
**PARTIAL REVIEW OF THE
WYRE LOCAL PLAN (2011 TO 2031)**

FINANCIAL VIABILITY ASSESSMENT REVIEW

Prepared on Behalf of

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PARTIAL REVIEW OF THE WYRE LOCAL PLAN (2011 TO 2031)

1.0 INTRODUCTION

1.1 The Wyre Local Plan 2011-2031 (the WLP31) was adopted on 28th February 2019 under the transitional arrangements established by the National Planning Policy Framework (NPPF) 2018 whereby, for the purposes of examining the Plan, the policies of the 2012 Framework applied.

1.2 WLP31 contains Policy LPR1, which requires the early partial review of the adopted plan commencing before the end of 2019 and with submission of the review for examination by early 2022. Policy LPR1 sets out that the review will be a partial review only, with the objective of updating and meeting in full the Objectively Assessed Need (OAN) for Housing. The specific matters to be addressed by the review include:

1. An update of the Objectively Assessed Housing Need.
2. A review of transport and highways issues, taking into account:
 - (i) housing commitments and updated housing needs;
 - (ii) implemented and committed highway schemes;
 - (iii) the scope for sustainably located sites where the use of sustainable transport modes can be maximised; and
 - (iv) the additional transport and highways infrastructure that will be needed to meet in full the updated Objectively Assessed Housing Needs.
3. Allocation of sites to meet the full OAN for housing taking into account (2)

1.3 The revised National Planning Policy Framework was published in July 2018 (NPPF18) and further versions with minor additional revisions have subsequently been published. The most recent being in July 2021 (NPPF21). Consideration of consequential amendments to the WLP31 that result from substantive changes between the NPPF12 and NPPF21 will also be addressed as part of the review to ensuring conformity between the WLP31 and national planning policy. This will ensure that any issues of conformity arising from the changed government planning policy are addressed but does not involve a review of all policies in the WLP31.

1.4 The revisions proposed as part of the Local Plan Partial Review are required to ensure the conformity of the WLP31 with the NPPF21, and to ensure that the Council complies with Local Plan requirements set out in Policy LPR1.

- 1.5 Keppie Massie prepared the Wyre Local Plan and Site Allocations Viability Study (2017) (a Financial Viability Assessment). This document is henceforth referred to as FVA17 in this report for simplicity. FVA17 was used to inform the policies contained in WLP31, and to ensure that the emerging Local Plan policies were realistic and could deliver sustainable development without putting the delivery of the Plan at risk. The aim of the FVA17 was to satisfy the tests of viability and deliverability laid down in the National Planning Policy Framework 2012 (NPPF12).
- 1.6 Following on from the preparation of the FVA17, we have been asked to consider the proposals contained within the Partial Review document in the context of the policy changes proposed, and to identify any impact that these changes may have on local plan viability. In addition having regard to the requirements of NPPF21, and up to date guidance in relation to viability contained in the National Planning Practice Guidance (PPG) we have undertaken an assessment of the FVA17 to determine whether it accords with this current best practice guidance.
- 1.7 This report has been prepared with reference to the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting (1st edition)* dated May 2019. The document sets out mandatory requirements on conduct and reporting in relation to Financial Viability Assessments (FVAs) for planning in England to demonstrate how a reasonable, objective and impartial outcome, without interference should be arrived at and so support the statutory planning decision process.
- 1.8 In accordance with the requirements of this RICS Professional Statement we can confirm that this report has been undertaken by Ged Massie BSc (Hons) MRICS IRRV MCI Arb and Jenny Adie BSc (Hons) MRICS who are both RICS Registered Valuers. They are also suitably qualified practitioners in accordance with the requirements of the Planning Practice Guidance (PPG), with sufficient knowledge and skills to undertake an FVA competently. In preparing the assessment they have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.
- 1.9 We have previously provided advice to the Council on site-specific FVAs in support of planning applications for residential development in the planning authority area, although we are not currently dealing with any site specific assessments. As noted, we also prepared, on behalf of the Council, FVA17 and, following examination, the WLP31 was adopted in 2019. We do not consider that any conflict of interest, or risk of conflict of interest, arises as a result of the interests which we have disclosed.

- 1.10 In preparing this report, no performance-related or contingent fees have been agreed. We confirm that this assessment of the Local Plan Partial Review has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the RICS Professional Statement and that full consideration has been given to the matters referenced in Section 4.

2.0 BACKGROUND

- 2.1 Keppie Massie were originally appointed to prepare a local plan FVA during 2012 and a stakeholder consultation event took place early in 2013. A draft report was prepared in 2014 however matters in relation to the preparation of the Local Plan were then paused.
- 2.2 In 2015 we again commenced work preparing a new FVA and undertook a series of individual stakeholder meetings to inform the preparation of the evidence base. The FVA was then prepared over the summer of 2017 and was published for consultation alongside the Publication Version of the WLP31. This consultation took place during October to November 2017. Only two representations were received as part of this consultation that contained any references to the FVA. The comments were not considered material to the outcome of the FVA17 and were addressed accordingly.
- 2.3 FVA17 concluded that the overall scale of obligations, standards and policy burdens contained in the Local Plan were not of such a scale that cumulatively they threatened the ability of the sites and scale of development identified in WLP31 to be developed viably. It noted that in certain circumstances there would need to be a balance achieved between the requirements for affordable housing and S106 contributions/CIL (if introduced), however there was sufficient flexibility in the Plan policies as drafted in relation to allow a relaxation of policy requirements if appropriate.
- 2.4 There were few viability matters that arose during the Examination Process on which our input was required. We attended Hearing Sessions in relation to Specific Housing Needs and Generic Housing Policies and Infrastructure and Viability to assist the Inspector with any questions that arose. During the sessions no substantive matters were raised and there were few questions regarding the FVA17.
- 2.5 Based on the evidence provided including the FVA17, the Inspector concluded in February 2019 that the plan was sound. It was then adopted by the Council.

3.0 VIABILITY TESTING OF WLP31 POLICIES

3.1 Section 2 of FVA17 contained an overview of the key policies contained in the Publication Version of the WLP31 that had an impact on development viability and table 3.19 in Section 3 contained as summary of these policies and how their requirements had been taken into account in preparing the viability assessment. For ease of reference we have reproduced the original table 3.19 below.

