be permitted on development proposals subject to the Golden Rules in these three circumstances? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

Strongly disagree. Land released from green belt ought to be prioritised for delivery of social and affordable homes as they will be subject to a higher degree of land value uplift than other sites. The government has previously been clear that green belt release was contingent on such requirements and permitting viability testing risks rewarding previous speculative acquisition of green belt sites.

140) With regards to previously developed land, are there further changes to policy or guidance that could be made to help ensure site-specific viability assessments are used only for genuinely previously developed land, and not predominantly greenfield sites?

If the government does pursue this route, we recommend that viability testing is only permitted in exceptional circumstances where there is a clear need for land remediation or other additional costs arising from the land being previously developed. It should be clear that the majority of the site should have been previously developed to qualify. Any additional costs would

⁴¹ C. Trew et al, [Back to the future: The Next Generation of New Towns](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/back_to_the_future_the_next_generation_of_new_towns), Shelter and New Economics Foundation, September 2025, https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/back_to_the_future_the_next_generation_of_new_towns.

⁴² S. Bloomer, C. Berry and C. Trew, [Build Up Not Trickle Down Need-Led Housing](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/build_up_not_trickle_down_need-led_housing), Shelter, February 2026, https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/build_up_not_trickle_down_the_case_for_need-led_housing_policy.

normally be expected to impact on the BLV assessed as part of the plan testing rather than automatically trigger a viability assessment.

141) Do you agree with setting an affordable housing 'floor' for schemes subject to the Golden Rules accompanied by a viability assessment subject to the terms set out? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. 142) Please explain your answer, including your view on the appropriate approach to setting a 'floor', and the right level for this?

Strongly agree. Sites released from the green belt should be capable of supporting higher levels of affordable and social housing. Any uplift in land values on these sites has only been created through the government's decision to permit development on them: it is therefore important that the uplift is captured for public benefit rather than flowing to landowners or developers who have bought land speculating on this policy change. A clear 'floor' should prevent land prices escalating on these sites with developers assuming they can significantly reduce affordable contribution through viability testing and so pay higher prices. As noted elsewhere in this response, Shelter recommends a 20% on-site minimum for social rent homes nationally: given that land value uplift will be higher on green belt than other sites, the floor should be higher for schemes subject to the golden rules, with a minimum of 30% social rent homes.

143) Do you agree with local planning authorities testing viability at the plan-making stage using a standardised Benchmark Land Values scenario of 10 times Existing Use Value for greenfield, Green Belt land? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please explain your answer.

Strongly disagree. Granting landowners such a substantial uplift above existing use value on land that has previously been protected cannot reasonably be viewed as fair or proportionate. Land value increases, particularly on green belt land, are largely a reflection of government policy and planning decisions, as well as the actions of both the state and wider community to increase the desirability of the land and its location. As such, the profits derived from land and its hope value are better described as 'rents', for they are completely unearned. Public capture of uplift, in this instance on green belt, should therefore be maximized well beyond the level currently proposed, while maintaining sufficient incentive for land release.

While some sites will inevitably sit under option agreements where parties may have anticipated realising high levels of hope value, embedding these expectations by applying such an elevated multiplier would simply undermine the ability to secure full policy compliance. Rather than supporting sound planning outcomes, it risks entrenching inflated land value assumptions and weakening the delivery of required planning obligations.

The government must learn from other similar European countries and be bold in the level of land value uplift it secures for the public sector. As outlined earlier, private housing delivery levels depend critically on how land value uplift is shared between public and private actors, and on the state's capacity to directly intervene and assemble land.⁴³ Multiple studies show that

⁴³ Muellbauer, J. (2018) Housing, debt and the economy: a tale of two countries, National Institute Economic Review. Available at: <https://www.cambridge.org/core/journals/national-institute-economic-review/article/abs/housing->

higher delivery rates in countries such as Germany, Switzerland and the Netherlands are associated with effective public land value capture, active state-led land assembly and binding land-use frameworks that provide planning certainty and depress land values.⁴⁴

There is also the question of how the government's new towns programme will interact with greenbelt land values, which greatly depends on the extent to which hope value removal is deployed, as well as the extent to which hope value removal in council-led social housing delivery is used. The government must be ambitious on this in line with the strong precedent that exists for acquiring land at around two times existing use value in the past. This will help to push down the price of greenbelt land as landowners are forced to price in the risk that their land could be compulsory purchased at much closer to existing use value than on the open market. A multiplier of two is broadly consistent with what was achieved in the post-war new towns.⁴⁵ For instance, prior to the Myers case, Milton Keynes Development Corporation (MKDC) offered £230,700 for over 300 acres of land, just over twice agricultural values.⁴⁶ This reflects the actual market value of un-permissioned land within a new towns site⁴⁷ and is a principle commonly applied in other European countries such as Germany, France and the Netherlands.⁴⁸

144) Do you have any other comments on the use of nationally standardised Benchmark Land Values for local planning authorities to test viability at the plan-making stage?

