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Land value capture and viability in Wales

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Executive summary

This report explores land value capture and development viability in Wales. It covers both the conceptual and policy context (Part 1) and the findings from a July 2025 workshop attended by nineteen practitioners (Part 2), before presenting the authors’ conclusions and recommendations for policymakers and practitioners.

Part 1: Background and context

Definition and rationale

Land value capture refers to policies that enable public authorities to secure increases in development land values resulting from government actions, such as planning decisions and infrastructure investment. The rationale is that such land value uplifts largely derive from community and state actions, creating an economic and moral case for redistribution. Viability is the mechanism by which the distribution of development value between landowner, developer and local authority (in the form of land value capture contributions) is calculated.

Policy salience

Land value capture has gained prominence globally since the 2007-2008 Global Financial Crisis as a mechanism to fund infrastructure and affordable housing without necessarily raising general taxation. In Wales, the issue is highly salient given the government's target of delivering 20,000 low-carbon social homes by 2026 and persistent decline in housing supply. In Wales, land value capture and viability is deeply entangled with affordable housing provision and housing supply more generally.

Current tools in Wales

Section 106 planning obligations are the main mechanism for securing affordable housing and site-specific mitigation via private sector-led developments. Although contributions are usually specified in local planning policy, they can be negotiated at planning application stage if viability is perceived to be challenged. Community Infrastructure Levy (CIL) is a financial contribution calculated as a cost per

square metre on new development. It has been adopted by few councils in Wales and is non-negotiable once in place. Compulsory purchase powers enable acquiring authorities to purchase land compulsorily. These powers are rarely used. There are new powers that enable compulsory acquisition at values excluding hope value (i.e. the segment of land value deriving from its prospect of development to a more valuable use) in some circumstances, such as when affordable housing is to be provided as part of the new development. These powers have not yet been used in England or Wales.

Viability in planning

Viability is central to plan-making and development management and, since 2018, there has been the requirement for sites allocated in Local Development Plans to be viability tested at plan-making stage. However, Wales lacks detailed national policy on viability, although the Development Plans Manual does provide some guidance, including making it clear that private developers should receive an adequate profit margin and the landowners should receive value sufficient to encourage them to release the land for development. In viability practice, the latter is called the benchmark land value - it can be controversial because the level at which it is set influences how much value flows towards land value capture policy requirements. The lack of clear viability guidance in Wales risks embedding outdated market expectations regarding land values, potentially reducing the value headroom available for affordable housing. Many local authorities in Wales now used a standardised viability model produced by surveying firm Burrows-Hutchinson Ltd.

Part 2: Key Insights from Workshop

Power relations

Landowners and developers have significant power over land value capture and viability negotiations, but local authorities can seek to balance power relations by taking a clear and firm stance at plan-making stage to reduce the scope for viability renegotiations at planning application stage.

Distrust and transparency

Distrust can pervade the viability process, stemming from a reluctance by developer interests to share data and viability assessments and unequal access to market evidence such as build costs and land values. Skills and expertise asymmetries can also contribute to distrust and frustration between the parties, although many participants felt that the Burrows-Hutchinson model and the embedding of viability into plan-making have helped to improve relations and mutual understanding.

Viability methodology and practice

Although participants generally agreed that the Burrows-Hutchinson model is a very useful tool, a few developer interests felt that it is too detailed for plan-making. However, local authority planners would prefer to see more detail at earlier stages of site promotion to be more confident regarding the deliverability of sites and their capacity to meet land value capture policy requirements. There is a significant mismatch between developer and local authority preferences in this regard, and this potentially contributes to distrust and risk of renegotiation.

Mismatch between the expectations of planners and the preferences of developers concerning viability at earlier stages of development may be exacerbated by mismatch between the viability models used and understood by local authority planners, and the internal viability models used by market participants.

Land value and market dynamics

Benchmark land value remains a source of contention due to its influence by landowner expectations that may not reflect current or emerging policy requirements, as well as the way in which policymakers are often reliant on anecdotal evidence from market participants. There is a need for better national viability guidance in Wales, particularly in relation to the calculation of benchmark land value and the role of market evidence. Although the embedding of site-specific viability assessment into plan-making is intended to create more certainty and reduce scope for negotiation later in the development process, this effect is only likely to pertain if development comes forward soon after site allocation. Delays on sites progressing (and delays in local plan preparation and adoption) can increase renegotiation risk.

Alternative delivery models

There is potential to explore alternative models of development, including schemes led by Registered Social Landlords (RSLs). However, there is the perception that a two-tier land market may be forming in some instances. If prices paid for land by RSLs are out-competing private developers, then it is hard to see how this represents a form of land value capture.

Policy and Practice Recommendations

1. Local authorities should continue to set clear land value capture policy requirements in the Local Development Plan with the expectation that these will not be renegotiated later in the process (as is already indicated in national policy). The 'exceptional circumstances' in which renegotiation can occur should be truly 'exceptional' e.g. they should not occur in cases where promoters have adopted over-optimistic assumptions to support an allocation. This puts the onus on site promoters to do sufficiently detailed viability modelling for their sites. At the same time, local authorities should help reduce renegotiation risk by ensuring there is not unreasonable delay in the preparation and adoption of new local plans.

2. To reduce the cost burden and financial risk for site promoters, policymakers could consider adjusting the sequencing and timing of the preferred strategy and the formal 'call for sites'. However, once a site is being formally considered, promoters should be expected to commit sufficient resources to ensure that viability assessment is robust and will not be revisited at application stage.

3. Local authorities (supported via an adjustment to national policy) could insist on making viability calculations and underlying evidence publicly available to improve transparency and legitimacy and enable research on viability practice. To reduce commercial risk for site promoters, such information could be published following adoption or following the grant of planning permission.

4. The Welsh Government should introduce a requirement for a centralised land market and viability database that includes sales and build cost data, as well as land price and benchmark land value data.

5. The Welsh Government should produce clear and comprehensive national viability guidance for Wales to seek to bring planning and market practice more closely in line, to influence market practice to increase the likelihood of meeting planning objectives. Such guidance should be produced as a Technical Advice Note and be put out for public consultation ahead of adoption. In the meantime, (depending on its eventual content), the viability guidance note currently commissioned from Burrows Hutchinson Ltd by the Planning Officer's Society Cymru (POSW) can be a useful resource.

6. To ensure that policy adjustments are based on good evidence, further research should be conducted on direct development by RSLs and their engagement in the land market; viability evidence and benchmark land values; extent of viability renegotiation; amount of contributions made by private developers via Section 106 and CIL.

However, all of these changes would merely be aimed at tweaking a system that is structurally flawed. What is really needed is a shift to a different, less speculative, development model that has a greater degree of public sector involvement in terms of land assembly and the direct delivery of development supported by strategic and up-front infrastructure investment.

1. Introduction

This document reports the key findings from a practitioner and stakeholder workshop on land value capture and development viability in Wales which was held at the School of Geography and Planning at Cardiff University on 3 July 2025. Land value capture is the policy area concerned with the social (re)distribution of land value increases that derive from public investment, state regulatory decisions or general economic growth.

The workshop was funded by the Economic and Social Research Council Impact Accelerator Account Strategic Impact Fund. It was organised as follow-on work in relation to a prior Economic and Social Research Council-funded [research project](#) *Ideology, housing and land value capture: Uncovering the politics of development land value* led by Dr Edward Shepherd. The aim of that research was to understand the politics and ideologies of contemporary debates concerning the distribution of development land values in England in the context of the contemporary political and economic pressures of the housing crisis.

Although the project has up to now been focused on the English context, the relevance and importance of land value capture is obviously by no means limited to that country. Land value capture and development viability is a live policy debate in Wales and it was the intention of the July 2025 workshop to generate deeper understanding of these issues in the Welsh context from different perspectives.



The purpose of the workshop was therefore to bring together policy experts and practitioners from both the public and private sectors in Wales to discuss the politics and current issues and challenges in relation to land value capture and viability for planning in Wales. The intention was to:

- a) discuss experiences and challenges in the implementation of land value capture and development viability in planning;
- b) understand the potential for, and constraints to, policy change in this area;
- c) learn from each other and develop a deeper understanding of this policy area.

This briefing note is structured in two parts. Part 1 presents the background and context to land value capture and viability Wales. Part 2 presents key themes as expressed by the participants of the workshop, before providing conclusions and recommendations. Although Part 2 is a faithful and accurate representation of the workshop, the conclusions drawn from the discussions and the account in Part 1 represent the views of the authors and may not necessarily be shared by all the workshop participants.



PART 1: Background and Context

2. Conceptual context

Definition of land value capture

Land value capture has no set definition, and could include any mechanism that enables the state to secure and/or redistribute land value e.g. via planning mechanisms, strategic land management (involving public ownership and control of land) or property taxation, for example. For the purposes of the workshop, we adopted the following definition from the 2022 OECD Global Compendium of Land Value Capture Policies:

LVC is based on the simple premise that public action should generate public benefits.

It refers to policies that allow public authorities to recover increases in land values which result from government actions, including the development of land, infrastructure and service deployment, and the alteration of land use regulations. This recovered land value serves to fund urban infrastructure and public services.”¹

This is a more limited definition

than that of ‘public value capture’ set out in a 2023 COST Action project report², in that it focuses on land value increments that derive from government actions (rather than ‘all possible increases in the value of land and buildings’) and does not specifically allow for general land and property taxation.

While adjusting general land and property taxation (e.g. property taxes, land value taxation³, capital gains tax, inheritance tax) should certainly be part

of any conversation about more effective funding of services and infrastructure, it is not within the scope of this report. The reason for adopting a tighter definition of land value capture along the lines set out in the OECD Global Compendium is that the current project is focused on the operation of land value capture via its embeddedness in the planning and urban development process, particularly as it relates to housing delivery and the housing crisis of supply and affordability.

The rationales for land value capture

The fundamental economic rationale for land value capture is that land value increases in large part derive from the efforts and activities of the wider community, rather than from efforts of the landowner.

Land is not manufactured and cannot usually increase in supply in response to demand (the effects of the planning system notwithstanding). Landowners therefore have monopoly control over the space across which their land ownership extends – land

is not substitutable. Land, therefore, is not like other commodities and it is these special characteristics which mean that many governments of all political stripes around the world have felt able to introduce various forms of land value capture policy.

¹ OECD/Lincoln Institute of Land Policy, PKU-Lincoln Institute Center (2022) [Global compendium of land value capture policies](#), OECD Regional Development Studies, OECD Publishing, Paris, p. 14.

² Halleux, J.M., Hendricks, A., Nordhal, B., & Maliene, V. (Eds) (2023) [Public value capture of increasing property values across Europe](#), COST European Cooperation in Science and Technology, VDF Hochschulverlag AG an der ETH Zürich, p. 19.

³ The Welsh Government has signalled it is interested in the potential for local land value taxation to replace council tax and non-domestic rates, and this was the subject of a technical assessment published in 2020. See: ap Gwilym, R., Jones, E., and Rogers, H. (2020) [A technical assessment of the potential for a local land value tax in Wales](#), Government Social Research and Bangor University, Social Research Number 17/2020.

Take, for example, a piece of urban land whose value increases as local public infrastructure improves, attracting more businesses and demand for housing and commercial floorspace. The owner of the piece of urban land has made no sacrifice, no investment and has taken no risk – yet they still enjoy an increase in the value of their land asset due to this wider activity. Owners of residential property in desirable urban locations have been significant beneficiaries of such land value increases over the last few decades. According to the UK House Price Index, average nominal house prices in Wales increased by 58.7% (14.2% inflation adjusted) in the period July 2015 – July 2025, most of which is accounted for by increases in the value of land beneath the buildings⁴, representing windfall gains to homeowners who have held property over this period.

Take another example – that of a piece of greenfield land on the outskirts of an existing settlement. This, too, can increase in value due to wider changes in economic conditions. According to the Savills greenfield development land index⁵, the average price of greenfield land in the UK increased by around 30% in the period June 2015 – June 2025⁶. Furthermore, if the Local Planning Authority allocates the land for development in the local plan and then grants planning permission for a more valuable use (e.g. housing), the value of the land will significantly increase. To give a concrete example, in the course of making the Local Plan for Bridgend, it

was assumed that land values would increase by multiples of up to 42 from base agricultural land value following the grant of planning permission.⁷ While the landowner may have spent funds paying specialists to promote the site for development, this land value increase is mainly a function of the limits imposed on the supply of development land by the planning system combined with the regulatory change affecting the site’s development potential, rather than a financial return on risk.

Because of these features of land and its regulation, and the way in which its value derives from wider public activity, a consensus developed among some classical economists and land reformers (but not necessarily landowners) that there is a strong economic and moral justification for the social redistribution of ‘unearned’ land value uplifts that, without regulatory intervention, would remain with private landowners at the expense of the wider community. This kind of moral critique was a significant feature of land debates in the late 19th and early 20th centuries in the UK. Indeed, Winston Churchill (a Liberal Party member at the time), made an oft-quoted speech about land in 1909 as the ‘mother of all monopolies’:

“...Roads are made, streets are made, railway services are improved, electric light turns night into day, electric trams glide swiftly to and fro, water is brought from reservoirs a hundred miles off in the mountains – and all the while the landlord sits still. Every one of those improvements is effected by the labour and at the cost of other people. Many of the most important are effected at the cost of the municipality and of the ratepayers. To not one of those improvements does the land monopolist as a land monopolist contribute, and yet by every one of them the value of his land is sensibly enhanced...ripening at the expense of the whole city, of the whole country, for the unearned increment of its owner.”⁸

⁴ Office for National Statistics (2022) [Improving estimates of land underlying dwellings in the national balance sheet](#), UK: 2022. Release date: 10 March 2022.

⁵ Eve, P., Williams, E., McLaren, L., and Azzopard, L. (2025) [Market in minutes: Residential development land – Q2 2025](#), Savills, 22 July.

⁶ Data not available for Wales.

⁷ See [Bridgend replacement Local Development Plan 2018-2033 plan-wide viability assessment](#).

⁸ As quoted in Bentely, D. (2017) [The land question](#). Civitas: London.

However, over time, the power of the moral critique has subsided in the UK and has been largely supplanted in contemporary mainstream policy discourse by a more pragmatic set of arguments.

Prior to the 1980s, off-site infrastructure needed to support development was usually funded from government transfers, user charges and general taxation which meant that neither the developer nor the landowner had to price in the cost of infrastructure and utilities. However, this changed following the privatisation of utilities, shifting the burden onto development providers and consumers.⁹ This led to local negotiated agreements increasingly being used to secure infrastructure contributions from developers the cost of which were, in theory, capitalised into land prices.¹⁰

The justification for the social redistribution of land values is now usually presented in terms that make a direct connection between land value uplifts and the need to fund public infrastructure required to support new development and economic growth more widely. Since the withdrawal of the state from large-scale direct delivery of housing after the mid-1970s, this public infrastructure has included social and affordable housing. Such pragmatic framings have contributed to a consensus regarding the necessity of land value capture instruments and their continued use in the United Kingdom, even though they are frequently the subject of critique and attempts at policy reform.¹¹

⁹ Catney, P., and Henneberry, J. (2019) 'Change in the political economy of land value capture in England', Town Planning Review, 90(4), pp. 339–358.

¹⁰ Campbell, H., Ellis, H., Henneberry, J., and Gladwell, C. (2000) 'Planning obligations, planning practice, and land-use outcomes', Environment and Planning B: Planning and Design, 27(5), pp. 759-775.