Requirements	Viability Consideration	Policy
Mix of New Residential Development	<p>We have assumed a broad mix of house types, and in particular have incorporated provision for a greater number of smaller 2 bed house types in the typologies that have been tested.</p> <p>We have undertaken testing based on a range of density requirements of 30, 35 and 40 dwellings per hectare net. The testing of the allocations assumes a density in accordance with the identified capacity typically at 30 dwellings per hectare.</p>	HP2 – Housing Mix
Elderly Provision	<p>We have undertaken specific testing including an additional cost of per dwelling for specific elderly adaptations to 20% of the homes within our viability assessments.</p> <p>We have considered the impact of two options namely:-</p> <p>Accessible and Adaptable Dwellings In line with Building Regulations Requirement M4 (2) - £1,050 per dwelling</p> <p>Wheelchair-accessible Dwellings In line with Building Regulations Requirement M4 (3A) - £5,618 per dwelling</p>	HP2 – Housing Mix

FVA17 - Table 3.19: Implications of Development Management Policies

Requirements	Viability Consideration	Policy
Affordable Housing	<p>Testing has been undertaken based on 30% affordable housing provision. Where viability is at issue we have tested at lower thresholds to establish at what level of affordable provision the typology becomes viable.</p> <p>The policy requires that the mix and tenure of the affordable dwellings will be negotiated on a case by case basis. For the purpose of our testing we have assumed a mix based on 60% 2 bed and 40% 3 bed dwellings. We have assumed in the higher value areas a tenure split based on 60% affordable rent and the balance intermediate. In all other areas we have assumed 40% affordable rent and the balance intermediate.</p>	HP3 – Affordable Housing
Water Measures	<p>The construction cost assessments prepared by WYG will achieve the minimum standards for water efficiency, as defined by Building Regulations and include a cost for surface water attenuation.</p> <p>The form of development tested and in particular the inclusion of open spaces addresses the requirement for Sustainable Urban Drainage Systems, and the costs assessed by WYG make an allowance for SUDs costs.</p> <p>In relation to the site allocations tested, the construction cost assessments make provision for the identified surface water drainage as defined by the policy for the respective site.</p>	CDMP2 – Flood Risk and Surface Water Management
Local Infrastructure Provision and Developer Contributions	Our appraisals are inclusive of S106 contributions. We have assumed contributions of £1,200 per dwelling.	SP7 – Infrastructure Provision and Developer Contributions.
Open Space Provision	The development typologies for each site reflect any relevant requirements for public open space, and therefore the construction cost assessments are reflective of this together with the costs of future maintenance of the open space.	HP9 – Green Infrastructure In New Residential Developments

FVA17 - Table 3.19: Implications of Development Management Policies

- 3.2 The viability results in FVA17 indicated that in the low value areas around Fleetwood it may not be appropriate to seek affordable housing on new development. In the medium value areas around Thornton the results varied dependent on the density of development and type of site i.e. greenfield or brownfield. On greenfield sites then in most cases 30% affordable housing provision could be supported whilst on brownfield sites 10% affordable provision was likely to be the maximum level that new development could support.
- 3.3 In the high and prime value areas the majority of development could support 30% affordable housing provision, with a small number of exceptions relating to lower density development on brownfield sites.
- 3.4 Requirements to achieve Building Regulations accessibility standards M4(2) and M4(3a) had a more limited impact on viability and ultimately in those cases where development was viable then these standards could be supported.
- 3.5 The adopted WLP31 includes Policy HP2 Housing Mix that reflects the conclusions of FVA17, requiring at least 20% of dwellings on sites of 20 dwellings and above to be of a design suitable or adaptable for older people and people with restricted mobility. Policy HP3 Affordable Housing is also structured to reflect the results of the viability testing with a zero affordable housing requirement in Fleetwood and 30% on sites of 10 dwellings or more in the rest of the borough except for a 10% requirement on brownfield sites in the medium value areas i.e. Thornton, Cleveleys, Knott End/Preesall, Stalmine and Pilling.
- 3.6 Policy SP6 Viability also contains a test of viability, normally on an open book basis where an applicant seeks to negotiate a reduction in the standards or infrastructure requirements on viability grounds.
- 3.7 The viability testing undertaken for commercial development suggested that in most cases, save for retail, the speculative development of commercial accommodation was not viable. As a result it was not anticipated that substantive speculative development (with a full developer's profit) would take place over the plan period.

4.0 REVISIONS TO WLP31

- 4.1 We have undertaken a review of the proposed revisions to WLP31 to identify any policy changes that may have an impact on viability with particular reference to those requirements previously tested in the FVA17 as outlined in Section 3 above. The partial review principally seeks to delete Policy LPR1 Local Plan Review and to include changes to Policy HP1 Housing Requirement and Supply and SP1 Development Strategy. There are also consequential changes arising from the NPPF21 and from changes to the Use Classes Order. Table 4.1 contains a summary of the review and identifies any changes proposed to these policies which have implications for the testing in previously carried out in the FVA17.

Requirements	Policy	Partial Plan Review Change	Impact on Previous Viability Testing
Mix of New Residential Development	HP2 – Housing Mix	<p>A broad mix of house types and densities of 30, 35 and 40 dwellings per hectare were tested in the FVA17 along with many of the proposed allocations.</p> <p>Partial Review - No change in relation to WPL31 policy requirements.</p>	None. No additional testing required.
Elderly Provision	HP2 – Housing Mix	<p>Requirements in relation to elderly provision were tested in the FVA17 based on M4 (2) and M4 (3a) requirements.</p> <p>Partial Review - No changes are proposed to these WPL31 policy requirements.</p>	None. No additional testing required.
Affordable Housing	HP3 – Affordable Housing	<p>Requirements in relation to affordable housing at differing levels of provision were tested as part of the FVA17. The testing was undertaken on the basis of a tenure mix 60% affordable rent and 40% intermediate in the high values areas and 40% affordable rent with 60% intermediate in the low value areas.</p> <p>Partial Review - It is proposed that this policy will be amended to reflect the introduction of First Homes with at least 25% of all affordable housing units delivered by planning obligations to be provided on this basis.</p>	None. No additional testing required as the assumptions made around the quantum and value of the intermediate dwellings are also appropriate to address the requirements in relation to First Homes.