Nationally standardised benchmark land values (BLVs) would need to differ so substantially across regions and site types that they would likely offer limited practical value. Even establishing broad national ranges risks being counterproductive: if pitched too high they could inflate landowner expectations and undermine policy delivery, while if set too low they could suppress land supply and make development unviable.

[debt-and-the-economy-a-tale-of-two-countries/0C5ADFFE46B47ED148A8B5E9CCB102A2](https://www.cambridge.org/core/journals/national-institute-economic-review/article/abs/housing-debt-and-the-economy-a-tale-of-two-countries/0C5ADFFE46B47ED148A8B5E9CCB102A2); Baxter, D., Cooke, G. (2023) The missing piece: the case for a public sector master developer, Joseph Rowntree Foundation. Available at: <https://www.jrf.org.uk/housing/the-missing-piece-the-case-for-a-public-sector-master-developer>; Ren, R., Wong, S., Chau, Kwong. (2025) Housing supply elasticity and government-owned land: evidence from Hong Kong, Journal of Economic Geography, 25(5). Available at: <https://academic.oup.com/joeg/article/25/5/665/8010760>

⁴⁴ Satsangi, M., et al. (2020) Housing land allocation, assembly and delivery:

Lessons from Europe. Scottish Land Commission. Available at: <https://www.landcommission.gov.scot/news-events/news/land-for-housing-what-europe-can-teach-us>; Falk, N. (2020). Applying land value capture tools, Urban Maestro - UN Habitat. Available at: <https://urbedtrust.org/publication/land-value-capture-tools/>; Jones, C. and Stephens, M. (2020) Challenge of capturing socially generated land values: principle versus practicality, Town Planning Review. Available at: <https://eprints.gla.ac.uk/220443/7/220443.pdf>; Davies, B., et al. (2016) German model homes? a comparison of UK and German housing markets, Institute for Public Policy Research. Available at: <https://www.ippr.org/articles/german-model-homes>; Muellbauer, J. (2018) Housing, debt and the economy: a tale of two countries, National Institute Economic Review. Available at: <https://www.cambridge.org/core/journals/national-institute-economic-review/article/abs/housing-debt-and-the-economy-a-tale-of-two-countries/0C5ADFFE46B47ED148A8B5E9CCB102A2>

⁴⁵ Aubrey, T. (2024) Townscapes Avoiding the pitfalls of private finance initiatives and departmental budgets to fund the next wave of sustainable new towns and urban extensions, Bennett Institute for Public Policy. Available at: <https://www.bennettinstitute.cam.ac.uk/publications/sustainable-new-towns/>

⁴⁶ Bentley, D., Aubrey, T. (2018) Written evidence submitted by Daniel Bentley (Editorial Director, Civitas) and Thomas Aubrey (Adviser, Centre for Progressive Policy) [LVC 096], Parliament UK. Available at: <https://committees.parliament.uk/writtenevidence/92371/pdf/#:~:text=The%20Myers%20case%20in%201974,jus%20t%20over%20twice%20agricultural%20values.>

⁴⁷ Aubrey, T. (2024) Townscapes Avoiding the pitfalls of private finance initiatives and departmental budgets to fund the next wave of sustainable new towns and urban extensions, Bennett Institute for Public Policy. Available at: <https://www.bennettinstitute.cam.ac.uk/publications/sustainable-new-towns/>

⁴⁸ Ibid; Aubrey, T. (2018) Gathering the windfall - how changing land law can unlock England's housing supply potential, Centre for Progressive Policy. Available at: <https://www.progressive-policy.net/publications/gathering-the-windfall-how-changing-land-law-can-unlock-englands-housing-supply-potential>

For this reason, BLVs are best determined locally, grounded in existing use value and supported by viability testing that transparently balances the minimum returns needed to incentivise landowners to bring forward sites for development with the delivery of public benefits. This allows local authorities to respond to their own market conditions while maintaining a consistent and evidence-based approach. That said, there is merit in providing national guidance on appropriate premium levels in percentage terms, particularly to promote consistency and prevent unrealistic land value assumptions.