¹¹ Shepherd, E. (2025) 'Public policy and contested political concepts: the ideological morphology of land value capture', Journal of Political Ideologies, 1–27.



The salience of land value capture

Following the 2007-2008 Global Financial Crisis, land value capture has risen up the policy agenda internationally, as governments and policymakers have sought means for securing funding for infrastructure, affordable housing and public services in the context of austere public finances and without recourse to significantly increasing general taxation. There have therefore been numerous national and international publications on the topic over the last decade, including a 2022 Global Compendium of Land Value Capture Policies published by the Organisation for Economic Co-operation and Development and a 2023 overview of policies relating to Public Value Capture of Increasing Property Values across Europe via a project supported by the European Union.

In the UK, there was a Community, Housing and Local Government Committee inquiry on land value capture in 2018, and another in 2025.¹² Furthermore, there is an ongoing House of Lords Built Environment Committee inquiry into the Westminster Labour Government's New Towns policy, which included an evidence session on deliverability and the role of land value capture in this.¹³

In Wales, a 2024 Senedd Cymru Local Government and Housing Committee inquiry into social housing supply included a session on land value capture.¹⁴ This inquiry was conducted in the context of the Welsh government's commitment to deliver 20,000 low carbon homes for rent in the social sector for the current government term (ending in March 2026). A September 2024 report by Audit Wales found that, by the end of 2023-24, fewer than half of the 20,000 target had been met, with slow progress on building more homes being offset by a strategy of acquiring existing properties for conversion to social housing.¹⁵

These events and publications are suggestive of the increasing salience of this policy area internationally, within the UK and in Wales specifically in the context of ongoing and deepening crises in the supply of affordable and social housing and the funding of infrastructure required to support it.



¹² Edward Shepherd provided oral and written evidence for the [2025 inquiry](#).

¹³ Edward Shepherd provided [oral evidence](#) for this inquiry evidence session.

¹⁴ Edward Shepherd provided [written](#) and [oral](#) evidence for this inquiry.

¹⁵ Audit Wales (2024) [Affordable housing](#), September 2024.

3. Wales policy and practice context¹⁶

Contemporary land value capture tools

If we limit the definition of land value capture to those tools embedded within the planning and development process, there are currently two main mechanisms available to policymakers in Wales: planning obligations (otherwise known as Section 106 agreements) and the Community Infrastructure Levy. There is also a mechanism available whereby acquiring authorities can compulsorily purchase land at prices that do not reflect full development value.

Planning obligations (Section 106)

Planning obligations are used by local planning authorities in Wales to seek to secure a proportion of affordable housing from developers and landowners via policy-based negotiation. Contributions can either be in cash or in kind (although the latter tends to be preferred). Where new affordable housing is provided directly by a private developer, these are usually sold to a Registered Social Landlord (at a discount compared with market homes) who will then own and manage the homes. Planning obligations are also used to secure contributions intended to mitigate site-specific impacts of development and thereby render development proposals acceptable in planning terms.

Community Infrastructure Levy (CIL)

The Community Infrastructure Levy (CIL) was introduced in 2010 and is used to secure contributions from new development for the provision of infrastructure. It is charged as a price per square metre of new floorspace. To apply it, local planning authorities need

to adopt a charging schedule setting out the various rates applicable for different types of floorspace. Only Rhondda Cynon Taf, Merthyr Tydfil and Caerphilly have adopted CIL, with a further six councils having started the process towards adoption. Although optional to introduce, once adopted, CIL is non-negotiable.

Public land acquisition

Although the main means of implementing land value capture in Wales are via event-based mechanisms embedded in the planning permissions process (CIL and planning obligations), another way in which land value capture can be pursued is via purchase of development land by public authorities at prices that do not reflect full development value. The Levelling Up and Regeneration Act 2023 included new measures enabling this in some circumstances (e.g. where the development is in the public interest and includes education, healthcare of affordable housing). In such cases, an acquiring authority may compulsorily acquire land at prices that do not reflect 'hope value' i.e. the segment

of land value that reflects its potential for development to a more valuable use. The purpose of this mechanism is to enable more development value to flow towards the provision of public goods, rather than to private landowners. They would only be used in cases where a negotiated agreement cannot be reached. These powers have not yet been used.

¹⁶ This section, and the information in Appendix A, draws on the [written evidence](#) previously submitted by Edward Shepherd to the 2024 Senedd inquiry into social housing supply.



Housing supply in Wales

Appendix A sets out some of the key available data regarding the supply of housing (and affordable housing) in Wales.¹⁷ These data suggest that:

- Housing supply in Wales has been on an overall downward trajectory since the Global Financial Crisis of 2007-08. New dwellings completed in 2024-25 (4631) comprise only half of the peak delivery in 2007-08 (9334). Annual delivery since 2019 has ranged between 6037 and 4631 and has been below StatsWales estimate of housing need over this period.
- Registered Social Landlords (RSLs) consistently deliver the majority of the new affordable housing in Wales, having accounted for between **80%-90%** per year between 2018 – 2022 (with a drop to **70%** and **75%** in 2023 and 2024).
- The proportion of new affordable housing delivered by local authorities has been steadily increasing and has accounted for between **8%-23%** per year since 2018.
- ‘Other providers’ (including private developers making contributions on new developments via planning obligations) have accounted for by far the smallest proportion at **2%-3%** of total affordable housing provision per year between 2018 and 2022 (with an increase to **9%** in 2023).
- Planning obligations have accounted for between **23-30%** of new affordable housing over the last five years (reaching closer to **35%** prior to this). However, these data include planning obligations entered into by Registered Social Landlords and local authorities (rather than solely by private developers).
- The number of affordable homes granted consent via planning obligations is consistently higher than the number of affordable homes delivered via planning obligations. This suggests potential viability issues impacting schemes following planning permission. It also indicates the importance of maintaining an adequate supply of planning permissions.
- The number of affordable homes delivered by ‘other providers’ (including private developers via planning obligations) as a proportion of new dwellings completed by private enterprise has consistently been around **2%-3%** in the period 2015-2022, although rose to **7%** in 2022-23. Although there are problems with these data (see Appendix A for details) and they should be interpreted in conjunction with data on financial contributions towards affordable housing, they do suggest that private developers may be consistently providing a proportion of affordable housing on their schemes that are below policy requirements.
- Local authorities are finding it difficult to spend funds paid to them for the provision of affordable housing in the form of financial contributions via planning obligations. This has resulted in a growing total of such funds reaching around **£33 million** in 2023-24. This could be because of difficulties in sourcing suitable development sites and/or existing homes for tenure conversion and lack of expertise in development.
- Although local authorities appear to be finding it challenging to spend financial contributions, they are increasingly making land available for the provision of affordable housing through new build schemes or through the purchase, leasing or conversion of existing units. Public sector land is making a significant and growing contribution to new affordable housing as a proportion of overall additional affordable housing supply, rising from **22%** in 2021-22 to **40%** in 2022-23, although levels of provision on public sector land have since declined.

¹⁷ This section, and the information in Appendix A, draws on the [written evidence](#) previously submitted by Edward Shepherd to the Senedd inquiry into social housing supply.

The data suggest that land value capture in the form of contributions towards affordable housing via planning obligations (from private developers, RSLs and local authorities) is making a significant contribution to the overall provision of affordable housing in Wales. It is difficult to determine what contribution is being made by private sector developers to overall affordable housing supply via Section 106 agreements, as these data are not collected. However, there is some evidence that private developers may consistently be making affordable housing contributions on their schemes that are below policy requirements.





Development land markets, land value capture and land supply

Planning obligations and CIL (collectively referred to here as 'developer contributions') are considered forms of land value capture because, in theory, the payments made by these mechanisms are capitalised into development land prices. The expectation is usually that speculative housing developers review local planning policy and reflect policy requirements in their bids to landowners. In terms of land value capture, such policy requirements could include a CIL payment and any Section 106 contributions, including for affordable housing. Therefore, in theory, land prices should adjust to policy requirements.

However, the land market rarely actually works like this. This is because private landowners have the ultimate say in whether they release their land for development.¹⁸ Furthermore, planning obligations (including affordable housing contributions) may not be clearly set out in up-to-date policy and can be subject to negotiation. Private landowners will usually not sell their land for development unless they are financially incentivised by receiving a payment that they regard to be a sufficient multiple of the value of the land in its existing use. Landowner expectations may not neatly adjust to reflect policy requirements. Market conditions, planning policy and the expectations of landowners therefore work together to set a minimum threshold for land prices that, if not met by developers, will result in them not being able to secure development sites.

Developers need development sites to stay in business, and so may be incentivised to agree prices for land that do not fully reflect policy requirements on affordable housing on the expectation that they can engage in a viability negotiations with the local authority. Furthermore, if market or regulatory conditions change between relevant local planning policy being adopted (which may therefore be out of date), agreeing a land price with a landowner and submitting a planning application, this can also prompt viability negotiations¹⁹.

¹⁸ Any reluctance by the landowner to sell the land can, in theory, be overcome by compulsorily purchasing the land – but these powers are rarely used.

¹⁹ For an empirical investigation of stalled residential sites in England, taking account of viability issues, see: McAllister, P., Street, E. and Wyatt, P. (2016) '[An empirical investigation of stalled residential sites in England](#)', Planning Practice & Research, 31(2), pp. 132–153.

The residual method and viability

Development viability is now a central consideration in plan-making and development management in Wales.²⁰ A development is considered financially viable if there is enough value created by the new development to cover all costs of delivery. The value of the new development (its Gross Development Value) is calculated by working out what the development will be worth once it is completed. In the context of residential development, the Gross Development Value would be the total sum of the expected sales prices of all the homes that will be delivered (assuming it is not Build to Rent). What is left over once all costs of delivery have been covered is what is available to pay for the land. In the parlance of property valuation, this is the 'residual method' that produces a 'residual land value' i.e. the land is the 'residual' – what is left over from the Gross Development Value once all other costs have been incurred.

Viability in planning in Wales is defined in the Development Plans Manual Edition 3 as follows:

Development can be considered viable if, after taking account of all known costs including:

Government policy/regulations, all construction and infrastructure costs, the cost of and availability of finance, other costs such as fees and a contingency sum, the value of the development will generate a surplus sufficient to provide both an adequate profit margin for the developer and a land value sufficient to encourage a land owner to sell for the proposed use. Development can also be made viable through the availability of Government grants.”²¹

In terms of the residual method, developer contributions impact viability in two ways. Any CIL payment or financial or in-kind contribution made via planning obligations incur a cost – therefore leaving less value to flow elsewhere e.g. developer profit and landowner return. An affordable housing contribution primarily impacts the residual calculation by negatively impacting the Gross



Development Value. This is because an affordable home generates less value for the developer than a market tenure home.

For example, a social rented tenure home may be worth around 35% of the value of a corresponding market tenure home, and an intermediate tenure home may be worth around 50% - 60% of market value. Therefore, the more affordable housing on a scheme, the less development value there is to cover costs. It is partly for this reason the Welsh Government Social Housing Grant can be used to support delivery and improve

viability. This is the main capital programme supporting the delivery of affordable housing in Wales by local authorities and Registered Social Landlords. The grant budget for the period 1 January 2021 to 21 March 2026 is £2.3 billion. However, this funding cannot be used to subsidise private sector developments that are providing affordable housing via Section 106 agreements.

²⁰ For an account of the progressive embedding of viability into planning from the English perspective, see: McAllister, P. (2017) 'The calculative turn in land value capture: lessons from the English planning system', Land Use Policy, 63, pp. 122-129.

Viability and planning in Wales

Paragraph 4.2.20 of Planning Policy Wales Edition 12²² requires that financial viability of housing sites is “assessed prior to their inclusion as allocations in a development plan”.²³ The Development Plans Manual Edition 3 provides guidance regarding this. The intention is that allocated sites should be able to viably deliver policy required developer contributions, including affordable housing. The Development Plans Manual therefore seeks to ensure that development sites are allocated only if they are viable while delivering the ‘broad levels’ of affordable housing required by the local planning authority.

The expectation now, therefore, is for Local Development Plans to be viability tested to ensure that policy requirements are deliverable by the market. In practice, this means setting land value capture policies at levels that provide sufficient financial incentive to landowners and developers. Current viability orthodoxy is, therefore, predicated on the notion that a balance needs to be struck between the financial expectations of developers and landowners and the aspirations of policymakers to seek to ensure that land value capture policy secures contributions but not at a level that would erode the incentive for the market to deliver.

Paragraph 3.51 of the Development Plans Manual therefore states: “Further viability testing at the planning application stage should only be required on an exceptional basis.” However, in practice, viability negotiations at application stage do frequently happen. Small adjustments in value or cost or timing expectations can have a significant impact on residual land value. Indeed, if any of the following affect a residential development, it can be perceived to negatively impact viability:

- build costs have increased (e.g. due to inflation caused by geopolitical events);²⁴
- house prices have decreased (e.g. due to lack of mortgage availability);
- the cost of finance has increased;
- the regulatory environment has changed resulting in higher build costs (e.g. fire safety, building regulations relating to energy efficiency); or
- there are exceptional costs to delivery e.g. significant infrastructure or ground remediation costs.

These are just some of the issues that can negatively impact viability. Clearly, spatial variation in local house prices, the specifics of a particular development scheme and site-specific ground conditions and infrastructure requirements mean that there can be spatial variation in the viability of development projects. This, of course, means that the potential for land value capture varies by local market area and specific development site. The potential for land value capture is greatest in areas where there are high property values and development sites that do not have complex and costly delivery requirements. Where viability is challenged, a developer may seek to either cut costs, maximise value (e.g. by reducing the affordable housing contribution) to improve viability. If this is not possible, the development is unlikely to proceed.

²¹ Welsh Government (2020) [Development plans manual edition 3](#), March 2020, p. 138.

²² Welsh Government (2024) [Planning policy Wales edition 12](#), February 2024.

²³ This requirement was initially introduced in Planning Policy Wales Edition 10, December 2018.

²⁴ For example, construction output prices (which reflect the prices paid by developers to contractors) started increasing rapidly after 2020 and have gone up by 27% in Great Britain over this period (GB Construction Output Price Indices, Quarter 3 (July to September) 2025).

The role of viability in affordable housing negotiations

Although all the assumptions going into a viability calculation are important, for the purposes of calculating viability for planning there are two fundamental necessities. In the words of the Development Plans Manual (para 3.47) these are that the development provides “an adequate profit margin for the developer and a meaningful uplift in value for the land owner”.

Developers argue that they need to achieve their target profit to provide sufficient financial incentive to take on the risks of development. Landowners argue that the payment they receive for the land should be sufficient to incentivise them to release the land for development; it should therefore represent a sufficient uplift from the value of the land in its existing use. Because most new development in Wales is private sector-led, the financial return expectations of developers and landowners have significant power. If these are not met, then the development is considered unviable and is unlikely to proceed.

In such cases, applicants may submit a viability calculation that seeks to demonstrate that the development cannot make policy-required contributions while also delivering an ‘adequate profit margin’ for the developer and a ‘meaningful uplift’ in land value for the landowner. Therefore, in viability negotiations of this kind, the assumed ‘adequate profit margin’ and ‘meaningful uplift’ in land value (otherwise known as the benchmark land value) is crucial because increases or decreases in these will result in more or less value being available for developer contributions such as affordable housing.

