Ministry of Housing, Communities & Local Government

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By email

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Dear Sir Geoffrey,

Public Accounts Committee Inquiry – Improving Local Areas through Developer Funding

Thank you for the valuable discussion with the Committee on 30 June as part of your inquiry into improving local areas through developer funding. We will continue our work to deliver the government's commitment to strengthening the existing system of developer contributions, and we look forward to responding to the NAO's report, and the PAC's report, more formally in due course.

More immediately, there were a few questions raised by Committee members regarding: the data held by the department on local planning authorities (LPAs) using the guidance on developer returns in their plan-making; and the Pathways to Planning graduate recruitment programme.

1. Guidance on Developer Return for Plan-Making

When the viability planning practice guidance (PPG) was updated in 2018 under the previous government, it set out that, for the purposes of plan-making, an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers, in order to establish the viability of local plan policies. The guidance also states that plan makers may choose to apply alternative figures where there is evidence to support this, according to the type, scale, and risk profile of planned development. For example, a lower figure may be more appropriate when considering the delivery of affordable housing in circumstances where there is a guaranteed end sale at a known value, and financial risk is reduced.

The PPG is also clear that alternative figures may also be appropriate for different development types. Plan makers can use site typologies to determine viability at the plan-making stage. This may involve grouping sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. It is also important to consider the specific circumstances of strategic sites. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.

Given these considerations, and the importance of viability judgements reflecting local circumstances, the department does not hold central analysis or data on LPAs use of the 15-20% assumption. However, local plans and the viability evidence underpinning them are examined in public and can therefore generally be found on an LPA's website. The government has committed to updating planning practice guidance on viability to ensure that the viability system works to optimise developer contributions, allowing negotiation only where genuinely necessary.

2. The Pathways to Planning Programme

Since the department began funding the Pathways to Planning programme in 2023, two cohorts of graduates have been placed into LPAs, both of which started in September 2024. These cohorts totalled 87 placements. Recruitment is currently under way for the next intake, which attracted over 2,100 applicants. Interviews are ongoing and placements are expected in September 2025.

Alongside this, the department has also supported Public Practice, a social enterprise specialising in placing skilled built environment professionals into public sector roles. Since this partnership began, 45 experienced professionals have been recruited into LPAs, with a further 80 expected to be placed during the current financial year.

Overall, we are aiming to exceed the manifesto target of 300 new planners recruited into LPAs by the end of 2026.

More broadly, the department's established Planning Capacity and Capability programme is also taking forward a wider programme of support, working with partners across the planning sector. The aim of the programme is to ensure that LPAs have the skills and capacity they need, both now and in the future, to modernise local plans and speed up decision making, including through innovative use of digital planning data and software.

To improve the resourcing and financial sustainability of LPAs' application services overall, the government increased planning fees for householder applications and certain other applications effective from 1 April 2025. Additionally, all planning fees are now index-linked to ensure annual adjustments in line with inflation. Subject to successful passage, the Planning and Infrastructure Bill then goes further in empowering LPAs to set their own planning fees to cover costs, and requiring that fee income be retained and directly reinvested into planning application services.

I hope this response proves helpful to Committee Members.

Yours sincerely,

SARAH HEALEY