ANNEX B: VIABILITY

200) Would you support the use of growth testing for strategic, multi-phase schemes? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please explain your answer.

Strongly agree. Including value growth in Financial Viability Assessments, in addition to enforcing viability reviews to enable upwards clawbacks of above-expected surpluses, is vital to close a major loophole in the viability system, set out in more detail below, and ensure a greater proportion of value growth is used to deliver social housing. The NPPF should require this approach to be standard practice on these types of sites and, at the least, strongly encourage this practice on non-strategic single-phase schemes too. Research presented in our *Build Up Not Trickle Down* report analysed all recorded land transactions from January 2023 to June 2025 connected to sites within London Boroughs. The research identified 145 transactions and viability information was available for 47 of the transactions (23 were standard residential schemes). It found substantial differences between the residual land values reported by the developers at the planning application stage and the actual price paid for land, with prices paid being many times more than the reported residual land values and often far higher than benchmark land values.

This provides strong evidence that developers are frequently using different inputs and assumptions in planning application FVAs compared with their internal calculations that influence their bid price for land. A key way that these differences arise is because developers will consider likely changes in costs and values when assessing the viability of larger schemes that will be delivered over many years within their internal appraisals. For instance, developers can reasonably anticipate that house prices will rise over the course of the planning and development phases, significantly improving eventual profits. However, these considerations are generally excluded from the viability assessment that developers submit to the council.

ADDITIONAL EVIDENCE ON THE NEED FOR MANDATORY GROWTH TESTING

A forthcoming qualitative study by Edward Shepherd and Tim White, although not demonstrating systemic malpractice, evidences the use of this kind of strategy by housebuilders to reduce affordable housing contributions, and illustrates how hard it is for councils to challenge it within the current system.⁴⁹ Similarly, investigative journalist, George Turner has documented this practice at the Shell Centre development in London where different inputs were used for different appraisals, amounting to a gap of 'approximately £300m of revenue missing from the viability assessment'.⁵⁰ Similarly, Turner also analysed the

⁴⁹ Shepherd, E., and White, T. (2026) Who should own the value of land? Housing, power and the deep politics of land value capture. UK Collaborative Centre for Housing Evidence (forthcoming).

⁵⁰ Turner, G. (2019). Written evidence submitted by George Turner [SAH 043], Long-term delivery of social and affordable rented housing inquiry Parliament UK. Available at:

case of the site of The King's College Hampstead Residence which received planning permission in 2016. The planning consultant for the developer used residential sales prices at the time of the assessment within the viability assessment submitted to the planning authority and yet, within the same assessment, included an allowance for construction costs inflation, thereby inflating costs but not expected income, reducing expected profits and as a result enabling a low level of affordable housing delivery.⁵¹

201) Would you support the optional use of growth testing for regeneration schemes? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. Please explain your answer.

Strongly agree. Growth testing for regeneration schemes should be a mandatory requirement within the NPPF. Such developments can often take many years, even decades, to complete from start to finish. These lengthy time frames make it even more important to include value growth testing within these schemes, especially given such schemes far too often involve the demolition and loss without replacement of social rent homes.

202) Do you agree greater specificity, including single figures, which local planning authorities could choose to diverge from where there is evidence for doing so, would improve speed and certainty? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.

Neither agree nor disagree.

a) Please explain your answer. If you agree, the government welcomes views on the appropriate figure – for example, whether 17.5% would be an appropriate reflection of the industry standard for most market for sale housing.

Any change to the figures provided for expected developer returns must have the aim, and outcome, of securing the greatest possible return for public benefit while sustaining sufficient incentives for land release and development. We have set out in detail within this consultation response the moral, ethical, and economic rationale for such an approach, as well as why the high risk-adjusted returns available to developers make any reduction in affordable housing requirements in response to worsening market conditions particularly unjustifiable.

203) Are there any site types, tenures, or development models to which alternative, lower figures to 15-20% of Gross Development Value might reasonably apply?

