
COPELAND BOROUGH COUNCIL

EXECUTIVE SUMMARY

STAGE 2 LOCAL PLAN VIABILITY STUDY

(FINANCIAL VIABILITY ASSESSMENT 2)

Prepared on Behalf of

**Copeland Borough Council
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Overview

- 1.0 Copeland Borough Council is producing a new Local Plan for the period 2021-2038 relating to the parts of Copeland outside the Lake District National Park. The new Local Plan will replace the existing adopted plan, (Copeland Local Plan 2013-2028 Core Strategy and Development Management Policies) and will cover the period to 2038.
- 2.0 The Publication Draft Local Plan is informed by a number of evidence base documents. A high-level Stage 1 Viability Assessment was produced by Lambert Smith Hampton ("LSH") in 2018 ("FVA1"). This assessed the Local Plan 2013-2028 Site Allocation Preferred Options Draft 2015. This version of the plan was not ultimately carried forward and a new Issues and Options Draft was produced in 2019.
- 3.0 Keppie Massie has been appointed to prepare a viability assessment to inform and support the policies and proposed site allocations to be contained in the new Local Plan. The role is to carry out a review and update, where necessary, to the Stage 1 Viability Assessment and produce a Stage 2 Viability Report which has regard to the policies and allocations contained in the Publication Draft of the Plan.
- 4.0 The National Planning Policy Framework (NPPF) 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)
- 5.0 This Stage 2 Local Plan Financial Viability Assessment ("FVA2") establishes the viability and deliverability implications of the emerging Local Plan policies and allocations. This is to ensure that they are realistic and can deliver sustainable development without putting the delivery of the Plan at risk. The study has been prepared to satisfy the tests of viability and deliverability laid down in the NPPF and the National Planning Practice Guidance (PPG).
- 6.0 Keppie Massie is regulated by the RICS and in preparing this FVA the authors have had regard to all relevant RICS Standards and Guidance.

Economic Viability Assessment (Stage 1) December 2017 (FVA1)

- 7.0 FVA1 was prepared by LSH and published in December 2017. The study adopted a generic formula based approach to assess the viability of a representative range of housing, commercial and employment development sites in the Borough. The primary purpose of FVA1 was to provide an information base to enable council officers to make broad brush, early assumptions on whether genres of sites were likely to be deliverable, and hence to support the progression of the Local Plan towards the examination process. The viability testing excluded policy requirements such as affordable housing. It was acknowledged that a further FVA would be required with a more detailed analysis of sites and their deliverability, taking into consideration other aspects such as affordable housing and s106 costs.
- 8.0 FVA1 identified a mixed picture in terms of viability. The most viable development locations and scenarios were greenfield residential sites in Whitehaven and the high value Local Centres and villages together with medium sized sites in the Key Service Centres. Conversely employment development, mixed use development, brownfield residential development across the Borough and greenfield residential development in average value Local Centres and villages all had potential viability challenges.

Copeland Local Plan 2021 -2038 Publication Draft (at December 2021)

- 9.0 To meet the requirements of the NPPF, the Council is presently preparing a new Local Plan. Once adopted, the new Local Plan will replace the existing adopted plan, (Copeland Local Plan 2013-2028 Core Strategy and Development Management Policies) with a single document containing borough wide policies and land allocations. The new Local Plan will guide development in the Borough to 2038.
- 10.0 The Local Plan contains strategic policies to help diversify and strengthen the economy, unlock town centres and improve housing quality and choice. It also contains policies that protect and enhance natural spaces and heritage assets, recognising that they are important for the health and well-being residents as well as attracting visitors to Copeland.
- 11.0 The Local Plan contains development management policies that are positively worded and flexible to help to shape development. These policies set out requirements for development to help maximise the benefits of this for communities in the Borough.

Viability Guidance Framework

- 12.0 FVA1 was prepared under the National Planning Policy Framework 2012 and associated Planning Practice Guidance. The assessment was undertaken having regard to the best practice guidance at that time namely Viability Testing Local Plans ("the Harman Guidance") and the RICS Guidance Note: Financial Viability in Planning (2012). These documents have been superseded and in preparing FVA2 we have had regard to current guidance. The following paragraphs provide an overview of the present Viability Guidance Framework.

National Planning Policy Framework (July 2021)

- 13.0 The National Planning Policy Framework July 2021 (NPPF) 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)

- 14.0 In addition 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).

- 15.0 The NPPF places the emphasis on establishing viability at plan making stage.

National Planning Practice Guidance (Sept 2019)

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

"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." (Paragraph: 002 Reference ID:10-002-20190509)

- 17.0 The aim of the Local Plan Viability Assessment in the context of the current framework is to provide a proportionate assessment of viability (satisfying the requirements of the NPPF and PPG) of the future development sites in Copeland, taking into account all relevant policies contained in the Local Plan together with local and national standards.

Financial viability in planning: conduct and reporting (May 2019)

- 18.0 This Professional Statement issued by the RICS is effective from 1 September 2019 and sets out mandatory requirements on conduct and reporting in relation to financial viability assessments (FVAs) for planning in England, whether for area-wide or scheme-specific purposes. It recognises the importance of impartiality, objectivity and transparency when reporting on such matters. The professional statement focuses on reporting and process requirements and reflects the changes to the NPPF and PPG. Reference is made to this document at relevant parts of this FVA.

Assessing viability in planning under the National Planning Policy Framework 2019 for England (March 2021) (AVIP)

- 19.0 This guidance note issued by the RICS in March 2021 is effective from 1 July 2021 and replaces the 2012 Financial viability in planning guidance note. It provides guidance for carrying out and interpreting the results of viability assessments under the NPPF and the updated PPG. Again reference is made to this document at relevant parts of this FVA.

Consultation

- 20.0 An online consultation event took place on 19 October 2021. A total of 42 stakeholders were invited to the event including house builders active in the Borough, landowners and their agents, registered providers and representatives from Homes England and the Home Builders Federation. As part of the consultation event we provided an overview of FVA1 its assumptions and outcomes, details of the guidance changes since FVA1 was published, and then an overview of the FVA2 study, the evidence base and proposed testing typologies and assumptions.
- 21.0 Following the consultation event the detailed presentation document was circulated to all stakeholders invited to the event and they were asked to provide feedback and supporting evidence in relation to the proposed approach and assumptions for FVA2. A total of two responses were received to the consultation.