Requirements	Policy	Partial Plan Review Change	Impact on Previous Viability Testing
Water Measures	CDMP2 – Flood Risk and Surface Water Management	<p>Requirements in relation to water efficiency and SuDs were tested in the FVA17.</p> <p>Partial Review - No changes are proposed to these WPL31 policy requirements in the partial review.</p>	None. No additional testing required.
Local Infrastructure Provision and Developer Contributions	SP7 – Infrastructure Provision and Developer Contributions.	<p>The FVA17 tested S106 contributions of £1,200 per dwelling. The FVA17 also considered the amount of surplus per dwelling available from the testing to understand the quantum of further contributions that may be available.</p> <p>Partial Review - No changes are proposed to the WPL31 developer contributions policy requirements in the partial review.</p>	None. No additional testing required.
Open Space Provision	HP9 – Green Infrastructure In New Residential Developments	<p>The FVA17 assumed the provision of onsite public open space, and the construction cost and viability assessments were therefore reflective of these requirements.</p> <p>Partial Review - No changes are proposed to the WPL31 open space policy requirements in the partial review.</p>	None. No additional testing required.

Table 4.1: WLP31 Partial Review Impact on Previous Viability Testing (FVA17)

- 4.2 Table 4.1 shows that the policy changes proposed in the partial review do not have any impact on the policies that were tested in the FVA17. Requirements to provide First Homes are introduced in Policy HP3 – Affordable Housing however the viability assessments prepared as part of FVA17 are based on assumptions that are appropriate to address these requirements. As a result no additional viability testing is required to assess resulting local plan viability in the context of the changes proposed in the partial review.
- 4.3 The partial review does propose an amendment to introductory text of Policy SP6 Viability. The amendment is to delete the text that refers to the fact that the confidentiality of commercial information provided as part of the viability assessment will be maintained. The amendment is required to ensure consistency with the NPPF21 that requires all viability assessments to be made publically available. The change does not have any implications for viability testing previously undertaken in the FVA17.
- 4.4 Aside from matters relating to the viability impact of changes to plan policies we have noted that the partial review includes an amendment to the housing requirement. WLP31 Policy HP1 Housing Land Supply identifies provision for a minimum of 9,200 net additional dwellings equating to at least 460 dwellings per annum between 2011 and 2031. The partial review proposes to base the housing requirement on the standard method of calculating local housing need figure which reduces this to 296 dwellings per annum. The partial review seeks to amend policy HP1 to introduce this revised annual housing requirement from 2019. This gives rise to a revised minimum housing delivery figure over the plan period to 2031 of 7,232 net additional dwellings.
- 4.5 Of the net additional dwellings, 5,192 will be on allocated sites. The FVA17 contained viability assessments for a significant number of the proposed allocations to confirm their viability. At the present time according to the Implementation of Policy LPR1 Background Paper there are only two allocations which do not benefit - either wholly or in part - from planning permission or have pending planning applications. These two allocations will provide just 273 units from the 5,192 allocated by the Local Plan.

5.0 GUIDANCE FRAMEWORK

5.1 The FVA17 was prepared based on NPPF12 and having regard to best practice guidance including Viability Testing Local Plans 2012 (The Local Housing Delivery Group) and Financial Viability in Planning 2012 (RICS).

5.2 A revised National Planning Policy Framework was published in July 2018 (NPPF18) and further versions with minor additional revisions have subsequently been published. The most recent being in July 2021 (NPPF21) states that:

"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan." (para 34).

5.3 In addition to the above the NPPF requires that:

"The preparation and review of all policies should be underpinned by relevant and up to date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals." (para 31).

5.4 In comparison to the previous version (2012), the current NPPF places a greater emphasis on establishing viability at plan making stage and at paragraph 58 confirms that:

"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."

5.5 The National Planning Practice Guidance (PPG) has also been revised to support the new NPPF. It similarly reinforces the role of Viability Assessment at plan making stage by stating the following (Paragraph: 002):

"The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan."

5.6 It goes on to say that:

"Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage."

5.7 The PPG confirms that:

".....policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106."

(Paragraph:001)

5.8 In the context of the NPPF21 and PPG we have assessed the FVA17 to consider whether the approach and methodology used in preparing the Viability Assessment addresses the requirements of NPPF21 and the revised PPG. We have also reviewed the appraisal assumptions and inputs themselves to verify that the approach taken in establishing these assumptions meets the requirements contained in this most up to date guidance. Overall we have determined whether the work previously undertaken is a "proportionate assessment of viability" that takes into account all relevant policies and local and national standards and in doing so ensures that policies are realistic and that they do not undermine the deliverability of the WLP31 or the Partial Review of the WLP31.

5.9 In the following paragraphs we have identified the key aspects of the approach to Viability Assessment identified in the PPG and our assessment of how the FVA17 address these requirements.

Consultation

5.10 The PPG states that:

“It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.”

(Paragraph: 002)

5.11 In addition paragraph 006 states that:

“Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.”

5.12 The preparation of the FVA17 involved both informal stakeholder consultation and a number of stages of formal consultation. Information provided by stakeholders was used to finalise and refine the viability testing methodology and assumptions.

5.13 The methodology, evidence and assumptions used to inform the FVA17 was therefore subject to scrutiny by stakeholders, and feedback was received from stakeholders at a number of points which was used to inform the FVA17. In the context of requirements for consultation it is considered that the FVA17 was based on a realistic and proportionate consultation over a number of stages and therefore meets the requirements identified in the PPG in this respect.

Typologies and Strategic Sites

5.14 At paragraph 003 the PPG notes that assessing plan viability does not require individual testing of every site or assurance that individual sites are viable. It advocates the use of site typologies based on assessment of samples of sites. The site typologies may be based on shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development.

5.15 Paragraph 005 deals with strategic sites and suggests that plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan.

- 5.16 The FVA17 was based on a typology approach to testing. Using the Draft Publication Version of the Local Plan, the proposed allocations and the Strategic Housing Land Availability Assessment (SHLAA) July, the FVA17 assessed the type, size and location of sites likely to come forward during the plan period. This information was used to inform the housing and commercial typologies that were adopted for the purpose of the viability testing.
- 5.17 In relation to housing sites this involved testing based on previously developed and greenfield sites at differing densities. Testing was undertaken based on site typologies ranging from 5 dwellings up to 250 dwellings for the largest greenfield sites anticipated to come forward. The testing also reflected different market areas, with testing across four different value zones based on the property market evidence.
- 5.18 For the commercial viability testing a range of typologies based on different uses were established having regard to key WLP31 evidence base documents such as the Employment Land Study. The viability typologies included industrial, offices and retail across both previously developed and greenfield sites and based on different sizes of development.
- 5.19 The final element of the FVA17 was to undertake viability assessments of those sites that are crucial to the delivery of the plan. This involved preparing a site specific viability assessment for many of the proposed allocations. The FVA17 included a viability assessment for a sample of 20 sites, including the 5 mixed use allocations and 15 residential allocations.
- 5.20 The approach in the FVA17 to establishing site typologies for testing and also undertaking viability testing of strategic sites accords to the requirements of the current PPG. The range of viability testing undertaken provided a broad and detailed framework of viability across the Borough. The small number of allocations that do not yet have planning consent therefore fit well with the range of typologies that were utilised for the purpose of the viability testing.