Yes. The current reason used to justify the 15-20% of GDV profit margin is that it reflects the risks of market sale housing through speculative development, but there are other types of development by private housebuilders that come with lower risk. We suggest these lower risk site types include, but are not limited to:

- estate regeneration,

<https://committees.parliament.uk/work/1951/longterm-delivery-of-social-and-affordable-rented-housing-inquiry/publications/written-evidence/>

⁵¹ Ibid.

- new towns
- private developments that are sold to investors rather than individual buyers.

a) Please explain your answer. The government is particularly interested in views on whether clarifying an appropriate profit of 6% on Gross Development Value for affordable housing tenures would make viability assessments more transparent and speed up decision-making.

We support standardising the 6% on GDV. However, in cases where there is no sales risk, for instance within estate regeneration schemes where social rent housing is being re-provided for a council or housing association, there is scope to consider a lower profit margin expectation for these developments.

Regarding new towns, if the government adopts a public-led development corporation model to developing these strategic sites there are strong reasons why a lower profit margin could be applied here too:

- Initial planning risk is largely removed given the masterplan and public contracting model ensures permissions are secured without complication, design codes are pre-agreed, and developers know in advance exactly what they can build.
- Where the development corporation decides to provide cheaper land for private-led development in exchange for higher levels of social housing delivery, the number of private homes for sale will reduce and therefore the overall development risk will also decrease.
- Major developments usually carry substantial marketing costs, as well as resourcing community engagement to reduce local opposition. In a new town, many of these costs will be taken on by the development corporation which will invest in marketing and branding, and community engagement where needed, as was done during the development of the post-war new towns.

Lower profit assumptions might also be appropriate where the completed scheme is intended to be sold to a single institutional purchaser rather than to individual buyers. In these models, developers face far less exposure to sales volatility because the entire block or development is transferred in one transaction, often ahead of development. For instance, up until recently, London housebuilders were selling a large proportion of properties in new developments before they were built, usually to investors.⁵² This applies to products such as Build to Rent, purpose-built student accommodation, co-living schemes and many commercial developments, where income streams and exit strategies are typically more predictable than for open-market housing.

204) Are there further ways the government can bring greater specificity and certainty over profit expectations across landowners, site promoters and developers such that the system provides

⁵² Apps, P. (2025) A clumsy patching up of a broken system: Khan and Reed cut London's affordable housing targets, Substack. Available at: <https://peteapps.substack.com/p/a-clumsypatching-up-of-a-broken>

for the level of profit necessary for development to proceed, reducing the need for subjective expectations? a) Please explain your answer.

Yes. One of the most effective ways to bring greater certainty to profit expectations across landowners, site promoters and developers is to close all viability loopholes. This will prevent speculation on the reduction affordable housing requirements in order to extract greater returns which. As set out in our report, the government should consider the following:

- Ensuring a greater proportion of value growth is used to deliver social housing. This should be done by including value growth in Financial Viability Assessments and/or enforcing viability reviews to enable upwards clawbacks of above-expected surpluses.
- Enforcing accurate inputs on build and financing costs – a national database on build costs alongside accurate financial testing of actual debt costs against the base rate would support this.
- Working with the Royal Institute of Chartered Surveyors to ensure professional guidance for surveyors reflects current planning policy, for instance requiring a sense check to prevent large differences arising between the RLV and actual price paid for land. Cross checking between the appraisal of the application scheme against the actual price paid (in line with the ‘comparable’ method of valuation advocated in professional guidance) should be enforced to ensure the RLV is realistic.
- Limiting the use of extant consents to inform BLV to mitigate the impact on land values of any previous reduction in affordable housing required on a site. This is especially important in relation to the impact of reducing affordable housing requirements on land values in London. If the use of these consents for that purpose is not limited and these sites are not built out, this could further entrench higher land values on these sites for future consents and affordable housing delivery will therefore likely be limited to 20% for the foreseeable future.
- More work is needed to assess the merits of using the Internal Rate of Return (IRR) in FVAs. However, there is significant concern that using IRR will allow developers to achieve actual profit above the current 15-20% profit on GDV, as set out in the PPG, and thereby risks minimising social housing delivery.
- Ensuring greater transparency of and public access to land sale information

205) Existing Viability Planning Practice Guidance refers to developer return in terms a percentage of gross development value. In what ways might the continued use of gross development value be usefully standardised?

See our response to question 204.