Methodology

- 22.0 FVA1 adopted a residual appraisal methodology which accords to that set out in AVIP. In preparing the financial appraisals in FVA1 the value of the completed development was assessed and then the cost of undertaking the development including a land value and developers profit were deducted. The residual sum that remained was the surplus available for planning contributions such as affordable housing.
- 23.0 The appraisals in FVA2 are based on this same residual methodology. However the appraisals now include any costs associated with the draft Local Plan policies. Table 1 provides a simple diagram illustrating this approach.

Gross Development Value (value of the completed development)
<i>Less</i>
<i>Cost of Development (inclusive of build costs, fees, finance)</i>
<i>Less</i>
<i>Other Costs (sales and marketing costs, plan policies)</i>
<i>Less</i>
<i>Developers Target Profit</i>
<i>= Residual Land Value</i>
Compare to BLV
<i>= Development Surplus or "Headroom"</i>

Table 1: Residual Approach to Viability Testing

Residential Typologies

- 24.0 FVA1 was based on a framework of generic greenfield and brownfield site typologies. Residential typologies assumed densities of between 28 and 31 dwellings per net developable hectare. Table 2 contains details of the four sizes of scheme that were tested and the gross to net site area ratios adopted in each case.

Scheme Size (No Dwellings)	Gross to Net Ratio
400	60%
75	75%
50	70%
15	80-86%

Table 2: FVA1 Residential Typologies Tested

- 25.0 The viability assessments in this present study are based on the proposed allocations contained in the plan. A financial appraisal has been prepared for each of the housing allocations save for those that are already commitments or form a further phase of existing developments. For each allocation we have adopted the capacity identified in the Local Plan and have applied densities typically at between 30-35 dwellings per net developable hectare. We have then applied a gross to net site area ratio generally in line with those adopted in FVA1. Full details of the assumptions made for each allocation are contained in the main study report at **Appendix 3**.
- 26.0 Recognising the fact that smaller windfall sites may come forward during the plan period we have also prepared generic assessments for sites of 5 and 10 dwellings.
- 27.0 The typologies in FVA1 were based on a housing mix that included predominantly 2 and 3 bed dwellings, together with a smaller proportion of 4 bed dwellings. In testing the larger typologies an allowance of around 10% was made for bungalows together with a small number of apartments.
- 28.0 Policy H7PU requires applicants to demonstrate to the satisfaction of the Council, how their proposals meet the local housing needs and aspirations identified in the SHMA and Housing Needs Assessment.
- 29.0 In preparing the viability assessments for the various allocations we have adopted a mix that moves towards the requirements of the SHMA (with a relatively high proportion of smaller dwellings), although recognises the analysis from recent planning applications. Table 3 contains a summary of the overall mix that has been adopted for the purpose of the viability testing. The comments received through the initial consultation suggest that housing mix assumptions are supported.

No Beds	1 bed	2 bed	2 bed bungalow	3 bed	4 bed	5 bed
% Mix	5%	25%	5%	40%	20%	5%

Table 3: Viability Testing Dwelling Mix

- 30.0 To inform the dwelling sizes for testing we have considered the assumptions made in FVA1 together with the analysis of average sizes taken from the planning applications. The Local Plan does not require compliance with the Nationally Described Space Standards. Table 4 contains a summary of the dwelling sizes adopted for the viability testing in FVA2.

No Beds	1 bed	2 bed	2 bed bungalow	3 bed	4 bed	5 bed
Dwelling Size (sq.m)	58	70	70	85	120	170
Dwelling Size (sq.ft)	624	753	753	915	1,292	1,830

Table 4: Dwelling Sizes adopted in FVA2

- 31.0 In order to test the viability of affordable homes we have adopted the mixes for each affordable tenure based on the SHMA. Given the more limited number of one bed dwellings contained in the housing mix we have slightly increased pro-rata the number of 2 and 3 bed affordable units to account for this.

Commercial Typologies

- 32.0 A summary of the generic commercial typologies is contained in table 5.

Development Type	Built Area (sq.m)	Built Area (sq.ft)
Offices	464	5,000
Offices	1,857	20,000
Industrial	464	5,000
Industrial	1,857	20,000
Industrial	4,643	50,000
Industrial	9,287	100,000
Retail (comparison)	929	10,000
Retail (comparison)	2,786	30,000
Retail (convenience)	279	3,000
Retail (convenience)	929	10,000
Retail (convenience)	2,786	30,000

Table 5: Commercial Testing Typologies

Publication Draft Local Plan Development Management Policies

- 33.0 For the generic and allocated sites tested, table 6 contains a summary of the key Local Plan policies that impact on viability and how these have been dealt with in the viability testing.

Policy	Requirements	Viability Consideration	Approach to Viability Testing
Strategic Policy H8PU: Affordable housing	Affordable Housing	<p>On sites of 10 units or more (or of 0.5ha or more in size), or on sites of 5 units or more within the Whitehaven Rural sub-area at least 10% of homes provided should be affordable.</p> <p>The policy also seeks a tenure split as follows:</p> <p>40% - discounted market sales housing, starter homes or other affordable home ownership routes (25% of these must meet the definition of First Homes);</p> <p>60% - affordable or social rented.</p>	<p>Viability testing undertaken across all allocations and generic typologies inclusive of 10% affordable housing.</p> <p>This is on the basis of 60% affordable rent tenure and 40% discounted market sales housing, starter homes or other affordable home ownership routes. The mix of affordable dwellings in terms of size will be reflective of the mix contained in the SHMA.</p>
Strategic Policy DS2PU: Reducing the impacts of development on Climate Change Policy H7PU: Housing Density and Mix	Housing Density and Mix	<p>The Council is not required to include minimum density standards however developments should make effective use of land.</p> <p>Applications are required to demonstrate to the satisfaction of the Council how their proposals meet location housing needs and aspirations identified in the latest Strategic Housing Market Assessment (SHMA) and the Housing Needs Assessment in terms of house type, size and tenure</p>	<p>Viability testing undertaken based on a range of different housing allocations and smaller generic typologies. Dependent on the characteristics of the site testing has been undertaken on the basis of densities in the range of 30 to 35 dwellings per net developable hectare. In a small number of cases the assumed densities are slightly higher. Further details are contained at Appendix 3.</p> <p>The housing typologies assumed adopt a mix that broadly reflects the SHMA with a relatively large number of smaller dwellings.</p>
Policy H6PU: New Housing Development	Future Homes Standards	The supporting text to the policy encourages developers to create efficient housing that goes beyond the minimum energy efficiency standards set out within the Building Regulations where possible.	Requirements to achieve 31% reduction in CO2 are to be introduced in building regulations. The base construction costs and hence the viability testing is inclusive of the costs associated with the new Building Regulation requirements. In modelling these new nationally set standards the additional costs included range from £6,838 for a detached house to £4,971 for a terraced house.

