

Committee: Local Plan Working Group

Agenda Item

Date: 31 March 2014

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Title: Local Plan Viability Assessment

Author: Andrew Taylor, Assistant Director Planning
and Building Control

Summary

1. A Local Plan Viability Assessment is required as part of the Local Plan evidence base. The Council appointed BNP Paribas to advise on Local Plan viability.
2. After detailed discussion BNP Paribas have now issued detailed advice to the Council. This is attached as Appendix 1.

Recommendations

3. For information

Financial Implications

4. None

Background Papers

5. None

Impact

- 6.

Communication/Consultation	The Local Plan Viability Assessment will be available on website
Community Safety	N/A
Equalities	N/A
Health and Safety	N/A
Human Rights/Legal Implications	N/A
Sustainability	Sustainability implications are considered in each site assessment
Ward-specific impacts	All
Workforce/Workplace	N/A

Situation

7. The Local Plan Viability Assessment is a study of the deliverability of the Local Plan in terms of sites viability. The report assesses whether the requirements the Local Plan places on sites together with land values and expectant house prices means that sites will be brought forward for development.
8. This report tests the viability of fourteen major proposed developments in Uttlesford District and their ability to meet planning policy requirements. The study tests the cumulative impact of the Council's requirements, in line with the requirements of the National Planning Policy Framework ('NPPF') and the Local Housing Delivery Group guidance '*Viability Testing Local Plans: Advice for planning practitioners*'.
9. The study methodology compares the residual land values of the fourteen major developments to appropriate 'benchmark land values'. If a development incorporating the Council's policy requirements generates a higher residual land value than the benchmark land value, then it can be judged that the Council's requirements will not adversely impact on viability. Following the adoption of policies, developers will need to reflect policy requirements in their bids for sites, in line with requirements set out in the RICS Guidance on 'Financial Viability in Planning'.
10. The study utilises the residual land value method of calculating the value of each development. This method is used by developers when determining how much to bid for land and involves calculating the value of the completed scheme and deducting development costs (construction, fees, finance, sustainability requirements) and developer's profit. The residual amount is the sum left after these costs have been deducted from the value of the development, and guides a developer in determining an appropriate offer price for the site.
11. The housing and commercial property markets are inherently cyclical and the Council is testing its proposed Local Plan policies at a time when the market is recovering after a severe recession. Residential values in Essex have recovered to within 7% of their 2008 peak levels. Forecasts for future house price growth point to continuing growth in mainstream UK markets. We have allowed for this by running a sensitivity analysis which varies the base sales values and build costs, with values increasing by 2% to 3% per annum in real terms.
12. This analysis is indicative only, but is intended to assist the Council in understanding the viability of key sites both in today's terms but also in the future.
13. The key findings of the study are as follows:
 - The results of this study are reflective of current market conditions, which are likely to improve over the medium term. It is therefore important that the Council keeps the viability situation under review so

that policy requirements can be adjusted should conditions change markedly.

- The majority of schemes are viable at current values and are able to meet the Council’s requirements in terms of affordable housing and sustainability.
- The four schemes that are not currently viable are likely to become viable over the medium term following modest real growth in sales values.
- A flexible approach to application of affordable housing targets will ensure the viability of developments is not adversely affected over the economic cycle.
- The Council will need to work closely with developers to ensure that land is acquired at an appropriate price to enable policy requirements to be met. Viability issues typically emerge as a result of landowners’ unrealistic expectations.
- Our appraisals assume that grant funding for affordable housing is not available. This situation may change in the future and the Council should monitor this closely.
- The Council’s existing sustainability requirements would not adversely impact on viability. However, adoption of higher sustainability standards would require flexible application in the short to medium term to strike an appropriate balance with other policy requirements.

Risk Analysis

14.

Risk	Likelihood	Impact	Mitigating actions
The report is not sufficiently robust and some sites are not deliverable.	1 – little or no risk or impact	Unable to deliver sites in emerging local plan.	Appointed an independent consultant with experience of viability assessment. The report uses nationally accepted methodologies in its assessment.

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.