If policymakers wish to encourage development to come forward in such circumstances, then they can therefore set or apply policy requirements at a reduced level. Therefore, development viability is the key calculative mechanism via which the financial interests, expectations and objectives of private developers, landowners and policymakers acting on the behalf of the community are mediated to determine how much development value flows in which direction.



Viability guidance in Wales

Compared with England, Wales does not have much detailed guidance concerning the calculation of development viability. The national viability guidance in England is quite extensive and was updated in 2018 to seek to ensure that prices paid for land fully reflect policy requirements.²⁵

However, in Wales, there is no dedicated and comprehensive policy guidance for viability in planning, such as a Technical Advice Note. The Development Plans Manual contains some high-level guidance for viability for plan-making purposes. The guidance on Delivering Affordable Housing Using Section 106 Agreements guidance (2008) and update (2009) provide other detail, although this is now over 15 years old. The existing policy does not provide specific and detailed guidance regarding the issue of benchmark land value as well as other procedural issues.

In the absence of government guidance and capacity building, many local authorities in Wales are now using a Development Viability Model produced by surveying firm Burrows-Hutchinson Ltd for plan-making and, in some instances, for determining viability at planning application stage. However, the report of the Affordable Housing Taskforce found that:

A standard methodology for viability appraisals does exist through the RICS / Hutchinson Burrows [sic] model. However, there are contentious elements to how this is applied in the case of the benchmark land value and the build costs. The models need to be further refined to apply to Welsh circumstances...”²⁶

Although there is currently no clear national planning guidance for viability in Wales, the Planning Officer’s Society Cymru (POSW) has commissioned Burrows-Hutchinson Ltd to write some guidance which POSW hopes will be used by local planning authorities and potentially adopted as local planning guidance. However, this guidance has not been put out for formal public consultation to gather a range of views, and would not have the weight of formally produced and centrally adopted policy guidance, such as that represented by a Technical Advice Note.

²⁵ For an account of the issues that led to this adjustment, see: Crosby, N. (2019) ‘Development viability assessment and the provision of affordable housing: a game of ‘pass the parcel’?’, Town Planning Review, 90(4), pp. 407-428.
²⁶ Welsh Government (2025) [Affordable housing taskforce: report and recommendations](#).

Benchmark Land Values

Regarding benchmark land value, Table 24 (Viability Modelling Considerations) of the Development Plans Manual states: “Evidence of prices paid for comparable land will be a suitable starting point, adjusted where necessary to take account of any difference between past and proposed planning policy and / or infrastructure requirements”.

However, the guidance is less unequivocal than the 2018 English guidance update regarding the need to ensure that benchmark land values that are used for viability negotiations at planning application reflect full policy requirements. Furthermore, the approach to benchmark land value set out in the Development Plans Manual still potentially leaves open the possibility of landowner expectations of land prices based on out-of-date policy being used to set (and potentially limit) new policy requirements for affordable housing, given that market evidence of prices paid for land are the starting point.

By way of example, a letter from Savills dated 15 July 2020 in Appendix 3 to the Bridgend Local Development Plan 2018-2019 Plan-Wide Viability Assessment 2021 states that, in their view, the benchmark land values originally proposed for plan-making were too low “based principally on information from minimum price clauses within option agreements” (among other evidence).²⁷ This advice resulted in uniform increases to benchmark land values for plan-making. Updated multiples from base agricultural land value range from 28-42 in the higher value, compared with original multiples of 22-33. In this example, the use of evidence from minimum agreed land prices in option agreements that pre-dated the Local Plan exercise (and were therefore based on a different policy regime) will have reduced the value headroom available to support the delivery of affordable housing within the local authority.

²⁷ See [Bridgend replacement Local Development Plan 2018-2033 plan-wide viability assessment](#).



Previous studies

There are two relevant previous studies relevant to viability in Wales, both conducted by Arcadis.²⁸ The 2017 study on viability in Wales found that viability evidence at plan-making stage was limited, contributing to distrust and increasing the scope for viability (re)negotiation at development management stage. This also contributed to unrealistic housing trajectories and over-allocation of sites. However, since this report was published, Planning Policy Wales has been updated to require site-specific viability testing for sites allocated in Local Development Plans. Nevertheless, both previous studies found that viability issues were a key contributor to stalled sites, particularly in market areas with lower property values and in cases where there are high development costs associated with site remediation and infrastructure.

Both studies found that landowner expectations regarding land values were also a key factor in viability issues. The 2017 report on viability found a “high level of instances at which [sic] affordable housing requirements are negotiated down on the back of a variety of factors affecting site viability (ranging from abnormalities such as ground conditions through to agent demands for land value)”.²⁹ The 2020 report on stalled sites further states: “The combination of high expectations from landowners in terms of land value, combined with high development costs...and relatively low sales values make sites either marginally viable or unviable in many parts of Wales”.³⁰

These previous studies also found that lack of transparency and standardisation in the viability process further undermined the process, and the 2017 study commented on the reluctance of developers to share viability calculations and evidence due to supposed commercial sensitivity. However, since the publication of the 2017 report, the Burrows-Hutchinson viability model has gained more widespread use, although there continues to be no formal requirement to make viability calculations publicly available. It was also found that the lack of a consistent evidence base also undermined the process, although the 2017 report also noted instances of local authorities collecting market evidence to support viability negotiations. The 2017 study also noted the lack of national policy guidance for viability, although the Development Plans Manual has since been updated to include more information on viability testing at plan-making stage.

As the rest of this report shall explore, many of the issues identified in these two previous Arcadis studies continue to affect the planning viability process, despite the policy and practice changes introduced since the publication of these reports – namely the requirement to viability-test allocated sites in Local Development Plans and the more widespread adoption of a standardised viability model.

²⁸ Arcadis (2017) [Longitudinal viability study of the planning process: Final report](#), Welsh Government; Thompson, G. (2020). [Research into stalled sites in Wales: Final report](#), Arcadis.

²⁹ Arcadis (2017), p.14 – emphasis added.

³⁰ Thompson, G. (2020), p.22 – emphasis added.

PART 2: Workshop findings

4. Workshop format, design and method

Nineteen participants were recruited from Welsh local authorities, Welsh Government, the development industry and third sector and advocacy groups. All Welsh local authorities were invited, but only eight were able to attend. All participants attended in person, apart from two who attended online via a hybrid format. The following organisations were represented at the event.³¹

Table 1: Workshop participants

Category	Represented
Welsh local authorities	Swansea Council Newport City Council Pembrokeshire Coast National Park Caerphilly County Borough Council Cardiff Council Bridgend County Borough Council Powys Council Vale of Glamorgan Council
Welsh Government	Land Division Planning Division
Development sector and advisory	Crompton Land and Development Life Property Group Taff Housing Association Burrows-Hutchinson Savills
Third sector and advocacy groups	Country Land and Business Association Cymru Welsh Local Government Association Chartered Institute of Housing Cymru Home Builders Federation

³¹ Although originally confirmed as attending, representatives from the following organisations had to withdraw on the day: RTPi Cymru, Shelter Cymru, Denbighshire County Council.

There were four discussion sessions on the following topics:

1.

Embedding development viability in the plan-making process: experience, expertise and politics
2.

Development viability challenges: market, evidence, expertise
3.

Engaging with the land market: landowner behaviour and benchmark land values
4.

Future trends and pressures

The first session was participated in only by public sector planners and related stakeholders to provide space for discussion regarding officer experiences in embedding viability in plan-making and development management. The rest of the day was open to all participants to learn from each other and develop insight into each others' perspectives on the issues.

The workshop discussions were recorded and transcribed before analysis by the authors. The data were anonymised before analysis was conducted using qualitative data analysis software package Nvivo to identify key themes. An information sheet was provided to workshop attendees specifying how their data would be used. A draft of the report was shared with workshop participants for feedback and some adjustments were made as a result. Although Part 2 is a faithful and accurate representation of the workshop discussions, the conclusions drawn from the discussions and the account in Part 1 represent the views of the authors and may not necessarily be shared by all the workshop participants.



5. Workshop discussion themes

Power relations

Land value capture policy is, if nothing else, a means of trying to regulate the division of development value between landowner, developer and local authority (via developer contributions). In terms of the Section 106 model, this often comes down to negotiation between the parties – both in terms of setting land value capture policy in Local Development Plans, and in terms of (re)negotiating at planning application stage. As such, workshop participants acknowledged the power relations that shape the design and implementation of land value capture policy.

Landowner power

Participants noted the power held by private landowners in terms of being able to dictate whether and when land comes forward for development. There was a perception that if market or land value capture policy conditions result in land prices that do not meet landowner expectations, then they may not be willing to sell land for development, preferring to wait for improved market or policy conditions. As one participant noted in relation to expectations of future land price increases:

“**So why would you sell land now?** Why wouldn't you wait going forward, effectively? Are there incentives, and can we start introducing levies to sort of incentivise people to develop sites?”

Indeed, this perception of landowner power over the supply of development land is influential in land value capture debates, and can be invoked by landowner and developer interests to ward off any increases in land value capture liabilities. To provide an emblematic example, the Country Land and Business Association (the membership organisation/lobby group for landowners in England and Wales) made the following argument in their written evidence to the recent Westminster Community, Housing and Local Government Committee inquiry on land value capture:

“**if more land value is to be captured, and it makes taking the risk on putting land forward for development unattractive, or worse, unviable, then the 1.5m homes will never be delivered.**”³²

This makes the implicit threat of landowners withholding land in response to land value capture policy adjustments very explicit. While it is no doubt the case that some landowners may respond in this way, the extent to which this would be the case is dependent on the aspirations, expectations and circumstances of individual landowners, and the amount of development value that land value capture policy is seeking to secure. Due to the heterogeneity of development sites and landowners and local policy settings, it is therefore difficult to generalise regarding the impact of land value capture policy on ‘the land market’ (as there is not just one land market, but many).

³² Written evidence submitted by the [Country Land and Business Association](#) [HLV 032], March 2025.



Developer power

While economic theory suggests that private developers can simply pass on land value capture liabilities to landowners, this may not always happen due to competition in the land market. Land value capture liabilities can therefore impact developer profit margins and impose requirements that they would otherwise rather not meet. Private developers also have power in land value capture negotiations due to their ability to withhold development if their profit expectations are not met. In circumstances where there is significant unmet local housing need, this may influence local planning authorities to allow development to come forward with lower than policy-required levels of affordable housing, for example.³³ According to one participant:

“**Policy should definitely [not be] there to guarantee or to ensure a certain amount of a profit for a developer, although one has to be realistic and practical in these situations, because if the developer is going to make their money at all from developing the site, then it's not going to happen without some other form of incentive in the background...**”

This quote acknowledges a need to be ‘realistic and practical’ regarding the need for developers to make profit and, as such, implicitly acknowledges that private developers may hold significant bargaining power in cases where the local authority is reliant on them to help meet their Local Development Plan

delivery objectives (typically for larger sites). While it cannot be disputed that private developers need to be motivated to take on the risk of development by the prospect of making profit, it remains an open question as to what level of profit is acceptable and how this profit should be measured for the purposes of viability assessment.

State power

Clearly local authorities also have significant power as they are monopoly holders of development rights. Without planning permission, neither landowners nor developers will be able to crystallise any development value (via financial return) at all. There was the sense among some workshop participants that, although local authorities can sometimes be portrayed as being ‘on the back foot’ in land value capture negotiations, they can and do exert their monopoly power over the supply of development rights and engage in hard bargaining. One participant from a local authority noted that there is a particular opportunity to do so at plan-making stage to reduce scope for negotiation at later stages of development:

“**[At planning application stage, it is] much harder to say, you know, ‘We’re going to resist this viability case, or, you know, even the accepted viability case, we’re going to review the application,’ because you’ve already deemed this site to be critical to delivering your strategy, delivering your housing need. So... councils... if they can take a strong approach at plan**

making stage on viability, you’re in a better negotiating position down the line.”

There was the sense among some local authority participants that it was worth exerting this kind of power, because it could yield results and unlock contributions that might otherwise not have come forward, as alluded to by one local authority representative:

³³ This is currently happening in London, for example. It has been reported that the Greater London Authority will allow a 50% reduction in CIL payments, as well as a significantly reduced affordable housing requirement to encourage more housing development to come forward. See: Ministry of Housing, Communities and Local Government (2025) [Support for housebuilding in London: Policy statement outlining measures to accelerate housebuilding in London.](#)

“I mean, it’s amazing how quickly the viability picture on the site that I’m at, well, changed when we said, “Well, you know, blame members.

Members won’t back this plan, this site, if you’re saying there’s no money for that extension to that school,” it did change very quickly...”

Another means by which landowner power can be tackled by state actors is through the compulsory purchase of land, although this power is rarely used. However, for some workshop participants, this is a potentially useful tool to overcome landowner intransigence in releasing land at prices that fully reflect policy requirements. Indeed, this is precisely the objective of the adjustments to the compulsory purchase rules to enable land to be purchased net of hope value (see page 12). However, for at least one workshop participant, this change represents an unfair imposition on the expectations

of landowners, who might have purchased land with hope value and who might have also borrowed against it, only to have this segment of value potentially removed in a compulsory acquisition. This cuts to the heart of the moral issues at the heart of land value capture, and which were the subject of so much debate in the 18th and 19th centuries i.e. the tensions between the ‘rights’ of private land ownership and the ‘rights’ of the wider community whose interests are affected by the use and development of land (see page 9). This was noted by one participant as follows:

“**I suppose...the morality of it will be tested when someone chooses to implement it, and it’s tested in a court of law, you know, the rights of the landowner versus the rights of society or the greater good...I guess the trick is finding the sweet spot, isn’t it? You know, where everyone’s happy.**”

Finding ‘the sweet spot’
Because of the nature of the speculative housebuilder model, the struggle over the division of development value has the potential to be adversarial. How the value is ultimately divided is largely a function of the nature of the power held by the various parties and their strategic ability to deploy it to secure outcomes in their favour. As indicated by the above quote, the aspiration is often to arrive at a non-adversarial ‘sweet spot’ where ‘everyone’s happy’ i.e. the landowner gets their financial return, the developer makes their profit, and the local authority receives a contribution towards their policy objectives. However, where precisely this ‘sweet spot’ lies is obviously variable, depending on the characteristics of the development, the requirements of local planning policy and the expectations and aspirations of the various parties involved. Because of the lack of transparency that pervades the land value capture policy process, there can often be a high degree of distrust that can exacerbate adversarial relations and frustrate the process.



The causes of (dis)trust

Transparency and data

Despite this aspiration for finding a 'sweet spot' where 'everyone's happy', there was a sense among the participants that this rarely happens in practice. Although it could be argued that positive and permissive planning decisions (e.g. local plan adoption and the grant of planning consent) in themselves demonstrate that sweet spots are indeed found, it does not necessarily follow that 'everyone's happy' with the balance that is struck. This speaks to the distrust that can exist between developers and local authorities in land value capture policy setting and negotiation. From the local authority perspective, it can sometimes seem as though developers are not being entirely transparent and are withholding information. This kind of impression can be exacerbated by the nature of the viability calculation, whose key output (land value) is highly sensitive to adjustments in the input figures:

“ You change one or two numbers on a spreadsheet, and you get a completely different answer... I do think we [local authorities] probably are in a strong position at times, because I remember one site... they couldn't afford to pay an education contribution... All of a sudden, they came up with a significant sum to make sure that we weren't reporting it to committee with a recommendation for review... And they never explain...how they've managed to come up with this sum.”