Table 6: Implications of Development Management Policies

Policy	Requirements	Viability Consideration	Approach to Viability Testing
Strategic Policy DS2PU: Reducing the impacts of development on Climate Change Strategic Policy DS8PU: Reducing Flood Risk Policy DS9PU: Sustainable Drainage	Sustainable Drainage System (SuDS)	Development on greenfield sites should seek to achieve pre-development or better levels of surface water drainage and on previously developed sites, a reduction in surface water discharge should be sought.	<p>The construction cost assessments 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 Drainage Systems, and the costs assessed make provision for associated SuDs costs.</p>
Strategic Policy DS2PU: Reducing the impacts of development on Climate Change Strategic Policy N1PU: Conserving and Enhancing Biodiversity and Geodiversity Strategic Policy N3PU: Biodiversity Net Gain	Biodiversity net gain	<p>All development must provide a minimum of 10% biodiversity net gain over and above existing levels, Net gain should be delivered on site but where this is not appropriate provision is made for delivery in the following order of preference:</p> <ol style="list-style-type: none"> 1. Off site in a Local Nature recovery Network 2. Off site on an alternative suitable site 3. Through the purchase of appropriate amount of national biodiversity units/credits. 	The construction cost assessments include costs associated with requirements for biodiversity net gain. In assessing these costs we have taken into consideration any specific requirements identified in the Housing Allocations Profiles. Open spaces might be multi-functional (ie SuDS, provision for Biodiversity Net Gain and also part of landscaping etc and in effect so we're considering the 'worst case' scenario from a viability perspective by including additional costs.
Strategic Policy DS5PU: Planning Obligations	Developer Contributions	The Council will secure infrastructure provision/enhancements through planning obligations where it is reasonable, necessary and directly related to the development	The Viability Assessments for each allocation include the costs associated with highways and bus infrastructure identified in the Transport Improvements Study (TIS) and the Site Access Assessment (SAA). It is understood that the Council is still seeking clarification from Cumbria County Council in relation to matters such as education contributions. The viability assessments therefore identify the surplus that is available to fund other potential planning contributions.

Table 6: Implications of Development Management Policies

Policy	Requirements	Viability Consideration	Approach to Viability Testing
Policy DS6PU: Design and Development Standards Strategic Policy N9PU – Green Infrastructure	Public Open Space	<p>New developments must contribute towards good health and well-being by incorporating high quality, inclusive and useful open spaces.</p> <p>Green infrastructure as part of new development should be maximised and developers should take opportunities to create new connections, expand networks and enhance existing green infrastructure to support the movement of plants and animals. Green infrastructure should be multi-functional where possible and should be considered at the start of the design process.</p>	<p>The development typologies include requirements for onsite public open space and therefore the construction cost assessments are reflective of this. In addition we have included the costs of play provision (i.e. LAP, LEAP etc.) based on certain size thresholds.</p> <p>Until the playing pitch strategy is finalised the Council is not able to identify any contributions that may be required for new pitches.</p> <p>In those cases where the Housing Allocation Profiles identify requirements in relation to new playing pitches, the construction cost assessments include an appropriate cost allowance for new provision.</p>
Policy CO7PU: Parking Standards and Electric Vehicle Charging Infrastructure	Electric Vehicle Charging Points	<p>New residential development is to provide one electric vehicle charging point per dwelling. Where off street parking is not provided a commuted sum will be required in lieu. For non-residential development at least one charging point per 10 spaces is to be provided with infrastructure to enable the future installation of charging points in every parking bay.</p>	<p>We have undertaken viability testing inclusive of the costs associated with the provision of electric vehicle charging points at £581 per point.</p> <p>For commercial developments we have included for the provision of EVCs and associated infrastructure in the construction cost assessments. £2,980 per space has been included for the charging point together with appropriate costs for infrastructure provision to enable future installation.</p>

Table 6: Implications of Development Management Policies

Appraisal Assumptions

Residential

- 34.0 In undertaking a viability assessment for planning purposes, the PPG is very clear about how land value should be assessed. It specifies a framework for undertaking the land valuation and includes specific guidance on how to assess what is termed a "benchmark land value" (BLV). In particular the PPG 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 Reference ID: 10-013-20190509)

- 35.0 The BLVs are therefore assessed on the basis of EUV plus a premium to the land owner. For greenfield sites, to ensure that this FVA is robust we have adopted an EUV at £24,700 per hectare (£10,000 per acre). This is consistent with FVAs that have been undertaken locally and accords with our experience of EUVs adopted in the region as a whole for area wide FVAs.
- 36.0 For brownfield sites generally across the North West of England it is our experience that area wide viability assessments will typically adopt EUVs in the range of £247,000 to £494,000 per hectare (£100,000 to £200,000 per acre). When considering the types of employment sites likely to be the subject of future residential development in Copeland then based on the available evidence, and taking into consideration the Borough's relatively poor road communications, we would expect to see EUVs at the lowest end of this range. In assessing the brownfield allocations in Copeland it is our judgement that an EUV in the order of £247,500 per hectare (£100,000 per acre) would be more realistic.