The Principles for Carrying Out a Viability Assessment

- 5.21 Paragraph 010 of the PPG states that:

“Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.”

5.22 The FVA17 is based on the residual approach. This is where the value of the completed development is assessed and the cost of undertaking the development (including the cost of land, finance and planning obligations) is deducted, along with a target developer's profit return. The residual sum that is left represents the development surplus or "headroom." Consideration of this then allows an informed decision to be made about the viability of the development in general, and in particular, the ability to fund Local Plan policies involving additional costs for development such as developer contributions policies and also CIL (where appropriate).

5.23 Table 3.1 below is taken from the FVA17 and illustrates this approach.

<i>Gross Development Value</i> <i>(value of the completed development scheme)</i>
<i>Less</i>
<i>Cost of Development</i> <i>(inclusive of build costs, fees, finance, land cost)</i>
<i>Less</i>
<i>Other Costs</i> <i>(inclusive of planning obligations)</i>
<i>Less</i>
<i>Developers Target Profit</i>
<i>= Development Surplus or "Headroom"</i>

FVA17 - Table 3.1: Residual Appraisal Approach

5.24 This approach allows plan policy requirements to be tested both individually and on a cumulative basis as outlined in the FVA17. It also meets the test of financial viability outlined in the PPG as it allows the value generated by a development to be assessed alongside the cost of developing it to assess whether based on the plan policy requirements the site or typology is viable.

5.25 Paragraph 10 goes on to say that:

"Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers."

"Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available."

5.26 The FVA was prepared based on appropriate available evidence at the time in relation to values, costs and other appraisal inputs. Full details of the evidence and approach to assessing the appraisal inputs are contained in Sections 4 and 5 of the FVA17 together with the supporting appendices. It is considered that the approach taken was proportionate, simple and transparent and all supporting information was made publically available. In addition the preparation of the FVA17 was subject to various stages of stakeholder consultation.

Inputs into Viability Assessment

5.27 As well as the approach to undertaking viability assessment the PPG provides guidance on what are termed standardised inputs into a viability assessment. These are considered in the following paragraphs.

Gross Development Value (GDV)

5.28 Paragraph 011 deals with GDV and states that this is an assessment of the value of development.

5.29 For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development a broad assessment of value in line with industry practice may be necessary.

5.30 For area wide or site typology assessment at plan making stage, average figures can be used.

5.31 The approach taken to assessing GDV in the FVA17 is in line with that outlined in the PPG. For housing development sales and asking price data was collated for all new build housing schemes in the Borough. Using this data, average values were calculated for each development. Details are provided in table 4.3 of the FVA17. This average value information then allowed us to establish broad ranges of value across the Borough which in turn resulted in testing across 4 values zones.

5.32 The commercial testing undertaken was informed by evidence of rental and sales transactions taken from Co-Star. Relevant transactions are contained at paragraphs 4.34 to 4.56 of the FVA17. The evidence allowed us to establish values for new commercial development in line with industry practice and evidence.

Costs

- 5.33 The PPG at paragraph 012 notes that costs should be based on evidence that is reflective of local market conditions. It provides a list of costs including:
- Build Costs
 - Abnormal Costs*
 - Site specific infrastructure costs*
 - Total Costs of all relevant policy requirements*
 - General Finance Costs
 - Professional Fees*
 - Sales marketing and legal costs
 - Project Contingency
- 5.34 The PPG notes that those items marked * should be taken into account when defining benchmark land value.
- 5.35 The viability testing undertaken in the FVA17 included all of these inputs based on evidence reflective of our experience of local market conditions.
- 5.36 Build costs, abnormal costs, site specific infrastructure costs and a project contingency were assessed by WYG Quantity Surveyors and their report containing their methodology was included at Appendix 7 of the FVA17. The construction costs for the houses were based on data held by WYG relating to a large range of housing projects carried out in the local northwest region. In accordance with the PPG, this was considered to be appropriate data, and also accords to the requirement of the PPG in terms of being reflective of local market conditions. Allowances were also assessed for abnormal costs as appropriate. External works were included in the cost assessments together with drainage, service supplies, on site open space, fees and a contingency of 5%.
- 5.37 Given a lack of local data, the build costs for commercial development were based on BCIS data and included appropriate allowances for external works, professional fees and a contingency.
- 5.38 Each financial appraisal was a cashflow so it reflected an assumed development and sales programme based on local evidence and the interest cost was calculated based on a typical industry rate at that time for housing development of 7% with 6% for commercial development.

- 5.39 Sales, legal and marketing costs on the disposal of the dwellings were included based on a typical allowance of 3.5% of GDV. The commercial testing included standard allowances for agents and legal fees on both letting and disposal. In addition acquisition costs on land purchase were included based on HMRC Stamp Duty Land Tax (SDLT) rates and legal and agents fees of 1.8%.
- 5.40 As detailed in the tables at Section 3, the total cost of relevant policy requirements were assessed and the costs included in the viability assessment. Testing was undertaken inclusive of S106 contributions of £1,200 per dwelling and consideration of the surplus sum generated by the appraisals allowed decisions to be made regarding the extent of further sums that may be available to fund further developer contributions policies.

Developer's profit

- 5.41 Paragraph 018 of the PPG deals with developer's profit. It states that:

"For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types."

- 5.42 With reference to the above our experience is that for affordable housing a profit of around 6% of either GDV or cost is now typically adopted in preparing viability assessments.
- 5.43 The FVA17 adopted a profit return at 20% of GDV for both market and affordable housing on all housing site typologies save for the small 5 and 10 dwelling schemes, where reflecting the more limited risk, a profit of 15% of GDV was adopted. The FVA17 did not apply a lower rate to the affordable housing which is now advocated in the PPG. Although the profit return at 20% of GDV is within the range identified in the PPG it is at the very highest end of the range. A lower profit return could therefore be justified based on the current PPG particularly with the significantly lower profit return for affordable housing taken into consideration. Adopting a lower profit in the viability assessments would result in an improved viability position to that reported in the FVA17.