206) Do you agree there circumstances in which metrics other than profit on gross development value would support more or faster housing delivery, or help to maximise compliance with plan policy? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please explain your answer.

Strongly disagree. As stated, the aim and outcome of government policy within the viability system must be to maximise land value capture for public benefit, hard-wire transparency, and close loopholes, while sustaining sufficient incentives for land release and development. If the government cannot be sure that a change in metric will deliver this outcome, it should not proceed. In any case, if different profit metrics are used, the profit allowance for developers could be the minimum return that will bring a scheme forward, mirroring the minimum return applied to landowners in the existing PPG viability guidance.

After consultation with planning experts, Shelter is concerned that a shift to a metric like Internal Rate of Return (IRR) will not achieve this and might, perhaps, exacerbate current issues and loopholes. As aforementioned, more work is needed to assess the merits of using the Internal Rate of Return (IRR) in FVAs. However, there is significant concern that using IRR will allow developers to achieve actual profit margins above the current 15-20% profit on GDV and thereby risks minimising social housing delivery. It is also far more complex as a metric than profit on GDV, making an already complex and opaque system even harder to understand for those outside the profession, further limiting accountability and democratic input.

207) Are there types of development on which metrics other than profit on gross development value should be routinely accepted as a measure of return e.g. strategic sites large multi-phased schemes, or build to rent schemes?

No. See response to question 206.

208) Do you agree that guidance should be updated to reflect the fact a premium may not be required in all circumstances? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) In what circumstances might a premium, or the usual premium, not be required?

Strongly agree. Any premium above existing use value must be justified, because every increase in premium directly reduces the amount of affordable housing that can be delivered. A premium should only be included where it is genuinely required to motivate the landowner to release the site. In the case of public landowners, often the public body will want to dispose of the site to optimise its use for social benefit, seeing the potential benefits from land disposal in a holistic sense rather than through the view of short-term financial returns. On this matter, we recommend greater clarification for local authorities and other public bodies to ensure they are aware that they are able to dispose of land for this purpose. We point to Stephen Hill's work with MHCLG on public land disposals and consistency in land valuation. This work should be taken into account within this potential policy change.

In situations where the existing use is being replaced with a new, improved version of the same function, such as re-providing social rented homes, the landowner already benefits from receiving new, higher-quality premises in place of older, costlier ones. In these cases, an extra financial premium on top of existing use value makes little sense.

a) What impact (if any) would you foresee if this change were made?

Lower premiums in certain circumstances would help to reduce land prices, thereby improving the viability of delivering all tenures, especially social housing. It might also help to optimise how public land is used to maximise public benefit, including social housing delivery.

209) Do you agree that extant consents should not be assumed to be sufficient proof of alternative use value, unless other provisions relating to set out in plans are met? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please explain your answer.

Strongly agree. Shelter is aware of schemes where the use of extant consents is actively driving up land values and reducing social and affordable housing delivery, as set out in the Belmont Tower case study below. The use of extant consents in calculating BLVs can also incentivise landowners and developers to pursue planning permissions that are unlikely to be built out any time soon, especially when market conditions are more challenging, simply to lock in a higher land value based on weaker policy expectations. As such, it is vital that government acts to limit the use of extant consents to inform BLVs in order to mitigate the inflationary impact on land values.

Scheme	Belmont Tower/Grand South	
Local Planning Authority	LB Lambeth Ref 24/01819/VOC	
Land Transaction	Date Price Paid Value per C3 unit	March 2024 £38.4m £110k
Planning/construction	Status Units Affordable Housing	Acquired with extant consent - new consent has resolution to grant 347 13% by unit
Financial Viability	Report dated Reported Residual Land Value Benchmark Land Value	June 2024 £17m £21m
Comments	Acquired with extant consent for 278 units (23 affordable 8% by unit) and new application then submitted for 347 units (46 affordable 13% by unit). BLV was based on the extant scheme and reduced the potential affordable housing in the new scheme. <u>Price paid more than twice the reported RLV (3 months later).</u>	

Limiting the use of extant consents is especially important in relation to the impact of the Greater London Authority's recent proposal to reduce affordable housing requirements on land values in London.⁵³ If the use of these consents for that purpose is not limited and these sites are not built out, this could further entrench higher land values on these sites for future consents and affordable housing delivery will therefore likely be limited to 20% for the foreseeable future.