- 37.0 In preparing a study of this nature it is important not to test to the margins of viability. A reasonably cautious approach to assessing a minimum landowner premium should therefore be taken. In these circumstances we would recommend that based on the evidence, a landowner premium equivalent to 15 times EUV would be realistic for most greenfield sites. Applying this landowner premium to the EUV of £24,700 per hectare (£10,000 per acre) results in a BLV for greenfield sites of £370,500 per net developable hectare (£150,000 per net developable acre).
- 38.0 At the present time there is still relatively little information about the extent of potential abnormal costs applicable to the brownfield allocations. For the limited number of brownfield allocations we have adopted a landowner premium of 50%. This produces a BLV of £370,500 per net developable hectare (£150,000 per net developable acre). In the circumstances this is considered to be a very robust position against which to test the viability of these brownfield allocations. If significant abnormal costs are identified then we would expect downward adjustments to these figures.
- 39.0 Table 7 contains a summary of the range of values that have been adopted for the purpose of FVA2. The values per sq.ft are included in brackets. These values are broadly similar to those previously consulted on. The differences are a slight uplift to the values for Cleator Moor and also an adjustment to the minimum sales price for Whitehaven from £2,099 per sq.m to £2,153 per sq.m (£195 to £200 per sq.ft).

Location	Min	Max
Whitehaven	£2,153 (£200)	£2,476 (£230)
Key Service Centres	£2,153 (£200)	£2,368 (£220)
Local Service Centres/Villages (average)	£2,099 (£195)	£2,368 (£220)
Local Service Centres/Villages (high)	£2,368 (£220)	£2,583 (£240)

Table 7: Summary of Residential Sales Prices Adopted for FVA2

- 40.0 Ultimately the values that are achieved for houses in Copeland will reflect the specific location and characteristics of a site. It is likely that slightly higher or conversely slightly lower values may be appropriate to the particular location. This is relevant to the testing of the proposed allocations where the location is known and the values adopted can be adjusted to reflect the circumstances of the site.

- 41.0 We have provided at table 8 a summary of the average sale price (GDV) that has been adopted for each of the allocations tested. The table also includes details of the sales rate that has been assumed. Further explanation is contained in **Appendix 8** of the main report. In the absence of direct evidence of new build values in some cases then it has been necessary to use our judgement using the limited sales evidence that is available. The sales prices that have been adopted therefore represent our assessment of a realistic position based on the available evidence.
- 42.0 We have assumed that bungalows will sell for a price reflecting an uplift of 15% to the average values in table 8.

Settlement	Ref	Address	Capacity	Price (per sq.m)	Price (per sq.ft)	Sales Rate (per month)
Whitehaven	HWH1	Land at West Cumberland Hospital and Snekyeat Rd	127	£2,314	£215	3
Whitehaven	HWH2	Red Lonning and Harras Moor	370	£2,476	£230	4
Whitehaven	HWH4	Land south and west of St Mary's School	60	£2,368	£220	3
Whitehaven	HWH5	Former Marchon Site North	532	£2,260	£210	5
Cleator Moor	HCM1	Land at Jacktrees Road	127	£2,314	£215	3
Cleator Moor	HCM2	Land north of Dent Road	96	£2,368	£220	3
Cleator Moor	HCM3	Former Ehenside School	40	£2,153	£200	3
Egremont	HEG1	Land north of Ashlea Road	108	£2,368	£220	3
Egremont	HEG2	Land at Gulley Flatts	170	£2,368	£220	3
Egremont	HEG3	Land to south of Daleview Gardens	141	£2,368	£220	3
Millom	HMI1	Land west of Grammerscroft	107	£2,314	£215	3
Millom	HMI2	Moor Farm	195	£2,314	£215	3
Arlecdon	HAR1	Land East of Arlecdon Road	37	£2,368	£220	2
Distington	HDI1	Land south of Prospect Works	30	£2,260	£210	2
Distington	HDI2	Land south west of Rectory Place	30	£2,099	£195	2
St Bees	HSB1	Land adjacent Abbots Court	58	£2,422	£225	2
St Bees	HSB3	Fairladies extension	30	£2,476	£230	2
Seascale	HSE2	Fairways Extension	22	£2,314	£215	2
Seascale	HSE3	Town End Farm East	32	£2,314	£215	2
Thornhill	HTH1	Land South of Thornhill	20	£2,153	£200	2

Table 8: FVA2 Sale Prices Adopted

Settlement	Ref	Address	Capacity	Price (per sq.m)	Price (per sq.ft)	Sales Rate (per month)
Beckermest	HBE1	Land north of Crofthouse Farm	46	£2,476	£230	2
Beckermest	HBE2	Land adjacent to Mill Fields	27	£2,476	£230	2
Bigrigg	HBI1	Land north of Springfield Gardens	65	£2,368	£220	3
Bigrigg	HBI2	Land west of Jubilee Gardens	35	£2,368	£220	3
Drigg	HDH2	Wray Head, Station Road	22	£2,368	£220	2
Holmrook	HDH3	Hill Farm Holmrook	20	£2,368	£220	2
Moor Row	HMR1	Land to north of social club	37	£2,314	£215	2
Moor Row	HMR2	Land to south of Scalegill Road	41	£2,314	£215	2
Lowca	HLO1	Solway Road	22	£2,260	£210	2
Summergrove	HSU1	Land to South West of Summergrove	80	£2,422	£225	3

Table 8: FVA2 Sales Prices Adopted

- 43.0 The following affordable values as a percentage of market value have been adopted:
- Affordable Rent – 45%
 - Shared Ownership – 70%
 - First Homes – 70%
- 44.0 The construction costs that we have adopted for FVA2 have been prepared by a Quantity Surveyor. A report containing their methodology and the site-specific cost assessments is contained at **Appendix 11** of the main Report.
- 45.0 The construction costs are inclusive of the additional costs of compliance with changes in Building Regulations to Part L that come into force in June 2022. The construction costs include provision for substructures, superstructures, all external works, garages, incoming services and drainage, preliminaries, fees and a contingency. The construction costs take into account the costs associated with the provision of SuDs and on-site public open space (including play provision).
- 46.0 At the present time there is no substantive information about the quantum of abnormal costs across the various allocations. Given the absence of this information an informed judgement has been made by our QS about the likely amount of such abnormal costs. This is based on the information contained in the Housing Allocation Profiles. Additional allowances have been made where appropriate for matters such as additional highway infrastructure requirements with specific reference to the Site Access Assessment 2021 (SAA), additional utilities, drainage and services costs, site development abnormals including remediation and abnormal foundations. Details are contained at **Appendix F** of the QS report.
- 47.0 Table 9 summarises the rate per sq.m total cost that has been assessed for each allocation exclusive of abnormal costs and EVCs but inclusive of fees, contingencies and onsite open space and play provision. Also included is a column showing the amount per dwelling assumed for abnormal costs.