- 5.44 For the commercial testing undertaken a profit of 15% of cost was adopted. This was in accordance with industry standards at the time of the FVA17. In our experience this level of profit for commercial development is still appropriate at the present time.
- 5.45 The position taken in relation to profit in the FVA17 accords to the PPG and if anything for residential development is higher than anticipated in the PPG. With lower returns adopted this would lead to an improvement in the results and the overall viability position reported in the FVA17 for residential development.

Benchmark Land Value

- 5.46 The Planning Practice Guidance (PPG) sets out how land value should be assessed for the purpose of viability assessment. It states that:

"To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+). (Paragraph: 013)

- 5.47 Paragraph: 014 then provides details of what factors should be considered in establishing a benchmark land value. In particular it states that a benchmark land value should:

- be based upon existing use value;
- allow for a premium to landowners (including equity resulting from those building their own homes);
- reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees

5.48 It goes on to say that existing use value should be informed by market evidence of current uses, costs and values and that market evidence can be used as a cross check of benchmark land value but should not be used in place of benchmark land value. It also notes that there may be a divergence between benchmark land values and market evidence but cautions that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners. Evidence used to inform assessment of benchmark land value should be based on developments which are fully compliant with emerging or up to date plan policies, including for affordable housing requirements at the relevant levels set out in the plan.

5.49 At paragraph: 015 further information is provided about the meaning of existing use value (EUV). It is defined as being:

"the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value."

(Paragraph: 015)

5.50 The PPG acknowledges that EUVs will vary depending on the type of site and development types. It suggests that an EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values. Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

5.51 The premium (or the 'plus' in EUV+), is the amount above existing use value (EUV) that goes to the landowner. The PPG states that:

"The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements."

5.52 It goes on to say that:

"Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan."

(Paragraph: 016)

- 5.53 The approach to assessing benchmark land value for housing sites (or land input cost as it was termed in the FVA17) was in line with the approach identified in the document Viability Testing Local Plans to be used in establishing the 'threshold land value'. This involved establishing a threshold land value based on a premium over current use values or credible alternative use values.
- 5.54 In relation to greenfield sites we established an existing use value based on agricultural uses. The property market evidence contained at Appendix 6 of the FVA17 contained information regarding agricultural land sales/asking prices. Excluding the data that included buildings or development opportunities, the prices for bare land ranged from £4,817 per acre to £8,824 per acre whilst the RICS Rural Market Survey (H1 2017) reported on a national basis that arable land values were at £8,378 per acre and pasture land values at £6,704 per acre. Based on this evidence we assessed the existing use values to be in the region of £5,000 to £20,000 per acre or less. We then applied a reasonable landowner premium to these figures, the level of premium reflected local market conditions and infrastructure and service requirements. Adopting an existing use value of £10,000 per acre we applied a land owner premium 19 times existing use value to incentivise a landowner to sell in the lower value areas giving a total land value benchmark of £200,000 per acre. In the higher value areas we assumed a premium equivalent to 24 times existing use value giving a total benchmark land value of £250,000.
- 5.55 With reference to Appendix 6 of the FVA17 there had been limited commercial land sales in Wyre. However drawing on our knowledge and experience elsewhere we assessed an existing use value for previously developed land in commercial use in the settlement areas in the range of £150,000 to £250,000 per acre. The exact figure dependent upon location, past use etc. We adopted a benchmark land value of £250,000 per acre in the lowest value area and £400,000 per acre in the highest value area. These benchmark land values reflected a land owner premium at 66% in the low value areas and at 60% in the highest value locations.
- 5.56 In establishing a benchmark land value the PPG notes that market evidence can include benchmark land values from other viability assessments and that land transactions can be used but only as a cross check to the other evidence. The benchmark land values that were assumed in the FVA17 were in line with those we had adopted in Local Plan Viability Assessments elsewhere at that time. In addition we also undertook a sense check of the benchmark land values based on residential land sales that had taken place in the Borough although these transactions were based on pre-existing policy requirements and hence were not directly comparable for the purpose of the exercise.

- 5.57 In reviewing the approach taken to assessing benchmark land value, the methodology and approach accords to the requirements of the PPG, with an assessment based on EUV plus a reasonable premium to the land owner.

Summary

- 5.58 Although the FVA17 was prepared prior to the NPPF18 (now NPPF21) and the updated PPG, the methodology adopted accords to the requirements of this current guidance. In terms of the approach to assessing the appraisal variables this is also in line with the current guidance. The only difference that we have noted is in relation to developer's profit. Based on the current PPG a lower profit return could be justified for the majority of residential typologies tested.
- 5.59 The conclusions of the FVA17 are therefore unaltered and demonstrate that with reference to Paragraph 002 of the PPG the policies contained in WLP31 (as amended by the partial review) are realistic and the total cumulative cost of all relevant policies will not undermine delivery of the plan.

Market Signals

- 5.60 As noted previously NPPF21 states that:

"The preparation and review of all policies should be underpinned by relevant and up to date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals." (para 31).

- 5.61 Given the passage of time since the publication of the FVA17 we have considered relevant market data sources to identify whether there have been any changes that may impact on the viability and deliverability position reported. The evidence base for the Viability Testing was compiled during the summer of 2017 and we have considered changes to house prices and build costs that have taken place over the period since the summer of 2017.

Sales Prices

- 5.62 We have taken data from Land Registry relating to new build sales over the period from July 2017 until July 2021 which provides the most recent complete monthly data. The data is included at **Appendix 1** and shows that average new build sales prices have increased by around 22.64% over the period. We have provided at figure 5.1 a graph prepared using this house price data, which illustrates house price trends over the period.