⁵³ See: Shelter, Shelter's response to GLA London Planning Guidance consultation, Shelter. Available at: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/shelters_response_to_gla_london_planning_guidance_consultation

210) *If extant consents were not to be assumed as sufficient proof of alternative use value, should this be at the discretion of the decision-maker, or should another metric (e.g. period of time since consent granted) be used? Decision maker discretion / Another metric / Neither*

See response to question 209 – extant consents should not be used. Additionally, office to residential conversions under permitted development rights should not be used as Alternative Use Values to inform BLVs either given permitted development does not require affordable housing and so will act to inflate land values.

212) *Do you agree that the residual land value of the development proposal should be cross-checked with the residual land values of comparable schemes; to help set the viability assessment in context. Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please explain your answer.*

Strongly agree, if the question means to ask whether the residual land value of the development proposal should be cross checked using market evidence informed by the price paid for the application site and other comparable sites.

Cross checking between the RLV shown in the appraisal of the application scheme against the actual price paid (in line with the ‘comparable’ method of valuation advocated in professional guidance) should be enforced to ensure the RLV is realistic. The government should also work closely with the Royal Institute of Chartered Surveyors to ensure professional guidance for surveyors reflects current planning policy, for instance requiring a sense check to prevent large differences arising between the RLV and actual price paid for land.

ANNEX C: REFORMING SITE THRESHOLDS

213) *Do you agree that a 2.5 hectare threshold is appropriate? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.*

Partly agree. Greater weight should be placed on the unit threshold for sites in order to ensure that schemes which provide additional amenities or public benefits (e.g. sustainable transport infrastructure, open spaces) can still be considered within the medium category where that provision means the site is slightly larger.

214) *Do you agree that a unit threshold of between 10 and 49 units is appropriate? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree.*

a) *Please provide your reasons, particularly if you disagree.*

Strongly agree.

215) *Do you foresee risks or operability issues anticipated with the proposed definition of medium development? Yes/No.*

216) *If so, please explain you answer and provide views on potential mitigations.*

Yes. Shelter welcomes a greater emphasis on smaller sites and support for SME builders in this NPPF. However, as detailed above, we are concerned that the threshold approach as proposed will incentivise gaming of the system, particularly as regards to affordable housing contributions. The simplest way to avoid this happening would be to retain requirements for schemes of 10-49 homes to comply with local and national policies on social and affordable housing.

222) Do you agree with the proposal to extend the Permission in Principle application route to medium development? Strongly agree, partly agree, neither agree nor disagree, partly disagree, strongly disagree. a) Please provide your reasons, particularly if you disagree.

See response to question 75.

Annex A: Shelter Supporter Responses The NPPF Consultation

As part of our response to the National Planning Policy Framework consultation, we asked members of the public for their opinions on the consultation to help us respond, particularly about the payment in lieu medium sites proposal. People were asked to fill in a free form text box to address the Secretary of State, Steve Reed, on how they felt about the proposal.

1,903 people submitted a response. Overwhelmingly, people felt developers should be made to build social homes as part of medium developments and were against the payment in lieu proposal. The responses suggest it to be a deeply unpopular policy with the public. There was deep scepticism that cash payments instead of social homes would help reduce homelessness or end the housing emergency. People argued that local authorities, already under financial strain, would struggle to use this money to replace the social homes the developers would have otherwise had to build.

There was widespread frustration that at a time of record homelessness, the government is considering policies which would allow developers to get out of building social homes. People commonly identified that developers would choose whatever made them the most profit and that social housing stock would suffer as a result. Anger was apparent from respondents who often described this policy as a 'get-out clause', 'loophole', and that developers were 'wriggling out' of commitments to the communities they build in.

You can read a broad selection of these responses below:

- "We urgently need more social homes, to give security and a sense of community to people. Any exemptions for developers to build affordable housing give them further wiggle room to avoid building housing that we desperately need."
- "We need social housing not cash alternative. Developers already wriggle out of commitments to build social housing. That needs strengthening not weakening."
- "We need homes for working people including council housing and we won't get that by keeping giving developers a free rein to build for profit before building for people."
- "We have to move forward together as a society and that means everyone doing a bit to help everyone. The more we normalise that idea the more embedded it will be and the more equal and supportive our society will be. More social homes will make for a fractional impact upon the developers but will enrich the country in so many ways."
- "We desperately need to build social housing to address the housing crisis. Most other kinds of housing development provides profit for developers but does little to help those in housing need. A payment to councils in lieu of building carries no guarantee that it would be used for social housing, especially as councils are seeing cuts in their funding."
- "We desperately need more social rent homes. In 2025, research from The National Housing Federation, Shelter and Crisis showed families on social housing waiting lists in some parts of England faced waiting more than a century to get a suitable social home. Please think about how you would feel if this was your family, Steve [Reed]. It's just crazy. Please rethink this policy."