For one participant, this kind of thing contributes to an 'inherent distrust' that pervades the process:

“ One thing we talked about in our group, and it is almost kind of is a precursor to some of these conversations, is that kind of inherent distrust from different parties around the table about what people's motivations are, what they want to try and get out of it, the perception that someone's trying to game the system and that kind of sits there.”

This distrust can stem from differing views regarding the underlying market evidence that is used to set and implement policy:

“ So, the main source of complexity and tension, I think, is the starting point, which is what the local authority's expectations are of the developer/landowner, where they believe the mark is in terms of values and costs. So, yeah, it's a lack of understanding and knowledge, I guess, from one side to the other, which creates those tensions.”

Differences in expectations speak to a perennial issue in land value capture policy debates, which is the difficulty in securing reliable evidence from the land and development market, which can be notoriously opaque. The role of land value capture policy is to model market behaviour and, by doing so, set policy that can be embedded in and therefore shape that same

market behaviour to be more likely to deliver the desired policy outcomes. However, to accurately model market behaviour and therefore seek to (re)shape it, reliable market evidence needs to feed into the model.

In terms of land value capture, key evidence includes property values, build costs and land values (to inform benchmark land value). While property values such as house prices are generally accessible (e.g. from Land Registry data), accurate build costs and land values are harder to identify due to market opacity. Much of this knowledge is held by market participants based on their own networks and proprietary information. For one participant, getting hold of accurate build cost information was particularly challenging:

“ Inevitably, there's questions around build costs, developers looking at the more site-specific viability point, and kind of saying that the build costs that are being adopted by the local authority are too low, but they won't actually say what the evidence is that they're basing that on.”

For some participants, this could be addressed to some degree by ensuring greater transparency in the viability negotiations that shape Local Development Plan policy, such as by making viability information publicly available at plan-making stage. However, for another participant, this kind of transparency brings with it a degree of commercial risk for the developer:

“ I think there needs to be a distinction between the amount of information that is publicly available at the plan making stage, partly because at that stage, things are less certain, and may be dependent upon further studies during the rest of the planning process.”

But also because there is still potentially competition for sites between developers and the developer being forced to say, to reveal all the costs that they've investigated, all the results of their investigations being made public, which could then potentially be used by a competitor if they don't manage to secure the site.”

However, the counterargument to this is that plan-making and development management should be transparent and democratically shaped processes and that it is for developers to absorb and manage any risks associated with site promotion and development, as this is a justification for their risk-adjusted returns:

“ I don't think that's a good reason for it not to be publicly available, because if that's the basis upon which decisions are being made, I still think that needs to be seen.”

For some participants, the lack of trust surrounding land value capture and planning and development more generally is a significant issue that greater transparency would help address:

“ we are seeing a little bit of a crisis of confidence in planning at the moment around not being able to access information, not knowing how decisions are made, and... alleging, you know, convenient tie-ups to developers and local authority and all sorts of things. So my principle is get everything you can in the public domain so people can see it.”

So - while the development industry may not be comfortable with sharing information, there are strong arguments for making publicly available data on which viability policy and negotiations are based to improve trust in the process and to narrow the gap between expertise and understanding on the developer and the local authority side. Furthermore, more publicly available viability data and information would make conducting research in this area more feasible and would improve the evidence base for policymakers.



Skills and expertise asymmetry

For some participants, the distrust that can pervade the process is partly a function of a mismatch in skills, knowledge and resources. This was neatly put by one participant as follows:

“ And do the parties understand each other?...I don't think they do, and that's because it's a lack of perhaps knowledge and understanding and expertise. I mean, planners are not experts in viability, and the developers are not experts in planning. So, it's having the right tools to fit the right sort of equation when you get to that stage of the process.”

This quote hints at the fact that the parties want different things from the process and that they may not be seeing the issues in the same way, or based on the same datasets. However, for at least one participant, the situation has improved over the last few years as local authorities have sought to improve in-house knowledge and skills regarding viability and land value capture.

The introduction of a more standardised viability model (the Burrows-Hutchinson model) that has been adopted by many Welsh local authorities was identified as being a key contributing factor:

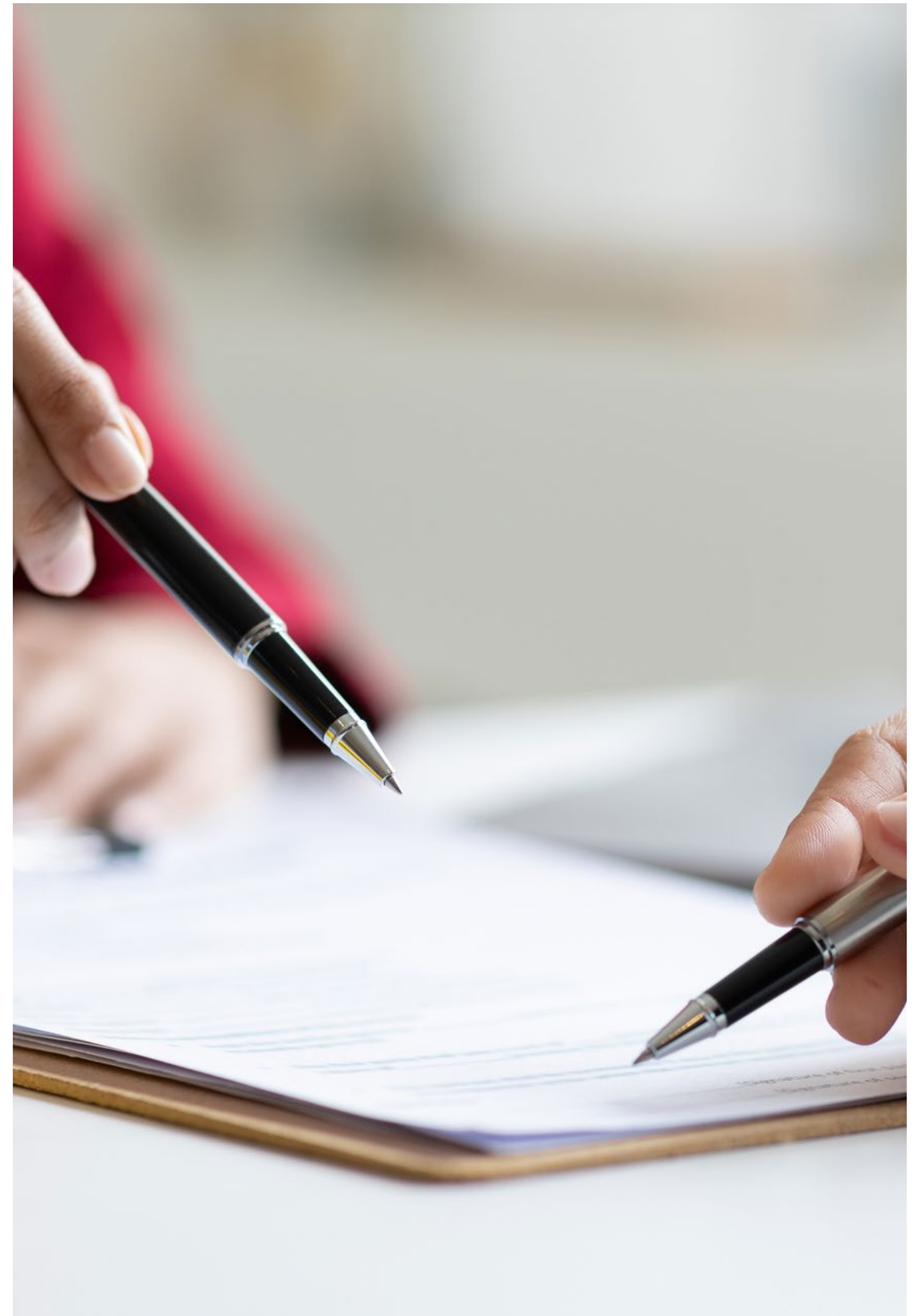
“ You know, I think over the last five, six, seven years, there has been... really, about upskilling...at the sort of local authority level and some improvements in terms of how we're working with developers. Honestly, we've... had, you know, some degree of cross sort of understanding, appreciation for each other's perspectives on things. Using the model, the development viability model that has increasingly been used as sort of a standardised approach, has been a big, big benefit.”

Furthermore, thanks to the requirement for viability to be embedded in plan making (initially introduced in 2018 via Planning Policy Wales 10), for at least one workshop participant, the level of understanding and trust between parties has improved:

“ I'm just going to say, there's vast talk about finding a sweet spot, which is about... I think you mean striking the balance... ”

Personally, I think we're moving in that direction. I think the discussions that have taken place over the last five years to do with viability, the increased transparency of viability discussions, viability...is moving towards finding that spot...”

However, despite the perception that local authority knowledge and expertise have improved over the last few years, there is still significant scope for upskilling and enabling local authorities to both understand the arguments put forward by developers and landowners and also to challenge them where appropriate.



Viability methodology and practice

Level of detail in modelling

While the Burrows-Hutchinson viability model was praised by some (particularly local authority representatives) as introducing some much-needed standardisation and consistency in viability practice, it also came in for some criticism from a few developer interests for being too detailed for the early plan-making stages:

“ We think that the DVM [Burrows-Hutchinson development viability model] is possibly too sophisticated for that stage of the plan-making process because it passes to break it down into individual house types. So, we think that at this stage, there should be perhaps a more simplified

version of the DVM used by local authorities at that initial stage...I think the consensus is the DVM model is a good tool, albeit it's excellent for the detail stage when you come to negotiate the 106 agreements and get to the final detail, but I think a simplified version could be more useful at the candidate site, preferred strategy, pre-deposit stage.”

However, while developer interests may prefer a more flexible and less detailed model at plan-making stage so as to reduce potentially abortive costs if a site is not allocated, or if market conditions change from allocation to development management stage, having less detail at these early stages makes it more difficult for local authorities to be confident

Mismatch between model and market

This also speaks to the difficulty inherent in contemporary land value capture in using planning policy to try to model and guide market activity, including developer and landowner behaviour.

It also connects with the

limits of planning knowledge regarding this behaviour, as it is inevitably mediated through policy and the tools of policy, such as the Burrows-Hutchinson viability model. This was illustrated in an exchange between two workshop participants – one a local authority representative

in the robustness of policy. Again, this brings with it the risk of distrust in the process and between the parties, particularly if developers try to renegotiate following the adoption of policy. This tension was neatly articulated by one participant as follows:

“ I think, from recollection...some of the landowners who were doing it, they didn't appreciate the costs of opening up the site, getting into the site, which was breaking through levels. Things that you would have thought they should have had at the outset, it's not as if the site has changed. But very quickly they were saying 'we can't do this' once it was allocated.”

and one a developer. Their exchange revealed a mismatch between the developer's view of market practice at site purchase and initial viability stage, and the local authority representative's view of the kind of model used, and the level of detail required:



Local authority: “I would argue that the developer who's looking to promote a site will have done a viability assessment, and he may have used sort of standard house types and a broad mix of development, broad mix of house types in his initial appraisal.”

Developer: “No, I think they would work just on pounds per square metre squared or whatever it is, density per metre squared. They wouldn't have done a detailed layer for that initial stage...It's a simple Excel sheet, that's all it would be...”

Local authority: “So, do you use that internally?”

Developer: “Yes, we do...Not off the shelf. It's my own version.”

Local authority: “But I think that's quite interesting to see. I haven't seen those, because we don't tend to get those sort of Excel spreadsheets submitted.”



The claims made in this exchange, if reflective of wider market practice, go some way in helping to explain why land value capture policy requirements are not always neatly capitalised into land prices in the way suggested by economic theory. Developers (or land promoters) may not be going into the same level of detail sought by policy in modelling the development and the land value capture requirements when bidding for sites, or agreeing a post-consent purchase price with a landowner under option. Indeed, early appraisal work when agreeing a land price may be oriented towards ensuring that parties are (in the words of a housebuilder):

“ in the same ballpark...and having meaningful discussions to almost take it to the next stage, and I think that is just trying to filter out those elements upfront so that you know, right, there is potentially a deal to be done... So, what you don't want to do is spend loads of time and money and effort and waste your time as well.”

However, if market participants are not doing the kind of detailed modelling sought by planning policy in the course of promoting a site for allocation, then this can later negatively impact trust, as articulated by one local authority representative:

“ we did a lot of work...to get the viability done, and people do high level things to get it within a plan, but then when you were discussing the application on one of our strategic sites, they did come back in very early, as I said, a couple years later, to say, you know, 'we need to do this.

We didn't realise there were costs associated with X, Y and Z.'...So, it doesn't seem that there's a good site to develop at all, if you listen to the development industry, in my opinion.”

These discussions reveal issues regarding the degree of modelling detail used at earlier stages of site promotion by developers and the mismatch between the financial models used for planning purposes and the models used by market participants when bidding for sites. There may be an irresolvable tension between the desire by planners to have lots of detail up front to inform policy setting for allocated sites in the Local Development Plan, and the desire by site promoters and developers to mitigate risk by only investing in the detail later on in the process. There may also be an irresolvable tension between the desire for a single standardised viability model for planning purposes, and the variety of different types of viability model used by different market participants for different purposes, which may all have differing degrees of detail and different ways of modelling key metrics like finance and developer profit.

However, although these tensions may be irresolvable, they could be addressed by providing more detailed guidance regarding viability for planning, to seek to influence market behaviour and bring it more in line with the requirements of planning. This prompts the question – what should be the proper relationship between viability policy and market practice? Nowhere is this question more obvious than in the relation between benchmark land value and land price evidence.

Land value and market dynamics

The relationship between policy and land value

Benchmark land value can be a highly fraught and controversial figure in viability assessments, because it is a key factor in determining how much development value is available to flow towards land value capture policy requirements such as affordable housing.³⁴ The higher the benchmark land value in the calculation, the lower the amount of value available to cover developer contributions. Indeed, it is in discussions concerning benchmark land value that we see evidence of competing views concerning what the purpose of viability policy should be.

The 'market' view adopts the perspective that land

value capture policy should reflect the land market. In the determination of benchmark land value, this means setting benchmark land values (and viability policy) at levels that reflect market evidence and landowner expectations concerning land prices. The underlying rationale for this is that landowners need to be incentivised to release their land for development, and their expectations will be influenced by land market transactions, and so it is these that should primarily influence the setting of viability policy.