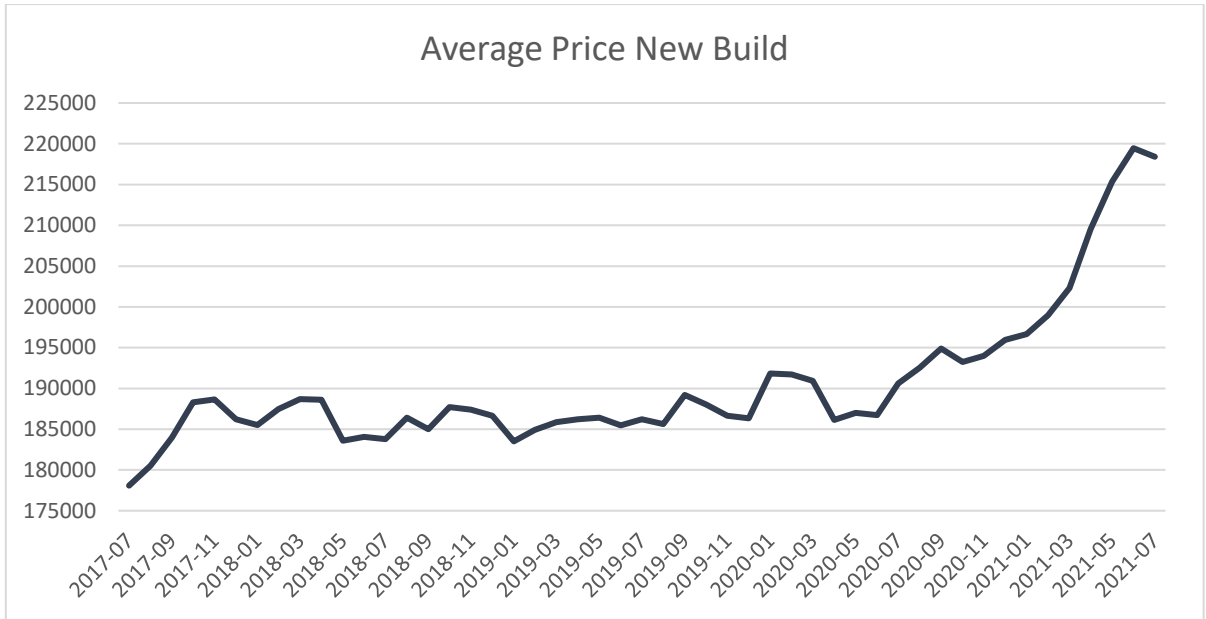


Figure 5.1: Average New Build House Prices from July 2017 (Source: Land Registry)

Build Cost Increases

5.63 Alongside house price increases we have also considered changes in construction costs over the period having regard to the BCIS tender price index (TPI). Details of the TPI over the period are included at **Appendix 2**. The data shows that over the period there has been an increase in the index of just under 11%. For illustrative purposes, figure 5.2 shows the changes in TPI over the period.

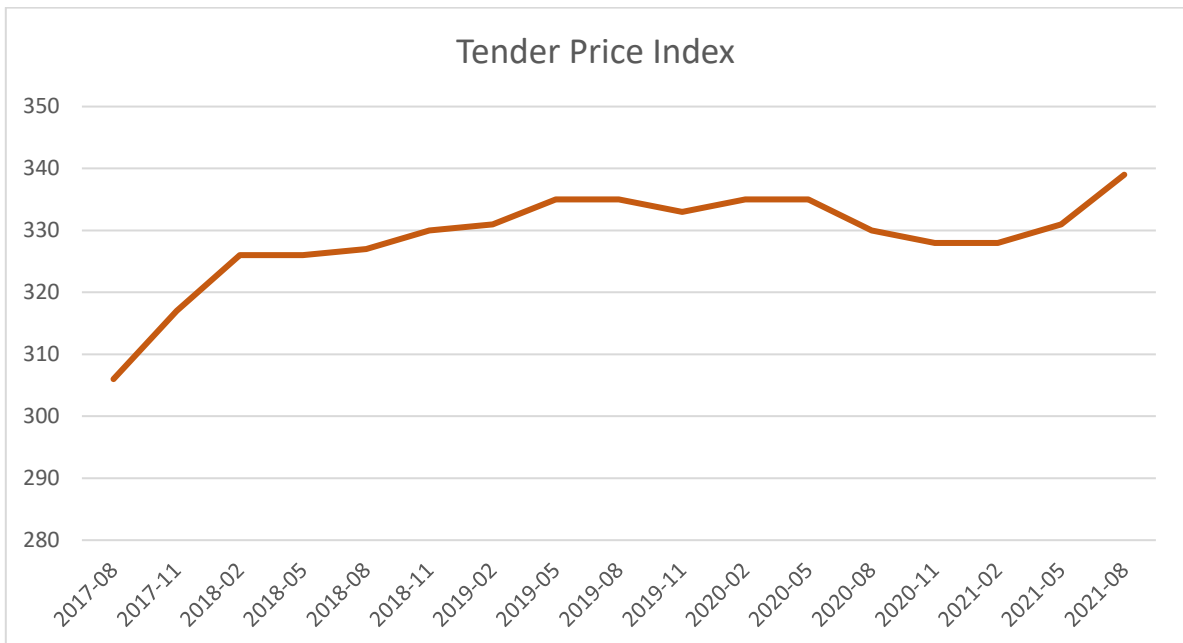


Figure 5.2: TPI Index since Aug 2017 (Source: BCIS)

5.64 The data suggests that sales price increases have been greater than build cost increases over the period. To enable a closer comparison of the respective trends we have prepared figure 5.3. We have rebased average new build sales prices to the August 2017 TPI figure at 306, the graph line then shows house price changes relative to the TPI index over the period.