- “Too many people and families need housing that they can't afford. Developers make plenty of money and their responsibility should not be watered down. Social housing is always the first to go on any development, and it should be the last because it takes homes from already vulnerable people, to make massive profit. The whole system is backwards.”
- “[The government] need to get real and take the issue seriously because the crisis point has already been exceeded. There are over 172,000 children homeless and living in temporary accommodation. The Government needs to provide families with homes they can afford by building a new generation of social rent homes and closing loopholes that developers use to side step building affordable housing. We also need them to temporarily suspend 'Right to Buy' to ensure that the meagre portfolio of social rent homes remains available to the people who need it the most. And profit should NEVER take priority over the people of this country - we as a nation deserve better and fairer than what the developers have to offer.”
- “There is an overwhelming need for social homes, I am fed up constantly reading that developers have been allowed to drastically reduce, or completely ignore the agreed number of social/affordable housing quotas once the planning permission has been agreed for a new development, or they have been excused by them threatening to pull out of the development.
- The developers should be made to build the agreed number of social housing allocation, no exceptions. As the proposed payment to the local authority idea is not ring fenced this is a very flawed proposition as there will be no guarantee that this money would be used to provide social housing whatsoever.”
- “There is a housing crisis in this country! Rent and house prices are at ridiculous and unsustainable levels and greedy developers are squeezing as much as they possibly can with no regard to anything but their bottom line. We need more social housing NOT less! Most current developments price anyone but top bracket earners and wealthy private landlords or conglomerates out of the market. Then those same landlords set unscrupulous rent prices resulting in the crisis we see now - the rich getting richer and able to own and the middle and lower income brackets barely able to pay their energy bills and rent. Stop putting profits before people!”
- “There have been urgent needs for building tens of thousands of social housing for decades. I don't understand why you don't see it and keep emphasising the needs for housing to buy. You are encouraging the two tier system, leaving poor people in the hands of bad landlords and countless number of children in unsuitable accommodations, or worse, homeless. Please stop this and think if you would put up with the desperate situation if it's your family. You have power to change the society so please take advantage of large majority.”
- “The private sector will not provide the affordable housing that is needed without clear regulatory standards. Profit for the few will be put before what the people of our country need.”
- “The lack of social housing in this country is a national disgrace, the sell off of social housing has been disastrous with nothing being built to replace them. Social housing should be a priority and developers should, by law, be forced to honour their commitments without any get out clauses, you need to stand up for those that cannot

afford to purchase homes and support working families and communities. Every new development has built-in commitments to build a percentage of social housing, [but] very few commitments are honoured. Time the government got a grip of this and took positive action.”

- “Stop lining the pockets of the already rich, who buy properties and then rent them out at ridiculous prices that most ordinary people cannot afford and which the government have limited how much they will pay towards the rent for people on low or no income. We need Social housing!! There should be no homelessness in this day and age, it’s disgusting.”
- “Social housing is essential for people who don’t have the means to buy a home. Developers and councils should be building hundreds of thousands of social housing to enable families with children to have a decent home to rent at affordable costs. It’s disgraceful that social housing is being sacrificed for big profits by developers. Build social housing for the working class people who are priced out of buying a home.”
- “Listen here, Steve Reed, there is no greater priority in this country than to build social housing. Good quality social housing. The key workers and working people of this nation who keep our country operating need proper rentable social homes within the means of their limited incomes. STOP giving developers a free ride. STOP subjecting the people of Britain to private landlords charging astronomical rents for poor living conditions and insecure tenancies. It is long overdue that you make the building of social housing the absolute priority of this government NOT developers profits.”
- “I think creating new loopholes at a time of rising homelessness risks making an already serious crisis worse. Social housing is often the only stable, affordable option for families stuck in temporary accommodation, and any policy that makes it easier to avoid building those homes could mean fewer people getting the security they need. When developers are given alternative routes instead of clear obligations, it can weaken the overall supply of genuinely affordable housing. If we want to prevent homelessness rather than just manage it, we shouldn’t be introducing loopholes that reduce the number of secure social homes being built.”
- “A lack of affordable housing is having a detrimental effect on the physical and mental health of so many people but particularly under 35s. Housing developers make incredible profits on executive homes, but these are completely out of reach to most under 35 year-olds. Developers must be mandated to build affordable homes on every development.”
- “Affordable social housing is what is required, not expensive houses beyond the reach of those without a hefty deposit. Developers also have a habit of wriggling out of the clauses in their contracts which require them to include a percentage of affordable homes in a development. Profits are already unreasonably high for the developers.”
- “I am 66 and a retired teacher but I went to 13 different schools before I was 10 as we had to keep moving as we had no home - it was being given social housing that changed my life around ... my heart goes out to children suffering (and that’s not too strong a word) now. We need more social housing being developed, new built or made from refurbished buildings as a priority.”