However, the alternative 'policy' view adopts the converse perspective that the land market should reflect land value capture policy. In the determination of benchmark

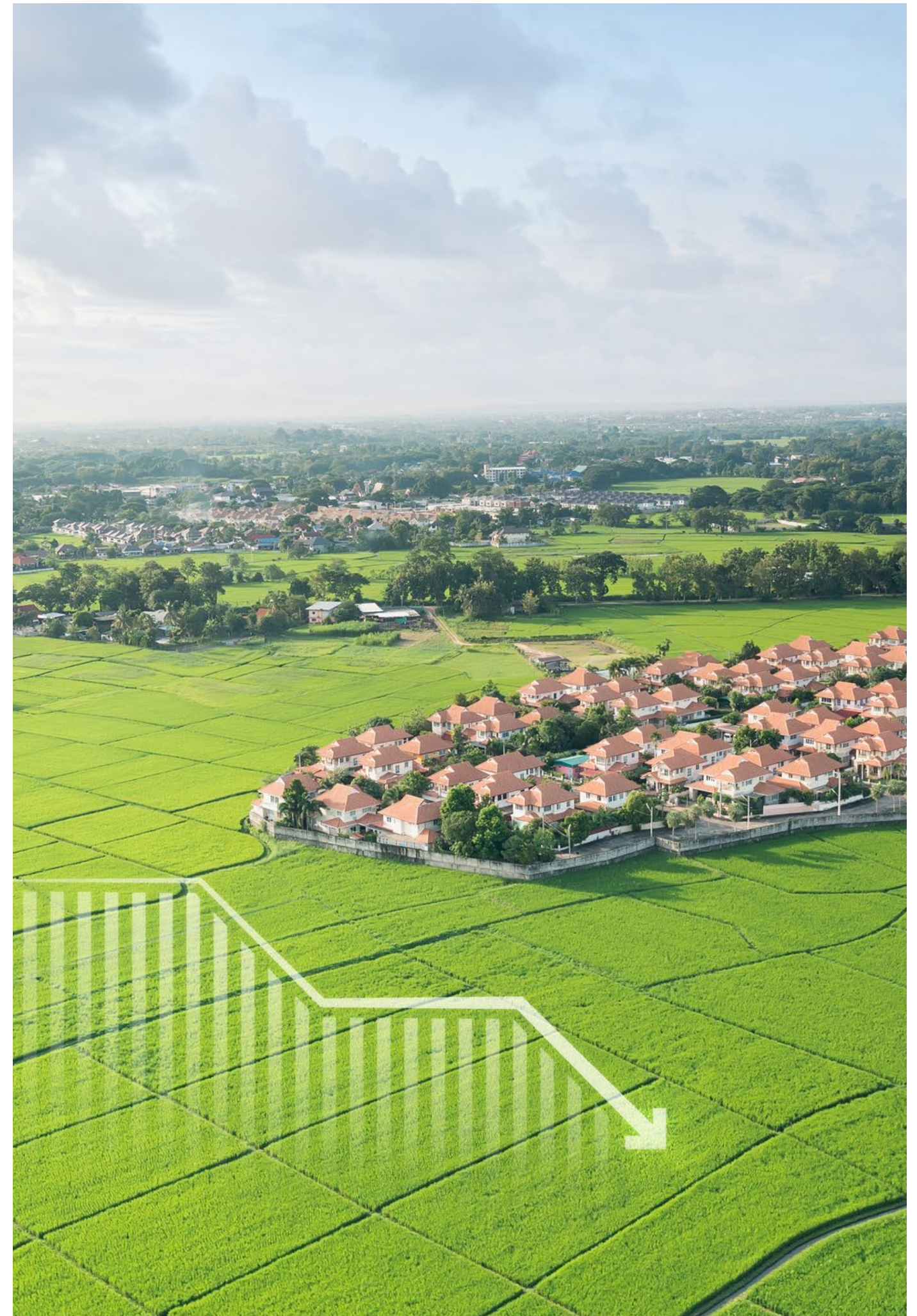
land value, this means setting land value capture policy at a level that allows some development value to flow towards the landowner, but not so much that it undermines the delivery of policy requirements. In current practice, this could mean setting policy that seeks to reduce land values from their current level, although perhaps not so much that there is no premium over existing use values. In this view, once policy is set, landowners would (in theory) adjust their expectations and land prices would adjust broadly in line with benchmark land values underlying the policy, and developer contributions would be delivered in line with policy.

These two competing views on the proper relationship between land value capture policy and land values are crystallised in the following quote:

“ We thought the landowner... price of land or how is it set, and set by the landowner, considering what was the price paid for the sites nearby or sites that are of similar type, and the questions raised, I suppose, is well, is that... you know, is that what we go for... is that ever going to change? Is that really the market price? Some said, "well, yes, that's market economics, you're never going to... never going to change that," or is it a case of, well, if there is such an established framework in place nationally that means the landowner has... any landowner has to fundamentally adjust their understanding of what their land might be worth, then that would change."

However, it was acknowledged in the discussion that the 'policy view' is difficult to put into effect in practice. This is because of the difficulty in extracting evidence from the land market, the lack of a consistent policy approach in the determination of benchmark land value, and the fact that land value capture policy as implemented via Section 106 is negotiable and, therefore, flexible.

³⁴ For more detail, see: Crosby, N. and Wyatt, P. (2019) 'What is a 'competitive return' to a landowner? Parkhurst Road and the new UK planning policy environment', Journal of Property Research, 36(4), pp. 367-386.



Opacity of land market evidence

The lack of transparent data regarding land prices means that policymakers are often reliant on the views expressed by developers and the advocates of landowners in local viability steering groups (see page 22 for an example of this).

Furthermore, the expectations and market evidence presented in these groups will be based on out-of-date viability policy, rather than the emerging policy requirements in the Local Development Plan. In addition, because

of the heterogeneity of land and landowners, it is difficult to generalise about land values at local authority level when setting policy, as acknowledged by one participant:

“**So, in terms of what influences landowner expectations, we discussed the fact that some landowners are more commercial than others as a general rule of thumb, they would talk to valuers, they would talk to other farmers, they would consider what the actual land is going to**

be used for, that would factor into their views. But we sort of discussed about the lack of transparent data to inform that value, and we gave the example of house prices have gone up by 10%, but that doesn't translate into land value necessarily, that's just one small component to determine the overall value. In terms of the argument around landowner expectations influencing policy and vice versa, again, it all depends on who the landowner is. There's no such thing as a typical landowner”

Lack of policy guidance regarding BLV

Because there is no clear national planning guidance in Wales concerning the determination of benchmark land value, the setting of policy levels often comes down to local negotiation and the deployment of tacit knowledge by market participants.

Whereas England has clear guidance regarding the approach to benchmark land value (i.e. determined primarily as a premium applied to existing use value, rather

than determined primarily by local land transactions which may not reflect fully policy requirements), Wales has no such detailed guidance. For at least one participant, this made it difficult to be confident in policy setting and application:

“**I think what we're lacking in Wales is a national method to set it [benchmark land value]....** Whether it's a multiplier on agricultural land value or whatever, that's what we're really lacking, and it just comes down to a bit of negotiation with surveyors...discussions with steering groups and what seems about right. That doesn't always sit that comfortably, certainly with me...”

Need for permanence

However, regardless of the method used to determine benchmark land value, for it to influence landowner expectations and therefore ultimately enable more development value to flow towards policy requirements than would otherwise be the case, it needs to be regarded as inflexible and permanent:

“**Once developers and landowners understand that you're going to stand by viability assessments and not be unduly flexible, then that will affect land prices and developer expectations.”**

Indeed, it is partly for this reason that Planning Policy Wales 12 requires site-specific viability assessments to be carried out for allocated sites. The intention is that, by moving viability assessment ‘upstream’ in the planning and development process, this

creates more certainty and less scope for flexibility regarding the land value capture policy requirements for allocated sites. Indeed, although there is somewhat of a policy vacuum concerning viability assessment for planning (and the determination of benchmark land value in particular), the local authority participants considered that undertaking site-specific assessments on strategic sites at plan-making stage, the vagueness and flexibility of relying on plan-wide viability testing would be reduced (although not entirely removed):

“**I think the key thing is that, as far as possible, you need to have, as PPW demands, site-specific viability assessments for anything that's allocated in the plan.**

The more we rely on high-level stuff down at a county wide or plan wide level, the less solid that's going to be, because every site is different. Every site has its own degree of abnormal costs. House prices will be different on one side of a settlement than on another. So, the sort of high-level approach that has dominated plan making in the past isn't good enough...”

However, further research is required to monitor and track the progress of allocated sites and to determine the degree to which front-loading of site-specific viability into plan-making has indeed had the intended effect.



Policy and timing of development

Indeed, the Planning Policy Wales requirement for site-specific viability assessment is likely to have its intended effect only if the Local Development Plan has been recently adopted and/or if sites come forward for development within a reasonable timeframe since the site-specific viability assessment was carried out and relevant land value capture policy was set. One participant noted this in relation to a recently adopted Local Development Plan:

“Not getting any viability challenges so far. Stopped participating in them, because it's so recent since they were just tested, and if something changes, we've got a very clear audit trail as to what has changed and why, and it all comes down to having that plan making, site-specific testing done upfront. Now, in practice, things can change. They do. But not... not at the moment.”

However, some participants acknowledged that the process of adopting a Local Development Plan can be lengthy, such that by the time a plan is adopted and sites are coming forward for development, the viability testing underpinning the site

allocations may be out of date, thereby opening scope for site promoters and developers to renegotiate. Indeed, 11 out of 25 Local Development Plans are expired, meaning that there is wide scope for viability policy to be called into question at planning application stage.

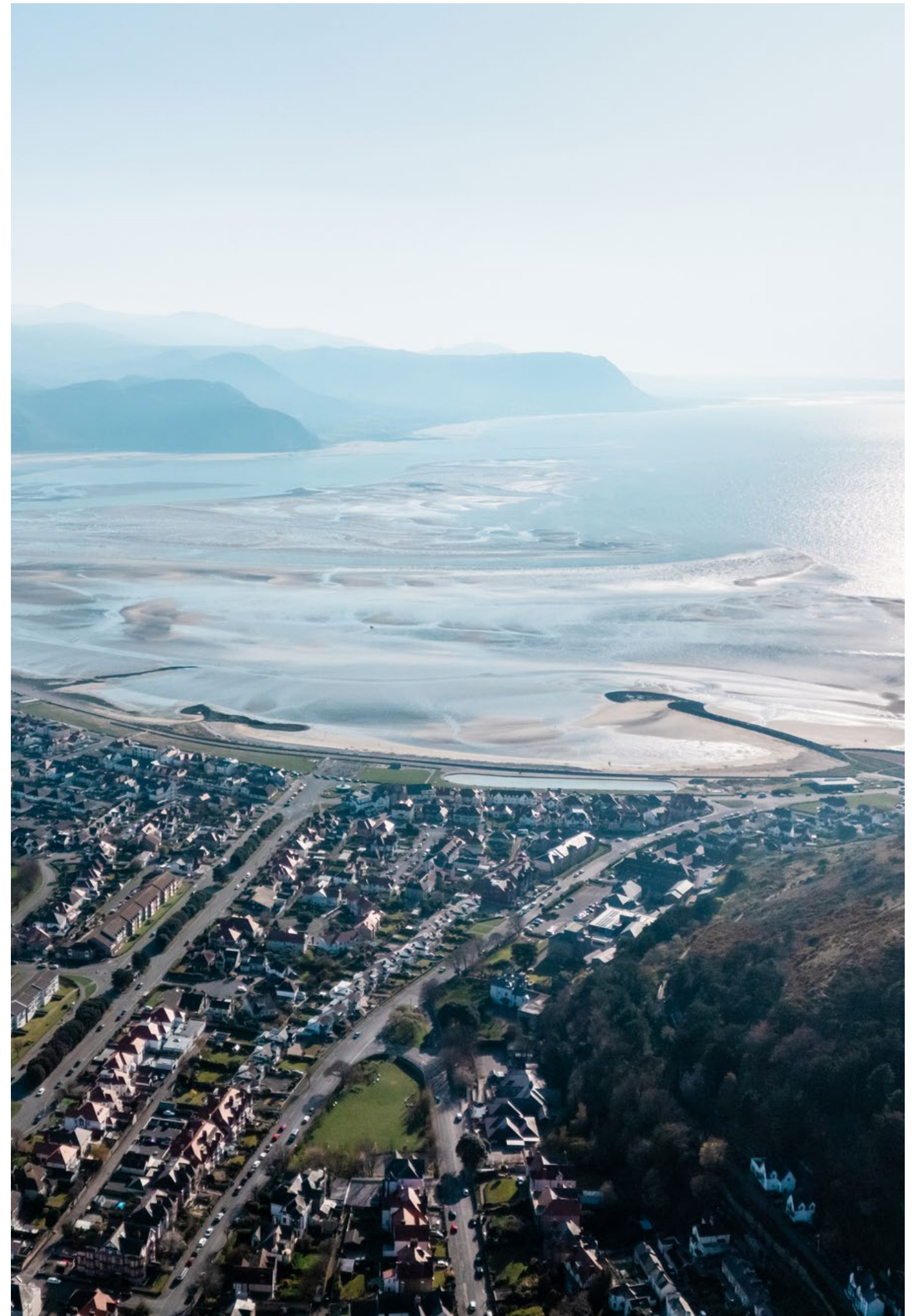
Furthermore, even following site allocation, there can still be delays in bringing the site forward due to regulatory requirements. These include obtaining full planning permission, signing any legal agreements, discharging planning conditions and obtaining performance bonds on any Sustainable Urban Drainage System Approval Body (SAB) approvals. One developer participant noted that is now difficult to obtain performance bonds that may be required by local authorities due to difficulties in the bond market, and this imposes further delays. These conditions may further open scope for viability (re)negotiations following the adoption of a Local Development Plan if market conditions can be presented as having changed for the worse.

For some participants, the timescales of Local Development Plans are not sufficiently strategic, and

therefore help exacerbate a cyclical and speculative development land market:

“I think all of our strategic plan is a little bit short-termist as well, because we create these curves of activity and inactivity, and so you create the scarce resource. So a plan is a 15-year period, but often they find you're behind before they get adopted, and so if you're lucky, you've got a 10-year plan period...so we're just creating these cycles every 10, 15 years which is bad for the market, it's bad for policymaking, because it's policy changes from one plan to the next in many respects, and real strategic planning, you've got to look further ahead, I think.”

This is an argument for stronger strategic planning which can create more certainty for the development sector. Indeed, this is the direction of travel for planning in Wales, with the introduction of Corporate Joint Committees (regional planning committees) and Strategic Development Plans. However, no such plans have yet been adopted.



Alternative delivery models

Partnership models

As explored in Part 1, current land value capture and viability orthodoxy is predicated on the speculative development model. The way this model operates is that there is a necessarily a somewhat distrustful and adversarial struggle over the division of development value at the outset of a development project – in terms of development land purchase terms and the degree to which land value capture policy may (or may not) influence these.

However, local authorities and housing associations are increasingly engaging in their own developments. More public sector land is being developed (see Appendix A), and grant-funded RSLs are increasingly active in the development land market. Such developments could be supported by a partnership model, whereby private housebuilders work with RSLs on the delivery and management of projects. Various potential models are available,³⁵ with one participant describing the following:

“**And this is the partnership model. There's larger house... not national, but larger SME housebuilders in North Wales who become partner, and they're effectively contractors for RSLs and deliver 100% affordable schemes, but deliver them cheaper than if an RSL went under a traditional design, build contract.”**

This quote is suggestive of the potential for this kind of alternative model to be leveraged to support the expansion of affordable housing supply.

³⁵ For an overview, see: British Property Federation (2023) [Affordable housing partnerships: Catalysing investment in social housing](#).



Distortive effects of grant funding?

However, some developer representatives raised the point that the land market is potentially being distorted by the Social Housing Grant-funded activities of RSLs. Although no direct evidence of this was provided, there was a perception among some participants that this is creating a ‘two-tier land market’, whereby RSLs with access to grant funding are sometimes able to out-bid private developers for sites. From the private developer’s perspective, it is frustrating to lose out on development sites. Furthermore, it could be considered problematic if grant funding that is available

to RSLs is capitalising into higher land values than would be achievable without such funding. However, a different perspective was offered by one participant:

“**Some would say that's good news. That means...more land for affordable housing, that would be the argument...if we need to secure more land for affordable housing, it's kind of doing its job.”**

Indeed, it could be argued that, in addition to the grant funding being capitalised into higher land prices, it is the commercial rates of developer profit that are foregone by RSL

developers (reflecting lower risk as well as longer time horizons than the speculative development model) that are enabling such entities to outbid private developer competitors. However, regardless of how the flow of value is conceptualised, if prices paid for land by RSLs are out-competing private developers, then it is hard to see how this represents a form of land value capture.