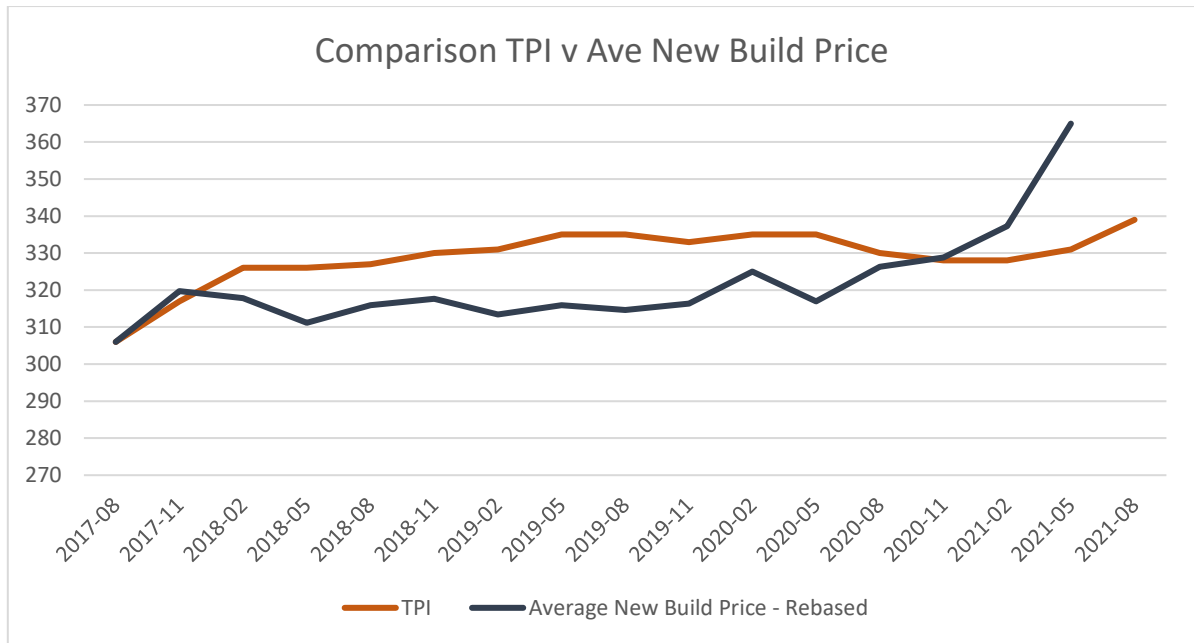


Figure 5.3: Average New Build House Prices Compared to TPI

5.65 The data shows that initially relative increases in the two measures were similar. At the end of 2017 average new sales prices became relatively flat whilst tender prices increases continued into 2018 after which they too became stable. New build house prices began to increase during mid-2020 and now exceed the TPI by a significant margin, although the latter also began to increase early in 2021.

5.66 At the present time the data shows that changes between these particular measures would not materially alter the outcome of the FVA17. Indeed at the present time sales price increases are in excess of build cost increases, which would indicate an improvement in the viability position to that reported in the FVA17.

- 5.67 Changes in sales prices have a much greater impact on viability than changes in construction costs. This is because construction costs in all cases will be less than the value of the completed development. To put this into context in the appraisals prepared for FVA17, the total construction costs (including fees and contingencies) were equivalent to between 50-65% of GDV dependent on the value zone. The implications of this for a development appraisal, are that construction cost increases would need to exceed house prices increases substantively for this to begin to erode viability. As noted in the new RICS Guidance Assessing Viability in Planning under the National Planning Policy Framework for England 2019 (AVIP) at paragraph 4.1.5 even where there is equal growth in both values and costs this will always increase current residual land values. As a result the guidance states that the use of current values and costs in FVAs in a rising market has been shown in peer-reviewed academic research (e.g. *Town Planning Review*, (2019), 90, (4), 407-428) to have been instrumental in reducing the level of developer contributions over time.
- 5.68 In the present case there has been no material construction cost increase over new build house prices that would indicate a change in the viability position. Indeed at present the relevant data based on these measures could indicate an improvement in viability from the position reported in the FVA17.

Land Values

- 5.69 We have also considered whether there have been any material changes to land values since FVA17. Agricultural land values were used to assess the existing use values for the greenfield sites in FVA17. The FVA17 was published in the second half of 2017 and the RICS Rural Market Survey (H2 2017) reported that for the North West arable land values were at £9,000 per acre and pasture land at £7,500 per acre. This particular survey is no longer published. The last publication was in the first half of 2018 and when arable land values were at £9,375 per acre and pasture land values at £6,375 per acre.
- 5.70 The RICS Rural Market Survey has been replaced with the RICS and RAU Farmland Market Directory of Land Sales which is generated from land transaction information provided by land agents across the Country. The data analysis carried out on a regional basis shows average agricultural land prices for the North West during 2020 as summarised in table 5.1.

Small < 50 acres		Medium 50-200 acres		Large 200+ acres	
£/ha	£/acre	£/ha	£/acre	£/ha	£/acre
25,750	10,421	22,189	8,980	16,679	6,750

Table 5.1: RICS and RAU Farmland Market Directory of Land Sales North West Prices (2020)

- 5.71 The data in table 5.1 does not differentiate between classifications of agricultural land and therefore it is difficult to draw any direct comparison with the 2017 RICS Rural Market Survey data.

- 5.72 To enable a direct comparison for the North West we have had regard to the Carter Jonas Farmland Market Update Q3 2021. The average figures for the region in this update are £9,500 per acre for arable land and £7,000 per acre for pasture land. This compares with £9,000 and £7,500 per acre respectively at the time of FVA17. Over the period since 2017 the average price of arable land has increased by £500 per acre, conversely the average price for pasture land has reduced by £500 per acre. This latest data shows that there has been some slight variation since 2017 within the different categories of agricultural land. This change is not however material, and would not impact on the greenfield existing use values assumed in FVA17 or give rise to a change in the viability results and conclusions for these typologies.
- 5.73 In FVA17 the existing use values for brownfield land were assessed based on the value of industrial land. The industrial sites relevant to this assessment were typically low quality and normally obsolete for industrial use and hence had limited value in their existing use. For these sites we assumed existing use values ranging from £150,000 to £250,000 per acre. The MHCLG publication Land Value Estimates for Policy Appraisal (2019) (published August 2020) is referred to in the PPG as a source of information for providing a guide to land values in FVAs. This document identifies average industrial land values in Wyre as being £400,000 per hectare (£162,000 per acre) however this is on the assumption that there are no abnormal site constraints or contamination issues and that services are available to the edge of the site.
- 5.74 We would expect any brownfield land brought forward for residential development in Wyre to be low quality and obsolete for employment purposes and therefore to have an existing use value that is potentially below that stated in the MHCLG value estimates.
- 5.75 It is also our experience that landowner aspirations in relation to benchmark land values are reducing as the requirements of the revised PPG start to take effect. The PPG is clear that the landowner premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development but should also allow a sufficient contribution to fully comply with policy requirements. It stresses that landowners and site purchasers should consider policy requirements when agreeing land transactions.

5.76 As a result of these changes in approach to the assessment of benchmark land value and also detailed clarification about the basis of calculation, it is our experience that benchmark land values for both local plan and application specific FVAs are now generally lower than those previously adopted in the FVA17. This is particularly the case for previously developed brownfield sites where landowner premiums are now often in the region of 20-50% of existing use value dependent on the specific circumstances of the site. It is considered that the benchmark land values adopted in the FVA17 are relatively generous and therefore robust.

Developer's profit

5.77 The FVA17 adopted a developer's profit of 20% of GDV for all but the smallest sites (5 and 10 dwellings) for which a return of 15% was adopted. The profit of 20% was applied to all tenures both market and affordable. As noted in paragraph 5.41 above the PPG suggests a range of profits at 15% - 20% of GDV, with a lower figure for affordable housing. As a result of changes in guidance over the period, the profit adopted in the FVA17 is at the highest end of the range suggested. The profit used in the FVA17 also did not include a lower figure for the affordable housing. As a result the profit at 20% adopted in the FVA is high and could be reduced. Any reduction in profit would obviously lead to an improvement to the viability position reported in the FVA17.