Settlement	Ref	Address	Build Cost (per sq.m)	Abnormals (per dwelling)
Whitehaven	HWH1	Land at West Cumberland Hospital and Snekyeat Rd	£1,513.47	£27,958
Whitehaven	HWH2	Red Lonning and Harras Moor	£1,464.65	£6,794
Whitehaven	HWH4	Land south and west of St Mary's School	£1,500.94	£12,918
Whitehaven	HWH5	Former Marchon Site North	£1,404.27	£27,369
Cleator Moor	HCM1	Land at Jacktrees Road	£1,511.49	£12,736
Cleator Moor	HCM2	Land north of Dent Road	£1,502.35	£7,086
Cleator Moor	HCM3	Former Ehenside School	£1,495.66	£11,716
Egremont	HEG1	Land north of Ashlea Road	£1,530.50	£14,320
Egremont	HEG2	Land at Gulley Flatts	£1,502.68	£7,368
Egremont	HEG3	Land to south of Daleview Gardens	£1,530.70	£7,486
Millom	HMI1	Land west of Grammerscroft	£1,519.03	£8,551
Millom	HMI2	Moor Farm	£1,499.99	£9,916
Arlecdon	HAR1	Land East of Arlecdon Road	£1,565.14	£9,888
Distington	HDI1	Land south of Prospect Works	£1,567.53	£9,488
Distington	HDI2	Land south west of Rectory Place	£1,563.59	£7,129
St Bees	HSB1	Land adjacent Abbots Court	£1,557.86	£8,936
St Bees	HSB3	Fairladies extension	£1,560.71	£30,105
Seascale	HSE2	Fairways Extension	£1,557.39	£13,892
Seascale	HSE3	Town End Farm East	£1,561.68	£16,857
Thornhill	HTH1	Land South of Thornhill	£1,560.83	£14,678
Beckermest	HBE1	Land north of Crofthouse Farm	£1,554.66	£12,284
Beckermest	HBE2	Land adjacent to Mill Fields	£1,592.92	£6,485
Bigrigg	HBI1	Land north of Springfield Gardens	£1,499.52	£6,403
Bigrigg	HBI2	Land west of Jubilee Gardens	£1,515.57	£7,887
Drigg	HDH2	Wray Head, Station Road	£1,555.92	£7,086
Holmrook	HDH3	Hill Farm Holmrook	£1,569.49	£24,000
Moor Row	HMR1	Land to north of social club	£1,551.59	£9,281
Moor Row	HMR2	Land to south of Scalegill Road	£1,557.99	£7,486
Lowca	HLO1	Solway Road	£1,560.94	£18,195
Summergrove	HSU1	Land to South West of Summergrove	£1,501.19	£7,686

Table 9: Dwelling Construction Cost Rates per sq.m

48.0 Table 10 contains a summary of the appraisal inputs and assumptions used in the viability testing of the residential typologies.

Item	Assumption
GDV	
Whitehaven	£2,153 - £2,476 per sq.m (£200 - £230 per sq.ft)
Key Service Centres	£2,153 - £2,368 per sq.m (£200 - £220 per sq.ft)
Local Service Centres/Villages (average)	£2,099 - £2,368 per sq.m (£195 - £220 per sq.ft)
Local Service Centres/Villages (high)	£2,368 - £2,583 per sq.m (£220 - £240 per sq.ft)
Affordable Values (% MV)	Affordable Rent – 45% Shared Ownership – 70% First Homes – 70%
Benchmark Lane Value (net hectare)	
Greenfield	£370,500 (£150,000 / net acre)
Brownfield	£370,500 (£150,000 /net acre)
Other Assumptions	
Sales Rate	2 or 3 per month 4 per month – HWH2 5 per month – HWH5
Sales and marketing costs (market housing)	3.5% of GDV
Affordable Housing Transfer Fee	£650 per dwelling
Finance Rate (inc all fees)	6.5%
Stamp Duty	Based on HMRC rates
Agents fee on acquisition	1%
Legal fee on acquisition	0.8%
Developers Profit (% GDV)	
Market (10 or less)	15%
Market (more than 10)	18% (Sensitivity 20% and 15%)
Affordable Housing	6% GDV
Construction Costs	
Base Construction Costs	See QS report at Appendix 11
Part L (per dwelling)	Detached - £6,838 Semi - £5,087 Terrace - £4,971
Professional Fees	8% to 6.5%
Contingency	5%
Overall Construction Cost inc Part L, POS, fees and contingency	Range is £1,404.27 to £1,592 per sq.m for allocations. The range for the Generic sites is £1,534.66 to £1,629.19 per sq.m.