Future trends and pressures

Finally, participants reflected on the future trends and pressures that could shape land value capture and viability in Wales.

Economic uncertainty

A key theme of this report has been the vulnerability of development viability and land value capture to economic and market uncertainty. It is therefore unsurprising that this was invoked by participants in the discussion. Most obviously, there is uncertainty regarding future house prices as well as future development costs. According to the ONS construction output price index, costs have increased by around 30% in the period 2020 – 2025, with little sign of this inflation levelling out. House price growth in Wales has been modest over the past few years; the average price increased by 2.0% in the 12 months to July 2025, compared with 2.8% in the 12 months to June 2025.³⁶ Where house prices and build costs go from here will have a significant influence on development viability and deliverability going forward (the effects of land value capture policy on land markets notwithstanding).

Regulatory changes

Development industry participants noted the various regulatory pressures on viability and developer profit, summarised by the Home Builders Federation³⁷ as the requirement for sprinkler systems in new homes, sustainable urban drainage systems, net benefit for biodiversity and the revision to Part L energy efficiency standards in the building regulations. According to developers, all of these have added cost to developments, exacerbated by general build cost inflation over the last few years. There was therefore anxiety among developer interests that, if further regulatory requirements are introduced that bring with them cost implications, that this could negatively impact viability and deliverability – unless values increase to cover any additional liability. For example, if environmental regulations are adjusted to require air source heat pumps in new homes, this would increase costs. However, a green home premium could potentially cover this additional cost – although this would be up to market forces and home-buyer preference.

Climate change

However, the point was also made in discussions that given the pressures of climate change and the likelihood of increasing regulation to mitigate its impact, landowners will need to adjust their expectations. Mandatory environmental regulations set out in law are not subject to negotiation in the same way that local planning policy can be. Furthermore, climate change may render some land undevelopable, either due to physical transformation or due to the unwillingness of insurers to cover new development in areas prone to increased flood risk or ground movement. Landowners may therefore need to adjust their expectations regarding the value of development land to accommodate the impacts of climate change. It is not, therefore, only value increases of new homes that can potentially improve viability, but downward adjustment in land values to reflect the social and environmental costs of climate change and its mitigation. However, landowner expectations may be ‘sticky’, delaying or confounding any land price adjustment.

Political uncertainty

Given the forthcoming 2026 Senedd elections, the issue of political uncertainty was a key area of discussion. YouGov data from September 2025 indicates that Reform Cymru and Plaid Cymru are almost level for Senedd voting intention.³⁸ Plaid Cymru has made its broad intentions regarding planning and housing policy relatively clear, pledging to increase affordable housing supply, seeking to ensure developers ‘stick to agreements’ and supporting the Welsh construction industry.³⁹ However, there is very little detail on policy design and how these aspirations will be delivered. Reform has said little regarding its planning and housing policy package for Wales, although it has indicated in its Our Contract with You document⁴⁰ that it will seek to review the planning system and ‘enforce Section 106 agreements’ (although no detail is provided). There is, then, significant uncertainty regarding how the next election and will unfold and what may be in store for the planning and viability system in Wales after 2026.

Displacement of development

Such uncertainty may exacerbate a trend for which anecdotal evidence was provided in the discussion – the displacement of development from South Wales to the Bristol area and the South West of England. This is a function of the strategic view being taken by some volume housebuilders who are active across various national markets. Although the volume housebuilders have regional offices and regional land buying teams, strategic decisions regarding where to allocate capital are taken more centrally. According to one participant, historically South Wales has attracted volume housebuilder investment away from the Bristol area and northeast Wales has attracted investment away from the Chichester area due to greenbelt allocations and constrained availability of land in those England locations. However, according to the development sector representatives present, there is a risk that if development prospects in Wales worsen, then these locations will cease to be as attractive and investment might flow back towards the England locations.

³⁶ HM Registry (2025) [UK house price index Wales: July 2025](#).

³⁷ Home Builders Federation (2025) [Increasing housing supply in Wales](#).

³⁸ YouGov (2025) [Reform and Plaid now neck and neck in Senedd voting intention](#).

³⁹ See Plaid Cymru Party of Wales 2024 Manifesto: [Housing and planning](#).

⁴⁰ See Reform UK Policy Documents: [Our contract with you](#).

Conclusions and recommendations

The key themes and findings from the perceptions of the workshop participants can be summarised as follows:

1. Landowners and developers have significant power over land value capture and viability negotiations, but local authorities can seek to balance power relations by taking a clear and firm stance at plan-making stage to reduce the scope for viability renegotiations at planning application stage.
2. Distrust can pervade the viability process, stemming from a reluctance by developer interests to share data and viability assessments and unequal access to market evidence such as build costs and land values.
3. Skills and expertise asymmetries can also contribute to distrust and frustration between the parties, although many participants felt that the Burrows-Hutchinson model and the embedding of viability into plan-making have helped to improve relations between the parties.
4. Although participants generally agreed that the Burrows-Hutchinson model is a very useful tool, some developer interests felt that it is too detailed for plan-making. However, local authority planners would prefer to see more detail at earlier stages of site promotion to be more confident regarding the deliverability of sites and their capacity to meet land value capture policy requirements. There is a significant mismatch between developer and local authority preferences in this regard, and this potentially contributes to distrust and risk of renegotiation.
5. Mismatch between the expectations of planners and the preferences of developers concerning viability at earlier stages of development may be exacerbated by mismatch between the viability models used and understood by local authority planners, and the viability models used by market participants.
6. Benchmark land value remains a source of contention due to its influence by landowner expectations that may not reflect current or emerging policy requirements and the way in which policymakers are often reliant on anecdotal evidence from market participants. There is a need for better national viability guidance in Wales, particularly in relation to the calculation of benchmark land value and the role of market evidence.
7. Although the embedding of site-specific viability assessment into plan-making is intended to create more certainty and reduce scope for negotiation later in the development process, this effect will only pertain if development comes forward soon after site allocation. Delays on sites progressing can increase renegotiation risk.
8. There is potential to explore alternative models of development, including schemes led by Registered Social Landlords. However, there is the perception that a two-tier land market may be forming in some instances.
9. Participants are concerned about future market and economic uncertainty, political uncertainty, the impact of environmental regulation on the land market and the response of volume housebuilders to these.



The policy and practice implications are as follows:

- 1. Local authorities should recognise and wield their power to continue to set clear land value capture policy requirements in the Local Development Plan with the expectation clearly these will not be renegotiated later in the process (as is already indicated in national policy). The ‘exceptional circumstances’ in which renegotiation can occur should be truly ‘exceptional’ e.g. they should not occur in cases where promoters have adopted over-optimistic assumptions to support an allocation. This puts the onus on site promoters to do sufficiently detailed viability modelling for their sites to demonstrate that they can be delivered with the policy required level of contributions. At the same time, local authorities should help reduce renegotiation risk by ensuring there is not unreasonable delay in the preparation and adoption of new local plans.
- 2. To reduce the cost burden and financial risk for site promoters, policymakers could consider adjusting the sequencing and timing of the preferred strategy and the formal ‘call for sites’. However, once a site is being formally considered, promoters should be expected to commit sufficient resources to ensure that viability assessment is robust and will not be revisited at application stage.
- 3. Despite reluctance on the developer side, local authorities could insist on making viability calculations and underlying evidence publicly available (supported by an adjustment in national policy). To reduce commercial risk for site promoters, such information could be published following adoption or following the grant of planning permission. This would improve transparency and legitimacy and would make research on viability practice more feasible to improve the evidence base for policy.
- 4. The Welsh Government should introduce a requirement for a centralised land market and viability database that includes sales and build cost data, as well as land price data. It could also include all the benchmark land values used for viability purposes in Wales.
- 5. The Welsh Government should produce clear and comprehensive national viability guidance for Wales. This should cover the calculation of benchmark land value and introduce greater clarity regarding what model should be used by the various parties to calculate viability and to what level of detail at various stages of the development process. It should also seek to bring planning and market practice more closely in line, to seek to influence market practice to increase the likelihood of meeting planning objectives. Such guidance should be produced as a Technical Advice Note and be put out for public consultation ahead of adoption. In the meantime, (depending on its eventual content once finalised), the viability guidance note currently commissioned from Burrows Hutchinson Ltd by the Planning Officer’s Society Cymru (POSW) can be a useful resource.

- 6. In order to ensure that policy adjustments are based on good evidence, further research should be conducted on:
 - a. The impact of Social Housing Grant funding on the land market. Currently, only anecdotal evidence has been provided.
 - b. The range of development models used by RSLs in delivering their own developments, including how they secure development land and on what terms.
 - c. The evidence currently being used to inform benchmark land values for viability purposes.
 - d. The range of benchmark land values being adopted in Wales for plan-making as well as planning application viability purposes, and the range of methods being used.
 - e. The degree to which recently allocated sites are subject to viability (re)negotiation at planning application stage, and the reasons for these.
 - f. The extent to which land value capture policy requirements are being reduced by negotiation at planning application stage, and the reasons for this.
 - g. The proportion of affordable housing (including tenure split) that are contributed by private developers via planning obligations annually in Wales.
 - h. The value of other planning obligations contributed by planning obligations annually in Wales.
 - i. The amount of CIL contributions collected by local authorities in Wales annually in Wales.

However, all of these changes would merely be aimed at tweaking a system that is structurally flawed. Because viability and land value capture is currently embedded within a dominant speculative development model, it is limited to seeking to influence market behaviour to deliver policy objectives. Market behaviour, although influenced by land value capture policy, will never fall entirely in line with it.

Landowner expectations and developer objectives operate by their own logic, not by planning logic. What is really needed is a shift to a different, less speculative, development model that has a greater degree of public sector involvement in terms of land assembly and the direct delivery of development supported by strategic and up-front infrastructure investment. There is already experimentation with such models in Wales via the growth in housing delivery on public sector land and developments

led by third sector bodies such as housing associations. We may also be seeing the revival of a renewed exploration of less speculative and land value funded delivery models in the next generation of New Towns in England. Depending on how these progress, they may provide useful templates for experimentation in Wales to support the delivery of well designed places with a mix of tenures (including larger proportions of affordable housing) that are well supported by infrastructure.

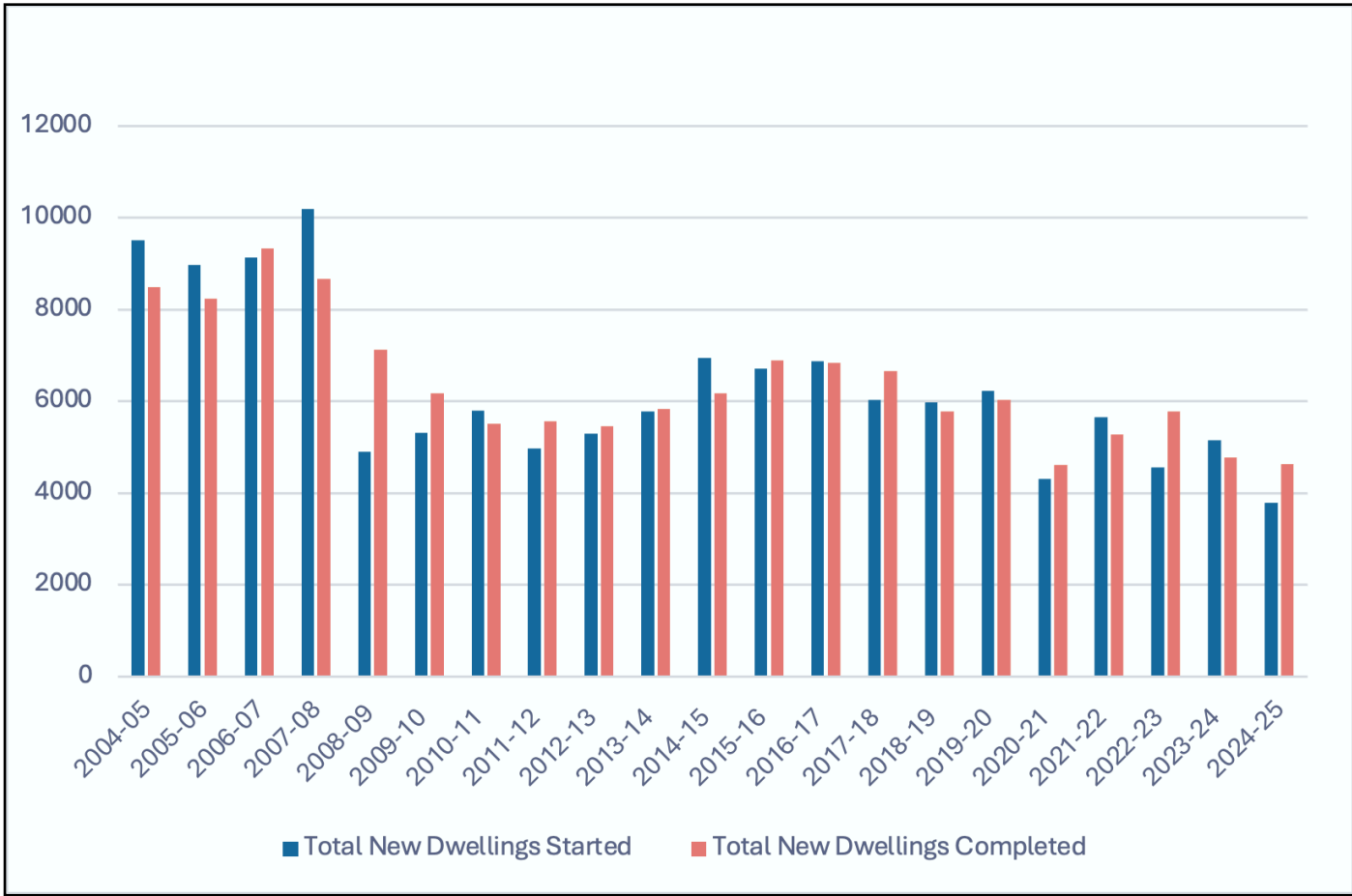
Appendix A: Available statistical data on the supply of housing, affordable housing and level of planning obligations in Wales

Housing supply

Figure 1 shows the total number of new housing starts and completions since 2004-05. It shows that housing supply has been on an overall downward trajectory since the Global Financial Crisis of 2007-2008. New dwellings completed in 2024-25 (4631) comprise only half of the peak delivery in 2007-08 (9334). Delivery since 2019 has ranged between **6037** and **4631** and, as such, has been below StatsWales estimate of housing need over this period, which has ranged between **7,711** and **5,904**⁴¹.

According to analysis by the Home Builders Federation (HBF), based on Annual Monitoring Reports published by local authorities in Wales, there was a shortfall of **6,300** homes in Wales in 2023/24 as measured against Local Development Plan housing requirements and, on average over the last five years, the development sector has delivered just **64%** of Local Development Plan housing requirements.⁴²

Figure 1: New housing completions and starts in Wales 2004 – 2025



Notes: StatsWales 'New dwellings completed by period and tenure' (HOUS0702) and 'New dwellings started by period and tenure' (HOUS0701).