5.78 For the commercial testing a profit of 15% of cost was adopted. This was in accordance with industry standards at the time of the FVA17. In our experience profit returns required for speculative new commercial development have remained consistent since the FVA17 and hence there is no justification for any change.

Other Appraisal Variables

5.79 Other appraisal variables include costs for sales and marketing at (3.5% of GDV), land acquisition costs (SDLT, legal and agents fees) and finance costs (7%). These assumptions remain in line with present market practices and we don't consider that there is any justification for a change in the figures adopted. Indeed many of the financial appraisals submitted by housebuilders that we review on behalf of LPAs are now based on lower interest rates at around 6% - 6.5%, and hence there is justification for adopting a slightly lower finance rate. This would obviously improve the viability position.

Conclusions

- 5.80 We have considered the approach and inputs used in the FVA17 in the context of changes to guidance and market signals. Based on this assessment we consider that the approach taken in the preparation of FVA17 is in line with current guidance contained in NPPF21 and the PPG. In terms of the property market we do not consider that there have been any changes over the period that would lead to a materially altered viability position and conclusion to that contained in the FVA17.
- 5.81 This conclusion is confirmed by the extent of new housing delivery in the Borough and in particular affordable housing. Completions data shows that for 2019-2021 there were 281 affordable housing completions (162 Affordable Rent, 46 Shared Ownership and 73 intermediate/ Discounted Market Sales) from a total of 1,043 completions i.e. 26.94%. This is only marginally below the 30% affordable housing requirement that applies across large parts of the borough and provides a good indicator of the viability and the delivery of plan policies.

6.0 CONCLUSIONS

- 6.1 We have prepared an assessment of the Partial Review of the WLP31, to identify any revisions to WLP31 policies which may have an impact on viability. We have then considered the Local Plan policy testing undertaken in FVA17 and identified whether the revisions introduced by the Partial Review Document give rise to a need for adjustments to the assumptions made and as a result further viability testing. Based on the review that we have undertaken we are satisfied that the changes proposed do not result in any alterations to the policies previously tested and as a result give rise to additional costs for development not previously taken into consideration in FVA17.
- 6.2 The only exception is in relation to Policy HP3 – Affordable Housing where a revision is proposed to be made to the policy to introduce the requirement for First Homes to comprise 25% of all affordable units delivered under a planning obligation. We do not consider that any additional viability testing is required to address this amendment as the assumptions made around the quantum and value of the intermediate affordable dwellings in the FVA17 are sufficient to model the requirements in relation to First Homes.
- 6.3 The FVA17 was prepared based on NPPF12 and we have therefore analysed the methodology and inputs used in the preparation of the study in light of new guidance in the form of NPPF21 and updated PPG. Having undertaken this assessment we are content that the FVA17 accords to the requirements of this new best practice guidance and hence there is no need to undertake any amendments or make adjustments to the viability testing.
- 6.4 The evidence base supporting the FVA17 was compiled during the summer of 2017. The final stage of this review has therefore been to consider market signals and any potential changes to appraisal inputs that may be required as a result. Having undertaken this exercise we are satisfied that there have been no significant changes that would give rise to a different viability outcome than that reported in the FVA17.
- 6.5 Overall therefore we are satisfied that the policies contained in the WLP31 and the proposed revisions arising from the partial review are realistic and that the total cumulative cost of all relevant policies including those subject to revision by the partial review will not undermine the deliverability of the WLP31.



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A G MASSIE BSc (Hons) MRICS
Date: 25 November 2021
Ref: AGM/JA/MCS



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JENNY ADIE BSc (Hons) MRICS

APPENDIX 1

NEW BUILD AVERAGE HOUSE PRICES (LAND REGISTRY)

APPENDIX 1 - Land Registry New Build Average Prices

Period	Average Price New Build
2017-07	£178,079
2017-08	£180,538
2017-09	£183,970
2017-10	£188,307
2017-11	£188,638
2017-12	£186,222
2018-01	£185,511
2018-02	£187,492
2018-03	£188,683
2018-04	£188,611
2018-05	£183,588
2018-06	£184,055
2018-07	£183,793
2018-08	£186,405
2018-09	£184,991
2018-10	£187,699
2018-11	£187,394
2018-12	£186,657
2019-01	£183,513
2019-02	£184,910
2019-03	£185,866
2019-04	£186,203
2019-05	£186,397
2019-06	£185,475
2019-07	£186,226
2019-08	£185,619
2019-09	£189,215
2019-10	£188,009
2019-11	£186,652
2019-12	£186,349
2020-01	£191,848
2020-02	£191,732
2020-03	£190,908
2020-04	£186,149
2020-05	£187,019
2020-06	£186,726
2020-07	£190,596
2020-08	£192,524
2020-09	£194,899
2020-10	£193,263
2020-11	£193,970
2020-12	£195,938
2021-01	£196,659
2021-02	£198,991
2021-03	£202,325
2021-04	£209,522
2021-05	£215,329
2021-06	£219,459
2021-07	£218,393
2021-08	
2021-09	

22.64%

APPENDIX 2

TPI INDEX (BCIS)

BCIS All-in TPI #101

Base date: 1985 mean = 100 | Updated: 05-Nov-2021 | #101

Date	Index	Equivalent sample	Percentage change		
			On year	On quarter	On month
1Q 2017	301	122	9.5%	3.4%	
2Q 2017	307	117	8.9%	2.0%	
3Q 2017	306	112	8.9%	-0.3%	
4Q 2017	317	106	8.9%	3.6%	
1Q 2018	326	98	8.3%	2.8%	
2Q 2018	326	94	6.2%	0.0%	
3Q 2018	327	90	6.9%	0.3%	
4Q 2018	330	85	4.1%	0.9%	
1Q 2019	331	74	1.5%	0.3%	
2Q 2019	335	66	2.8%	1.2%	
3Q 2019	335	62	2.4%	0.0%	
4Q 2019	333	56	0.9%	-0.6%	
1Q 2020	335	Provisional	1.2%	0.6%	
2Q 2020	335	Provisional	0.0%	0.0%	
3Q 2020	330	Provisional	-1.5%	-1.5%	
4Q 2020	328	Provisional	-1.5%	-0.6%	
1Q 2021	328	Provisional	-2.1%	0.0%	
2Q 2021	331	Provisional	-1.2%	0.9%	
3Q 2021	339	Provisional	2.7%	2.4%	