Item	Assumption
Abnormal Costs (per net developable acre)	Greenfield range is £6,794 to £30,105 per dwelling Brownfield range is £7,129 to £27,958 per dwelling
Electric Vehicle Charging Point (per dwelling)	£581
Other Policy Costs	
Biodiversity Net Gain	Included in overall construction cost assessment including costs for specific site opportunities identified in Allocations Profiles
S106/S278 Contribution (per dwelling)	See Appendix 12 for schedule of TIS contributions
Playing Pitch Contribution (per dwelling)	Not currently included pending completion of playing pitch strategy

Table 10: Residential Typologies Appraisal Inputs and Assumptions

Commercial Appraisal Assumptions

49.0 Table 11 contains a summary of the appraisal inputs used for commercial uses.

Use	Rent (per sq.m)	Rent (per sq.ft)	Rent Free (months)	Yield
Rents and Yields				
Office	£162	£15.00	12	8%
Industrial	£70-£81	£6.50-£7.50	6	6.5-7%
Retail (comparison)	£129	£12.00	12	8.5%
Retail (convenience)	£162	£15.00	6-12	6.5%
Benchmark Land Values				
Use	Brownfield		Greenfield	
	per ha	per acre	per ha	per acre
Office	£308,750	£125,000	£308,750	£125,000
Industrial	£308,750	£125,000	£308,750	£125,000
Retail (comparison)	£741,000	£300,000	£741,000	£300,000
Retail (convenience)	£864,500	£350,000	£864,500	£350,000
Other Costs				
Construction Costs	Refer to QS construction cost assessment			
Letting Agents Fees (inc marketing)	15%			
Letting Legal Fees	5%			
Sales Agent Fees	1%			
Sales Legal Fees	0.5%			
Finance Rate	6%			
Developers Profit	15% Cost			

Table 11: Commercial Testing Assumptions

Results

Residential

- 50.0 Table 12 contains an overall summary of the testing results for the housing allocations. This also includes details of the site density, capacity and site coverage (sq.ft per net developable acre).
- 51.0 To ensure that in reaching this judgement, the decision maker is fully informed about the range of possible viability outcomes we have sought to “stress test” the FVA results. This has been carried out using sensitivity testing to understand the impact on viability of changes in various appraisal assumptions.
- 52.0 This sensitivity testing is not intended to predict a particular position, instead it is intended to consider variations to key variables and how this could impact on the viability position. The variations are those which one could foresee happening in certain circumstances albeit not necessarily all at the same time. As noted in AVIP viability assessment is not a financial certainty. An FVA should be treated as indicative rather than definitive in terms of the viability of development. It is a judgement based on a range of outcomes.
- 53.0 Table 12 is presented to show the allocation reference and capacity. The ‘surplus’ (or deficit) is the difference between the residual land value and the BLV. To put this figure into context and enable understanding of the further sums of money that may be available to fund planning contributions, the surplus (or deficit) is presented as an amount per dwelling based on the capacity of the allocation. In simple terms it is the residual sum, expressed as a rate per dwelling that is left once the gross costs (inclusive of developers profit and benchmark land value) are deducted from gross revenues.
- 54.0 For each allocation the results show the surplus per dwelling based a policy compliant position with 10% affordable housing, and then with no affordable housing.

- 56.0 The results are based on a cost position inclusive of the following matters:
- Abnormal costs;
 - Provision of onsite open space and play equipment;
 - Sustainable Drainage Systems;
 - Biodiversity Net Gain requirements;
 - Electric Vehicle Charging Points;
 - New Building Regulation Part L requirements ranging from £4,971 per dwelling for a terraced house to £6,838 per dwelling for a detached house
 - Highways requirements and infrastructure based on the Site Access Assessment and the Transport Improvements Study (TIS).
- 57.0 The results tables includes details of the amount per dwelling included in the respective financial appraisal for abnormal costs, public open space and TIS requirements.
- 58.0 Within the table outcomes with a surplus are shaded green. Results that are marginal i.e. where the level of deficit is less than 2.5% of GDV are shaded amber. Those results that are not viable are shaded red.
- 59.0 The development surplus (or deficit) per dwelling has in all cases been rounded to the nearest £.
- 60.0 Any surplus that is identified could be used to support further planning contributions such as education or playing pitch contributions should they be required on certain sites.

Settlement	Ref	Address	Capacity	Density	Site Coverage (sf/acre)	Per Dwelling		Per Dwelling		
						No Affordable	10% Affordable	Abnormal Costs	POS	TIS
Whitehaven	HWH1	Land at West Cumberland Hospital	127	32	12,570	-£14,105	-£18,200	£27,958	£4,657	£107
Whitehaven	HWH2	Red Lonning and Harras Moor	370	30	11,799	£12,540	£8,607	£6,794	£6,082	£4,583
Whitehaven	HWH4	Land south and west of St Mary's School	60	33	13,000	£8,212	£3,112	£12,918	£4,228	£128
Whitehaven	HWH5	Former Marchon Site North	532	36	14,183	-£5,274	-£9,209	£27,369	£3,774	£14
Cleator Moor	HCM1	Land at Jacktrees Road	127	33	12,963	£274	-£5,516	£12,736	£4,551	£1,569
Cleator Moor	HCM2	Land north of Dent Road	96	30	11,821	£2,959	-£1,386	£7,086	£5,344	£6,285
Cleator Moor	HCM3	Former Ehenside School	40	38	14,970	-£6,355	-£9,597	£11,716	£2,504	£65
Egremont	HEG1	Land north of Ashlea Road	108	30	11,815	£660	-£4,441	£14,320	£5,690	£202
Egremont	HEG2	Land at Gulley Flatts	170	33	13,025	£9,165	£5,149	£7,368	£4,434	£134
Egremont	HEG3	Land to south of Daleview Gardens	141	30	11,814	£5,611	£1,709	£7,486	£6,415	£189
Millom	HMI1	Land west of Grammerscroft	107	33	12,956	£348	-£3,569	£8,551	£4,728	£3,666
Millom	HMI2	Moor Farm	195	33	13,006	-£589	-£4,569	£9,916	£4,326	£5,099
Arlecdon	HAR1	Land East of Arlecdon Road	37	30	11,805	£256	-£3,782	£9,888	£3,506	£1,608
Distington	HDI1	Land south of Prospect Works	30	30	11,945	-£5,748	-£9,722	£9,488	£2,480	£170
Distington	HDI2	Land south west of Rectory Place	30	35	13,936	-£18,544	-£22,259	£7,129	£2,488	£7,250