⁴¹ StatsWales estimate of housing need is accessible via its dataset 'Estimates of Housing Need (2019-based) by Variant and Year' (HOUS2203).

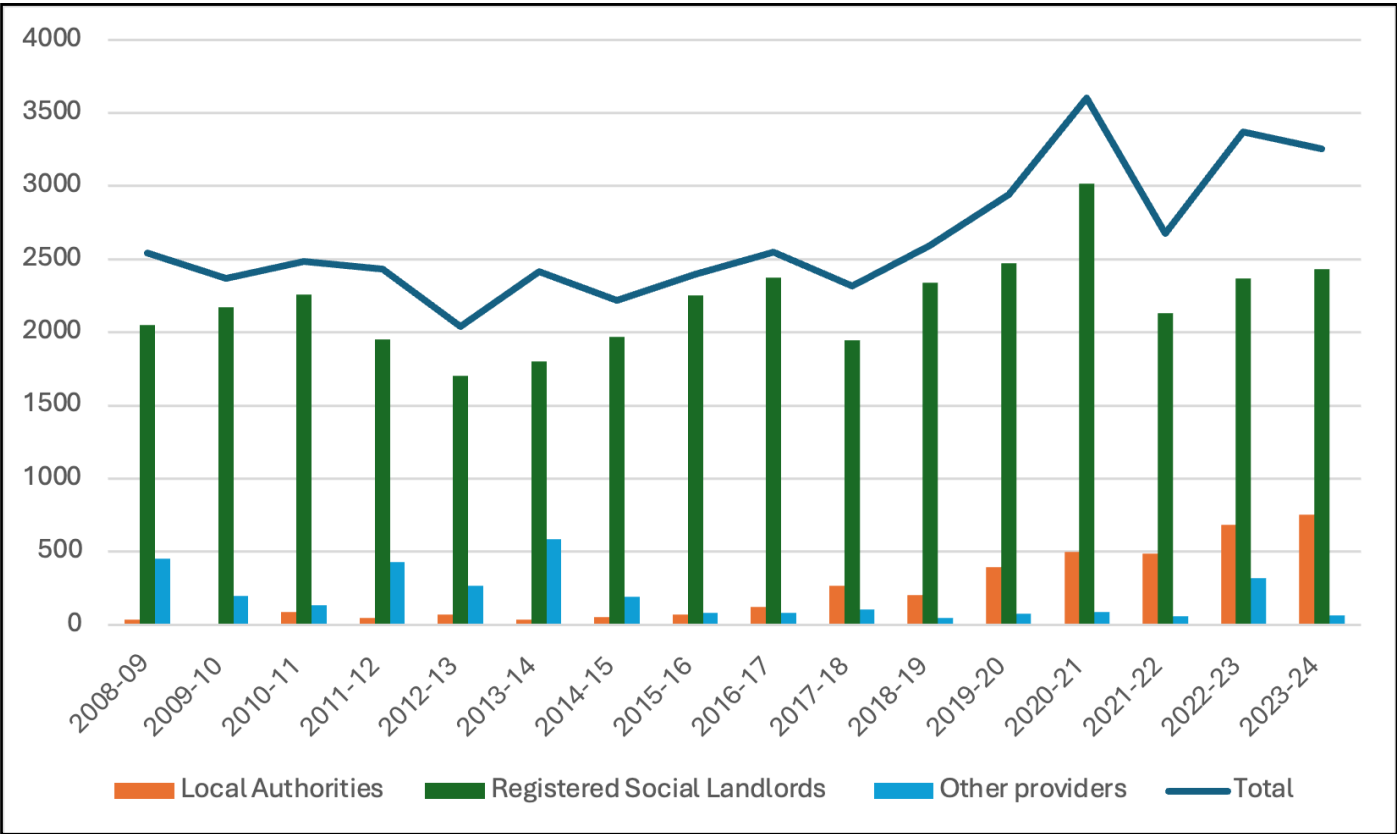
⁴² Home Builders Federation (2025) [Increasing housing supply in Wales](#).

Affordable housing supply

Figure 2 shows that Registered Social Landlords (RSLs) consistently deliver the majority of the new affordable housing in Wales, having accounted for between 80%-90% per year between 2018 – 2022 (with a drop to 70% and 75% in 2023 and 2024). The proportion of new affordable housing delivered by local authorities has been steadily increasing and has accounted for between 8%-23% per year since 2018. 'Other providers' (including private developers making contributions on new developments via planning obligations) have accounted for by far the smallest proportion at 2%-3% of total affordable housing provision per year between 2018 and 2022 (with an increase to 9% in 2023).

The overall level of affordable housing delivery in Wales has been fairly volatile since its peak in 2020-21. According to provisional data from StatsWales, the planned delivery of new affordable housing in 2024-25 is 3660, which if achieved would be the highest on record. However, even if achieved, it would mean that a further 7,040 new affordable homes would need to be delivered by March 2026 to meet the government's target of 20,000 homes in the period 2021-2026. This seems unlikely given that this would represent almost double the delivery of the anticipated 2024-25 peak.

Figure 2: Additional affordable housing provision by provider and year in Wales, 2008 – 2024



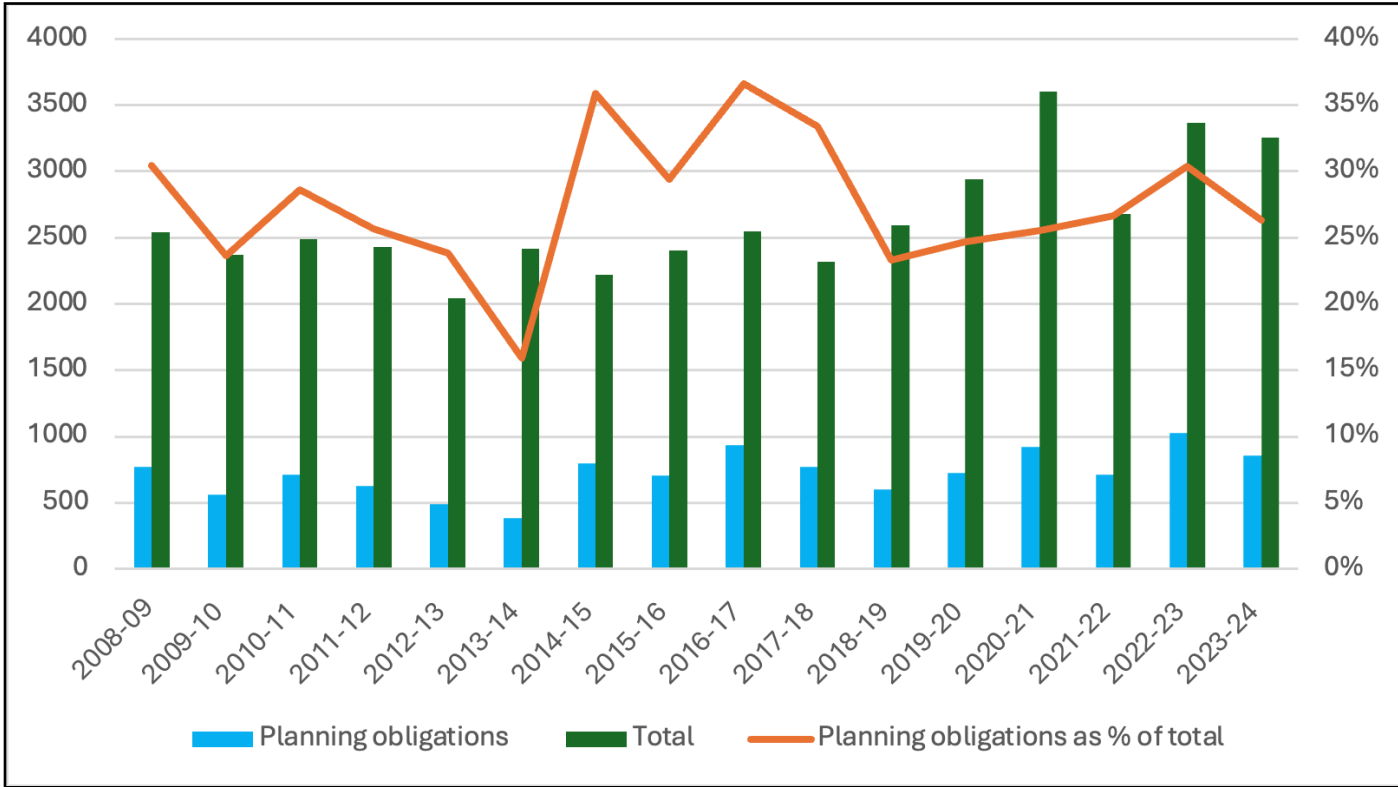
Notes: StatsWales 'Additional affordable housing provision by provider and year' (HOUS0311). These data represent the numbers of additional units delivered in each year, and include activity by local authorities as well that by registered social landlords (RSLs) and other private or voluntary sector developers. The focus of this dataset is on additional affordable housing units delivered, and these are defined as those provided through new build schemes or through the purchase, leasing or conversion of existing units.

Role of planning obligations

Figure 3 shows new affordable homes provided through planning obligations as a proportion of new affordable housing. This shows that planning obligations have accounted for between 23-30% of new affordable housing over the last six years (reaching closer to 35% prior to this). These data include all homes delivered via planning obligations, including those by RSLs and local authorities (as well as private developers). The number of affordable homes granted permission via planning obligations are consistently higher than those delivered (see Figure 4). This could reflect the general time lag of development, as well as sites that are stalled due to viability issues.

However, an exception to this trend is shown in the most recent data for 2023-24, which shows more affordable homes delivered via planning obligations than consented. This is a function of the ongoing decline in the number of new affordable homes granted planning permission via planning obligations since 2018-19, and is indicative of the decline in the number of planning applications and permissions over this period.⁴³

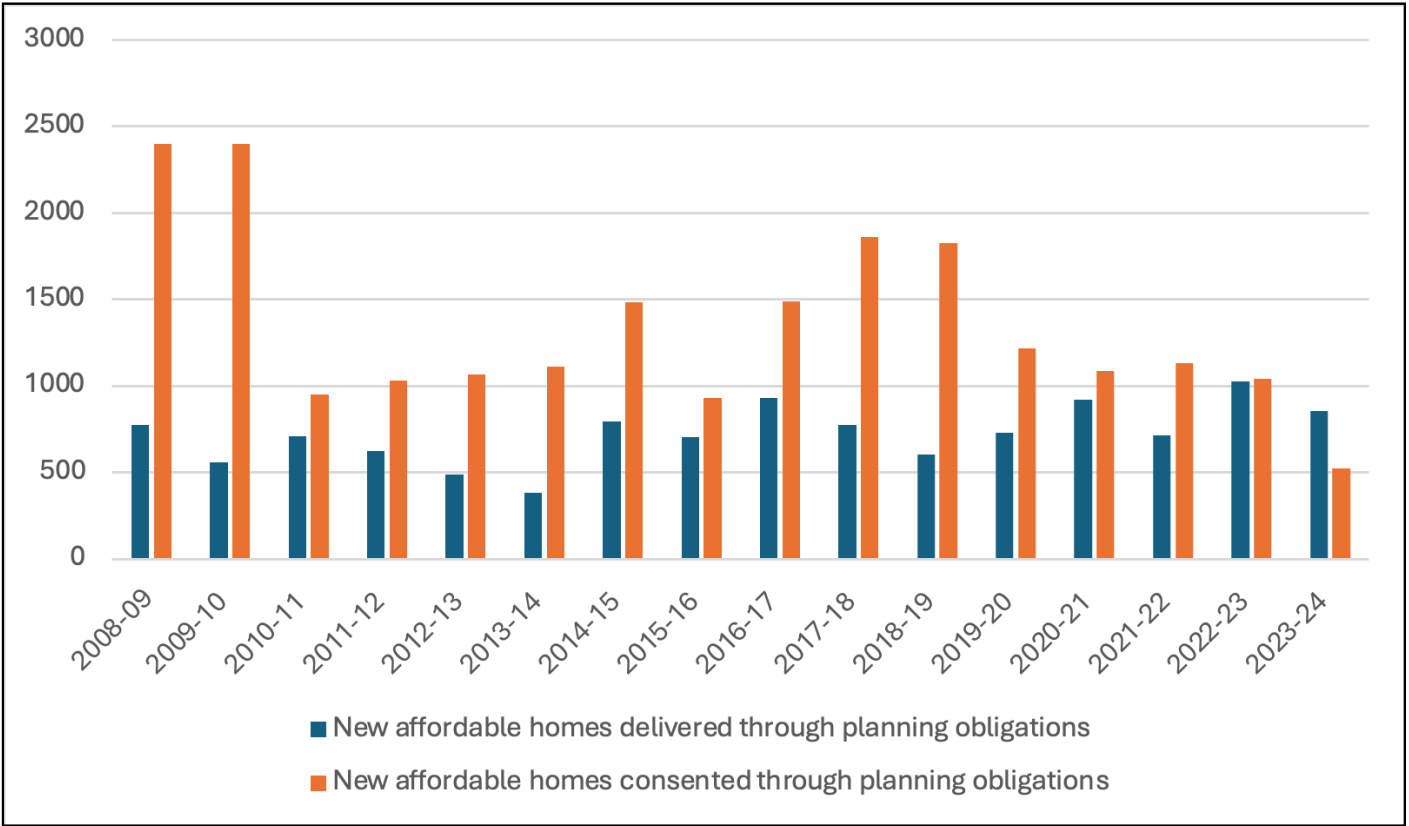
Figure 3: Additional affordable housing showing proportion contribution via planning obligations since 2008



Notes: StatsWales 'Additional affordable housing provision by provider and year' (HOUS0311) and 'Provision of affordable housing through planning obligations and on exception sites by authority, measure and planning type' (HOUS0313). The HOUS0313 data relate to the number of additional affordable housing units delivered within each planning authority area in each year. The focus of this dataset is on additional affordable housing units delivered, and these are defined as those provided through new build schemes or through the purchase, leasing or conversion of existing units.

⁴³ Home Builders Federation (2025) [Increasing housing supply in Wales](#).

Figure 4: New affordable housing units granted permission and delivered via planning obligations Wales, 2007 - 2024



Notes: StatsWales 'Provision of affordable housing through planning obligations and on exception sites by authority, measure and planning type' (HOUS0313).

Based on available data from StatsWales, it is not possible to arrive at a reliable estimate of the number of affordable homes contributed by private sector developers alone via planning obligations. However, the 'other providers' data in Figure 1 include additional affordable housing delivered by private developers via planning obligations.⁴⁴ These data can be compared with data on new dwellings completed by private enterprise to arrive at a very rough indication of the number of affordable homes provided by private developers via planning obligations as a percentage of overall new homes delivered by private developers.⁴⁵ Figure 5 shows that this has consistently been around 2%-3% in the period 2015-2022, although rose to around 7% in 2022-23. However, these data should be read in conjunction with those in Figure 6 below (financial contributions towards affordable housing) to get an overall rough indication of the developer contributions for affordable housing being made.⁴⁶

Furthermore, it must be emphasised that the data in Figure 5 are only a rough indication because the 'other providers' data are an aggregate for all providers other than RSLs and local authorities and so could include providers

other than purely private enterprise. Also, the new dwellings completed by private enterprise data are likely to include homes provided on sites where no planning obligation was required e.g. on small sites below the density threshold that triggers the requirement for affordable housing. In addition, StatsWales warns that the tenure data for new dwellings should be treated with caution (see note to Figure 5).