Annex B: Additional Evidence on Payment in Lieu Contributions

We echo others in the sector and strongly recommend that a formula-based approach (as opposed to an RLV approach) is mandated for all cases where PIL occurs. This is vital to ensure that, if PIL is calculated, it offers no financial advantage to developers that would ultimately reduce the public benefits arising from the development.

Case study modelling set out below shows the difference between the two approaches. The RLV approach, as opposed to the formula based approach, also slows down the process as detailed viability assessments are required. In comparison, the formula-based approach is more straight-forward to calculate. As aforementioned, there is also a significant danger that any additional profit allowance will just increase the price that the landowner asks for the site.

It could, however, be reasonable for the PIL to take account of actual non-discretionary additional costs incurred by the developer in delivering more market homes such as CIL, additional fit out costs (if appropriate and justified) and disposal costs such as agents and legal fees.

Case study modelling

As stated, the two most commonly used approaches are:

- **RLV approach** - compares the RLV of the scheme with onsite affordable housing with the RLV of the scheme where the affordable housing is replaced by market housing – the two figures are compared to work out the PIL.
- **Formula based approach** – compares the GDV of the scheme with onsite affordable housing with the GDV of the where the affordable housing is replaced by market housing - the two figures are compared to work out the PIL. It is effectively the additional income the developer will make through selling the units as private homes rather than affordable. This can be adjusted for additional actual costs incurred by the developer as a result of the additional market homes such as CIL and disposal costs.

A scheme of 45 units and a small amount of commercial space was modelled on the basis it could provide 20% social rented housing on site and break even (without grant) showing a residual land value in line with the assumed BLV. The assumed values were £700psf for the market housing and £180psf for the social rented housing with construction costs at £325psf. The BLV was £1m.

If a **formula-based approach** is used to work out the PIL, comparing the GDV of the 20% affordable housing scheme with the all market GDV, the PIL (with no deductions) would be £5,029,830. If deductions are allowed for the additional CIL and disposal costs relating to the additional market homes, the PIL would be reduced by £345,315 to **£4,684,515**. This would seem to be the most equitable approach as it puts the developer in the same financial position as if the affordable housing had been provided on site.

If further deductions are allowed for **additional developer profit of £1,080,466** on the homes that have been converted from affordable to market tenure, this would reduce the PIL to **£3,604,069. Allowing this deduction effectively allows the developer to increase their overall total profit from £4,883,777 to £6,068,689 or by over 20%.**

An **appraisal-based RLV approach** was also modelled and shows a RLV of the all market scheme of £3,841,446 and a RLV of the scheme with 20% on site social rent of £1,035,205. If this approach is used, comparing the two figures, it calculates a significantly lower PIL of **£2,806,241**. This approach not only allows a reduction in the PIL for additional developer profit of £1,080,466 but allows **completely notional costs** in respect of finance and purchasers costs **totalling £619,865** relating to the notional higher RLV used to calculate the PIL. In this case, the RLV approach would **reduce the PIL by £1,878,274** when compared to the Formula Based Approach- this is **40% lower**.

As clearly demonstrated, the RLV approach erodes the developers' contribution through the deduction of completely notional costs (finance and purchasers costs) linked to the higher land value shown by the all market scheme as well as through a higher profit allowance based on higher percentage being applied to higher value market homes. The government must enforce the use of the Formula Based Approach.