Table 12: Overall Summary of Viability Testing Results Housing Allocations

Settlement	Ref	Address	Capacity	Density	Site Coverage (sf/acre)	Per Dwelling		Per Dwelling		
						No Affordable	10% Affordable	Abnormal Costs	POS	TIS
St Bees	HSB1	Land adjacent Abbots Court	58	35	13,817	£6,813	£2,073	£8,936	£4,677	£1,229
St Bees	HSB3	Fairladies Extension	30	30	11,945	-£9,635	-£13,760	£30,105	£1,858	£0
Seascale	HSE2	Fairways Extension	22	30	11,665	-£10,896	-£13,911	£13,892	£2,287	£5,355
Seascale	HSE3	Town End Farm East	32	30	11,832	-£8,647	-£11,948	£16,857	£2,353	
Thornhill	HTH1	Land South of Thornhill	20	35	13,788	-£21,398	-£24,536	£14,678	£2,488	£6,030
Beckermest	HBE1	Land north of Crofthouse Farm	46	32	12,523	£6,026	£1,114	£12,284	£3,149	£1,309
Beckermest	HBE2	Land adjacent to Mill Fields	27	30	11,660	£5,853	£830	£6,485	£2,903	£3,170
Bigrigg	HBI1	Land north of Springfield Gardens	65	35	13,772	£9,951	£5,490	£6,403	£4,578	£1,635
Bigrigg	HBI2	Land west of Jubilee Gardens	35	30	11,845	£5,698	£1,400	£7,887	£2,903	£1,635
Drigg	HDH2	Wray Head, Station Road	22	30	11,665	-£3,957	-£7,268	£7,086	£2,156	£8,636
Holmrook	HDH3	Hill Farm Holmrook	20	30	11,819	-£12,548	-£15,975	£24,000	£2,903	
Moor Row	HMR1	North of social club	37	32	12,592	£11	-£3,928	£9,281	£2,443	
Moor Row	HMR2	South of Scalegill Road	41	30	11,801	£210	-£3,336	£7,486	£3,153	
Lowca	HLO1	Solway Road	22	30	11,665	-£13,746	-£16,713	£18,195	£2,604	
Summergrove	HSU1	South West of Summergrove	80	30	11,819	£11,820	£7,565	£7,686	£4,793	

Table 12: Overall Summary of Viability Testing Results Housing Allocations

61.0 Viability testing has been undertaken of windfall sites on the basis of generic typologies of 5 and 10 dwellings. The respective sizes have been chosen to test the proposed affordable housing thresholds of 5 dwellings in the Whitehaven Rural market area and 10 dwellings in the remainder of the Borough. For each typology we have tested a hypothetical greenfield and a brownfield site. We have also prepared a test of viability against the range of values identified in Copeland from £2,153 per sq.m (£200 per sq.ft) up to £2,583 per sq.m (£240 per sq.ft). In addition for each appraisal based on 10% affordable housing, we have prepared a sensitivity test assuming +/- 2.5% changes to the normal construction costs.

62.0 The results are again presented to show the surplus or deficit per dwelling. A column is also included with details of the abnormal cost per dwelling that has been included in the respective financial appraisal. The results tables are as follows:

Table 13a – 5 Dwellings Greenfield

Table 13b – 5 Dwellings Brownfield

Table 14a – 10 Dwellings Greenfield

Table 14b – 10 Dwellings Brownfield

Value	Sensitivity Test				Abnormal Cost
	0%AH	10% AH	-2.5%	+2.5%	
£2,153	-£4,120	-£10,732	-£6,792	-£14,461	£11,389
£2,260	£4,709	-£2,226	£1,714	-£6,166	£11,389
£2,368	£13,619	£6,360	£10,300	£2,419	£11,389
£2,476	£22,530	£14,945	£18,885	£11,005	£11,389
£2,583	£31,359	£23,451	£27,391	£19,511	£11,389

Table 13a: 5 Dwellings Greenfield

Value	Sensitivity Test				Abnormal Cost
	0%AH	10% AH	-2.5%	+2.5%	
£2,153	-£17,866	£24,513	-£20,552	-£28,476	£25,801
£2,260	-£9,230	-£15,962	-£12,225	-£19,923	£25,801
£2,368	-£319	-£7,579	-£3,639	-£11,519	£25,801
£2,476	£8,591	£1,006	£4,946	-£2,934	£25,801
£2,583	-£17,420	£9,530	£13,452	£5,572	£25,801

Table 13b: 5 Dwellings Brownfield

Value	Sensitivity Test				Abnormal Cost
	0%AH	10% AH	-2.5%	+2.5%	
£2,153	-£11,527	-£14,178	-£10,585	-£17,805	£9,960
£2,260	-£4,088	-£6,853	-£3,245	-£10,460	£9,960
£2,368	£3,608	£713	£4,317	-£2,893	£9,960
£2,476	£11,298	£8,273	£11,877	£4,669	£9,960
£2,583	£18,916	£15,763	£19,367	£12,159	£9,960

Table 14a: 10 Dwellings Greenfield

Value	Sensitivity Test				Abnormal Cost
	0%AH	10% AH	-2.5%	+2.5%	
£2,153	-£23,401	-£26,066	-£22,421	-£29,711	£22,312
£2,260	-£15,718	-£18,498	-£14,871	-£22,133	£22,312
£2,368	-£8,185	-£10,890	-£7,472	-£14,517	£22,312
£2,476	-£489	-£3,512	£92	-£7,120	£22,312
£2,583	£7,131	£3,978	£7,582	£374	£22,312

Table 14b: 10 Dwellings Brownfield

- 63.0 At this stage of the plan making process viability testing has been undertaken at a relatively high level based on the available evidence and adopting reasonable and typical assumptions. These assumptions have been informed by the evidence base which includes FVAs undertaken both area wide and site specific. We have also drawn on our development knowledge and experience in preparing realistic assumptions against which to test.
- 64.0 It is not possible to model every eventuality and inevitably some sites will perform better than the results suggest conversely others will be less viable. It is probable that the brownfield sites given their characteristics may attract lower existing use values, than those adopted in our testing. In addition, given the extent of potential abnormal developments costs that we have identified for these sites, it would be reasonable to assume a reduced landowner premium. The sensitivity testing adopting lower BLVs demonstrates the impact that this could have on the viability outcome.