However, despite these limitations, these are the best data we have at aggregate level regarding approximate proportions and trends in the affordable housing provided on private developer-led schemes. Further research is needed to determine actual total overall annual levels of affordable housing being delivered by private developers alone via planning obligations. Indeed, these data should ideally be collected by Welsh Government.

The affordable housing requirements set by (and within) different local council areas vary significantly (e.g. they can vary between, say, 10% in some parts of Swansea and Conwy, 15% in some parts of Flintshire, 20%-30% in Cardiff, 35% in some parts of Conwy, 40% in some

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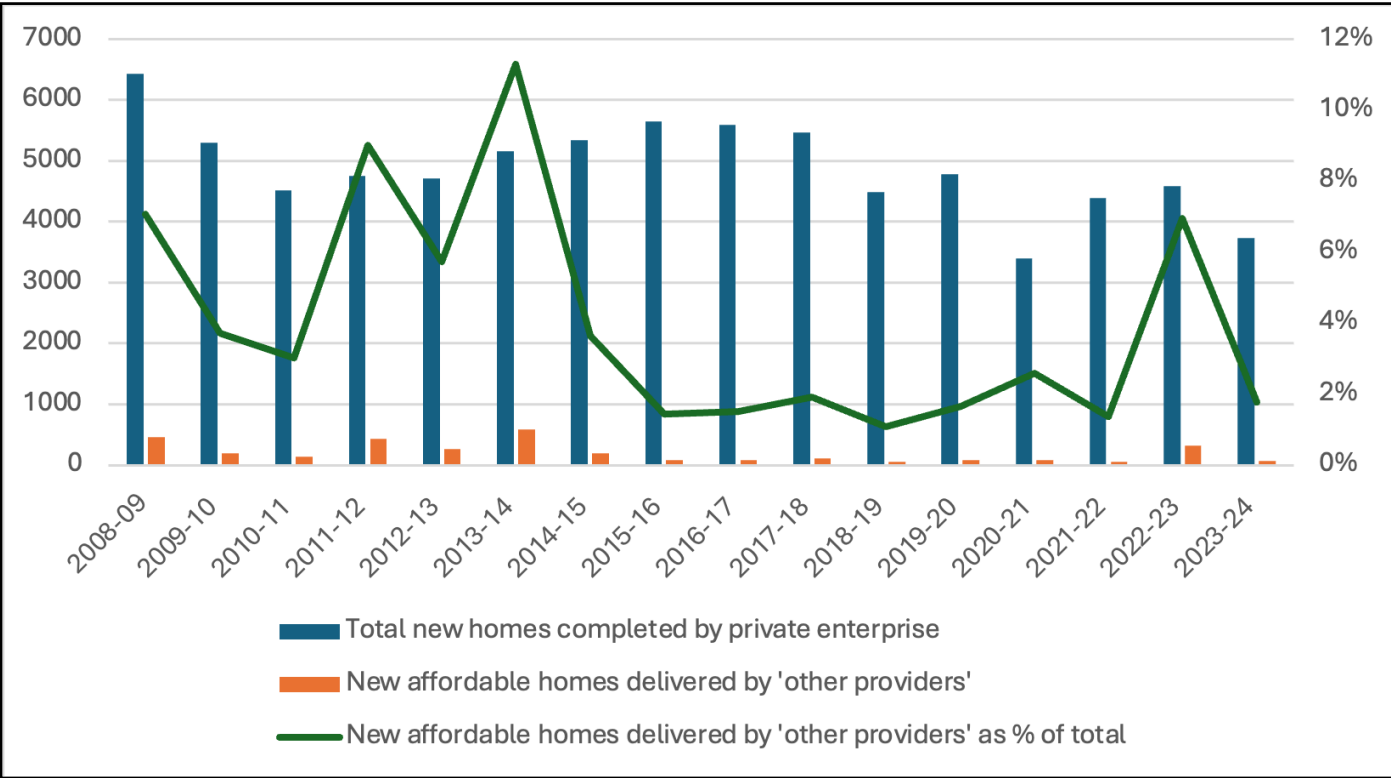
parts of Flintshire and 50% in some parts of The Gower). This reflects differences in local market conditions and property values. Therefore, despite the caveats for the data shown in Figure 5, the data do suggest that private developers may be consistently delivering affordable housing contributions towards the lower end of this range. However, these data do not take account of other financial contributions to mitigate the impact of development via planning obligations or CIL payments that may be made by private developers in addition to those specifically for affordable housing.

⁴⁴ The government's 2023 release states: "The remaining 318 units (9%) were delivered by other providers and included additional affordable housing units delivered directly by private developers through the planning system via Section 106 agreement". See: Welsh Government (2023) [Affordable housing provision: April 2022 to March 2023](#).

⁴⁵ It is here assumed that the new dwellings completed by private enterprise data include affordable homes delivered as part of planning obligations. However, if such homes are, in fact, not included in these data (and are reflected in the numbers for RSLs) then this would mean that the rough estimates of the number of affordable homes provided by private developers via planning obligations as a percentage of overall new homes delivered by private developers is even lower than suggested above.

⁴⁶ Ideally, these financial contributions data would be converted to an approximate number of homes, but this is challenging given the range of methodologies and data used by local authorities to calculate commuted sums.

Figure 5: Additional affordable housing from 'other providers' as a proportion of new dwellings completed by private enterprise, Wales 2008 - 2024



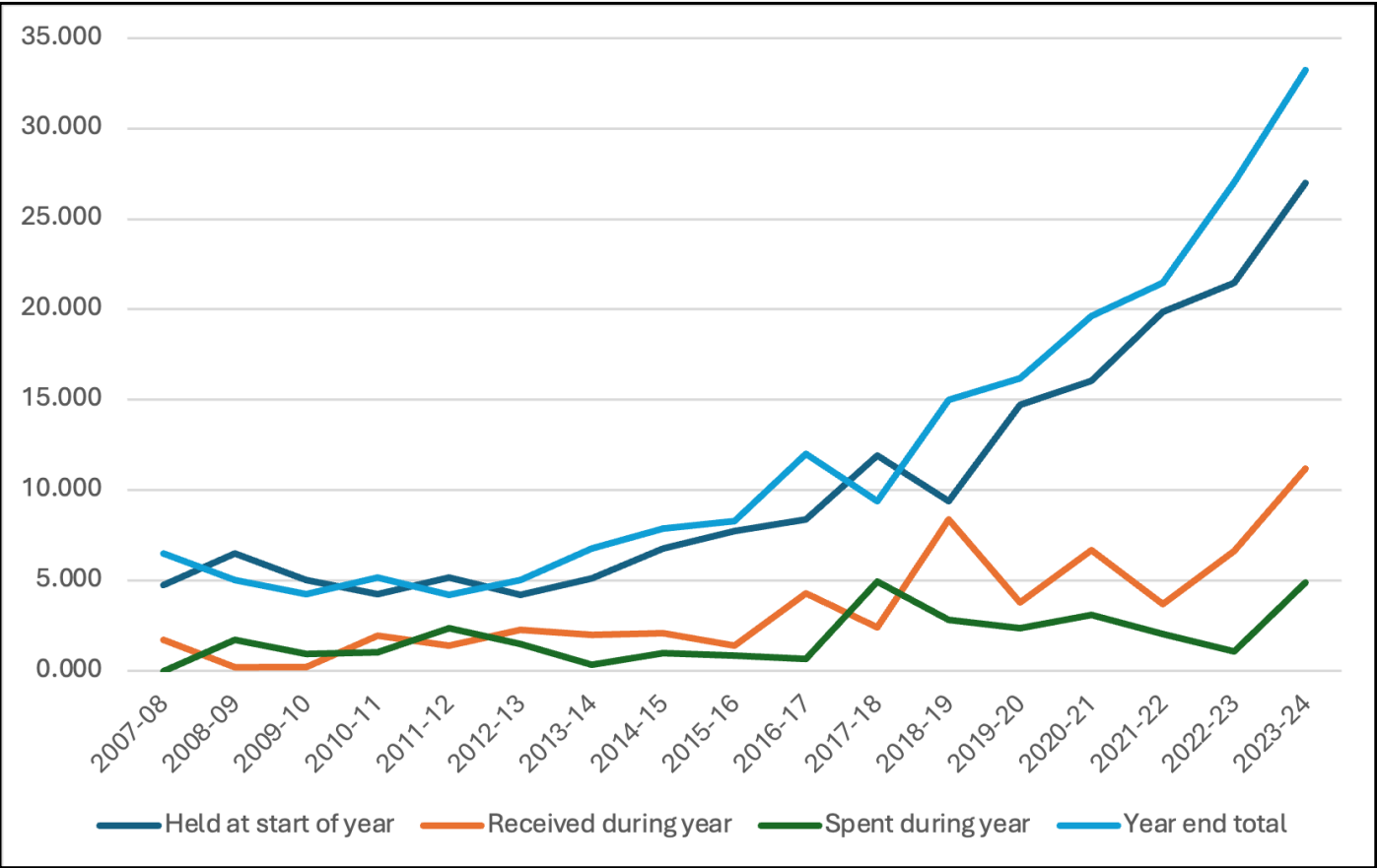
Notes: StatsWales 'New dwellings completed by period and tenure' (HOUS0702) and 'Additional affordable housing provision by provider and year' (HOUS0311). Note that the affordable housing data include shared equity. The summary information accompanying the HOUS0702 data states: "Figures on housing completions are from records kept for building control purposes. It is sometimes difficult for building control officers and NHBC to identify the intended final tenure of the property (the basis for the tenure information). This may lead to an under-count of social sector new house building and an over-count for the private sector. Within the social sector it may also lead to an under-count of local authority new house building and an over count for the RSL sector. Therefore the tenure data should be treated with caution."

Financial contributions towards affordable housing

The data on the financial contributions made towards affordable housing by developers in the form of planning obligations show that local council spending on the provision of affordable housing has not kept pace with this income (see Figure 6). This has resulted in a growing running total of such funds that reached around £33 million in 2023-24. Although there may be potential to increase financial income from land value capture mechanisms to invest in affordable housing, a more pressing issue appears to be difficulty in spending existing income.

There is no research of which the authors are aware that systematically investigates the reasons for this. However, one important potential explanation for the accumulation of unspent funds could be difficulties in securing land for the provision of new affordable housing (due to the price expectations of private landowners) and engaging with suitable partners for delivery, combined with difficulties in securing existing properties for tenure conversion.

Figure 6: Financial contributions towards affordable housing via planning obligations (£millions), 2007 - 2024



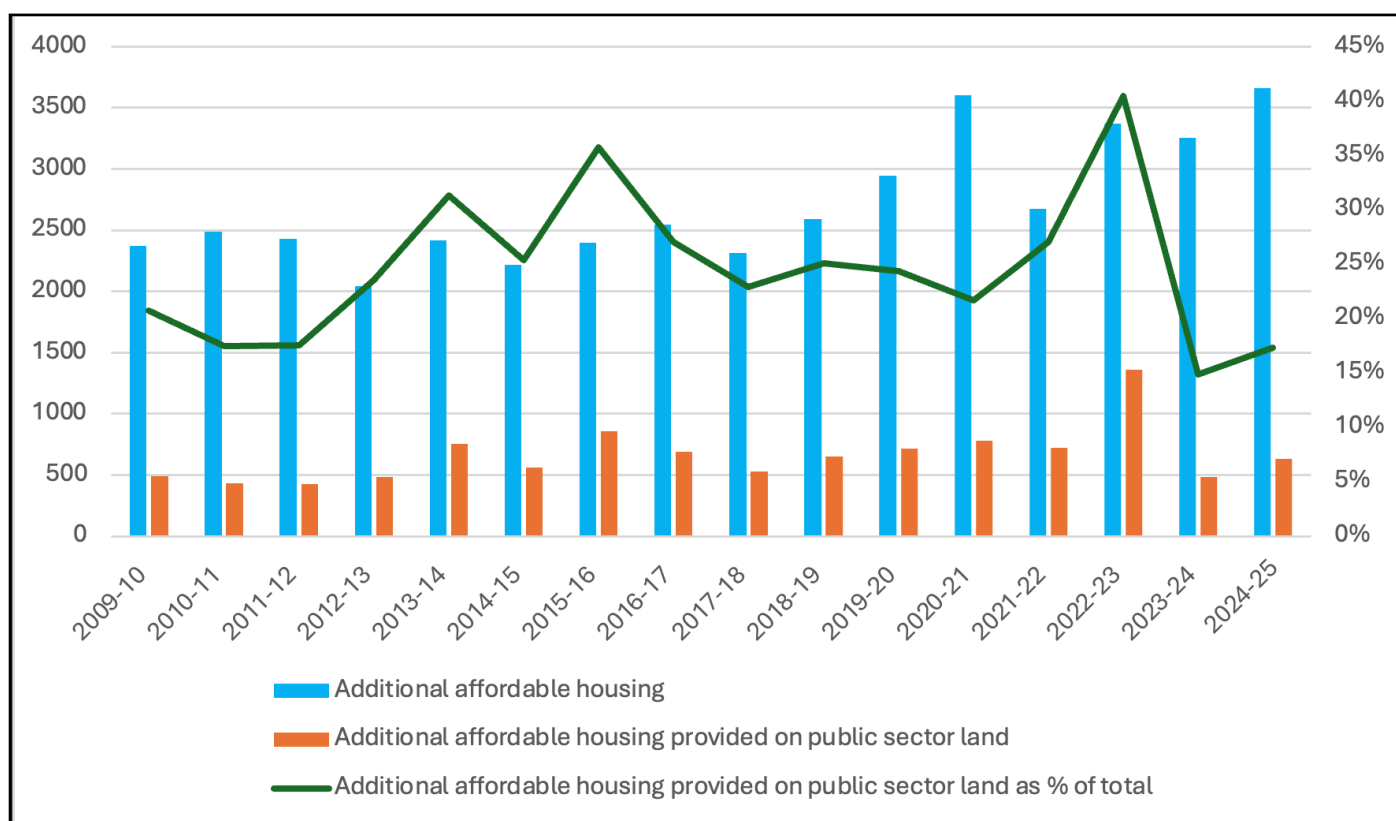
Notes: StatsWales 'Financial contributions towards affordable housing via planning obligations by local authority and amount' (HOUS0314). Shows the amount and changes to developer financial contributions received by planning authorities in each year towards the provision of affordable housing via planning obligations.

Public sector land

Although local authorities appear to be finding it challenging to spend financial contributions made by developers towards the provision of affordable housing, Figure 7 suggests that councils have been increasingly making land available for the provision of such homes through new

build schemes or through the purchase, leasing or conversion of existing units. The data show that public sector land has been making a growing contribution towards the provision of additional affordable housing since 2020, although this has declined significantly in the last two years.

Figure 7: Additional affordable housing provided on land made available by the public sector in the last five years in Wales, 2009 - 2025



Notes: StatsWales 'Additional affordable housing provision by provider and year' (HOUS0311) and 'Provision of affordable housing on land made available in last 5 years by location and period' (HOUS0315). Dataset shows the numbers of additional units delivered (or planned in the case of 2024-25) in each year built on land made available by the local authority in the last five years, and includes activity by the local authorities themselves as well that by registered social landlords (RSLs) and other private or voluntary sector developers operating in each area.