- 65.0 It is also possible that some sites will prove to be more complex to deliver and carry a greater risk to develop than the average position assumed in the viability testing. Inevitably in these situations a developer is likely to require a profit return at the highest end of the range identified in the PPG at 20%. The sensitivity testing at this level of profit demonstrates the impact that this higher profit return is likely to have on the viability position.
- 66.0 The construction costs on which the viability testing is based are conservative. They have been prepared by a Quantity Surveyor having regard to local market evidence. They have also been benchmarked against BCIS and against this measure are cautious. They assume a 5% contingency applied to all costs, there is a relatively generous allowance for professional fees and the costs for achieving Part L requirements are included based on full current estimates of these costs. In practice the costs of developing in the Borough will in many cases be lower. The sensitivity testing (**Appendix 13** of the main report) shows that even a 5% reduction in costs leads to a fairly significant improvement in viability in many cases.
- 67.0 It is also acknowledged that there may be instances where there are greater technical issues to overcome in developing a site which in turn will lead to additional costs. It is expected that such sites will be more limited, however the sensitivity testing does provide give an indication of what could occur in viability terms should these circumstances arise.
- 68.0 It also needs to be borne in mind that at this stage it is not possible to provide a definitive assessment of abnormal costs for each site. The estimates used in the appraisals are based on reasonable allowances however with further investigation the engineering solutions and design requirements will be refined to achieve the most cost effective options for each site. The abnormal costs can only be accurately determined once detailed site investigations have been carried out. The abnormal costs will inevitably vary for some sites. These costs could be higher or lower than those assumed in this study. If sites do come forward with lower abnormal costs then development viability may improve which would in turn provide greater scope to support policy requirements. Clearly the converse is also true although we would expect that in such cases, the BLV (as advocated in the PPG) would be adjusted accordingly to take into consideration these additional abnormal costs.

- 69.0 Evidence of new dwellings constructed in the Borough demonstrates that delivery at lower levels of value does take place. We have taken an average position in terms of pricing point and build costs. If a housebuilder is moving towards a lower quality and associated value then we would expect a consequent reduction in construction costs. An improvement in viability based on lower construction costs is evident from the outcomes of the sensitivity testing.
- 70.0 In the very lowest value locations new development is likely to take place. However this new development may be a scheme undertaken by a registered provider, it may be delivered as a result of Local Authority intervention, or a regeneration initiative could result in step change in values. There are many other routes to delivery in these locations which are not necessarily down to the form of market scheme tested in this study. A trigger of some sort is often required to make development achievable at these values often this is through initial public sector support "kick starting" a change in the local market and a consequent uplift in values over time.

Commercial Results

- 71.0 The results of the testing in respect of the commercial development scenarios are listed in table 15. The results are presented to show the development surplus or loss per sq.m once all development costs (including land and developer's profit) are deducted from the GDV of the completed development.

Development Type	Built Area (sq.m)	Built Area (sq.ft)	Surplus (per sq.m)	
			Brownfield	Greenfield
Offices	464	5,000	-£816	-£771
Offices	1,857	20,000	-£824	-£780
Industrial	464	5,000	-£323	-£248
Industrial	1,857	20,000	-£318	-£244
Industrial	4,643	50,000	-£270	-£197
Industrial	9,287	100,000	-£138	-£66
Retail (comparison)	929	10,000	-£324	-£276
Retail (comparison)	2,786	30,000	-£172	-£119
Retail (convenience)	279	3,000	£422	£474
Retail (convenience)	929	10,000	-£80	-£28
Retail (convenience)	2,786	30,000	£34	£84
Retail (convenience)	4,643	50,000	£26	£76

Table 15: Commercial Appraisal Results

- 72.0 The viability testing for the commercial typologies assumes that development is undertaken speculatively and hence includes a market risk adjusted developer's profit return at 15% of cost. With reference to table 15 the results indicate that at present, standalone speculative office and industrial development is unviable on this basis.
- 73.0 The development of new convenience retail is generally viable however comparison retail is generally not viable at the present time inclusive of a full speculative developer's profit.

Conclusions

- 74.0 The NPPF requires that the Local Plan should be deliverable and the policies contained within the plan should not undermine the deliverability of the plan. The PPG indicates that a viability assessment should be used to ensure that the policies contained within the plan are realistic and that the total cumulative cost of all relevant policies in the plan will not undermine its deliverability.

Housing

- 75.0 In summary the viability testing incorporates all relevant national standards and emerging plan policies including the following:
- Provision of onsite open space and play equipment
 - Replacement playing pitches (where identified);
 - Sustainable Drainage Systems;
 - Building Regulation Part L requirements ranging from £4,783 per dwelling for a terraced house to £6,580 per dwelling for a detached house;
 - 10% Biodiversity Net Gain;
 - Electric Vehicle Charging Points at a cost of £581 per point;
 - 10% onsite Affordable Housing (60% affordable rent, 40% low cost home ownership);
 - Highway infrastructure requirements based on the TIS and SAA.
- 76.0 Pending completion of the playing pitch strategy we have not modelled any requirements for playing pitch contributions. It is understood that the Council is still seeking clarification from Cumbria County Council regarding education contributions. Pending the outcome of these discussions we have not included any specific education contributions in the testing.

- 77.0 FVA1 adopted a generic approach to assess the viability of a representative sample of sites across the Borough with no policy costs included. The study acknowledged that a further FVA would be required with a more detailed analysis of sites and their delivery. FVA1 contained a series of conclusions relating to the viability of housing sites. The outcome of the further viability testing carried out in FVA2 which is based on a more detailed analysis of sites, plan policies and national standards largely accords to the conclusions reached in FVA1. We have considered these conclusions in so far as they relate to new housing development below.
- 78.0 FVA1 concluded that large greenfield residential development in Whitehaven was viable and generated a surplus for affordable housing, elevated planning policy requirements and S106 contributions. The result for HWH2 which is a large greenfield allocation in Whitehaven demonstrates that it is viable with 10% affordable housing and in addition produces a surplus which could be used to fund other plan policies.
- 79.0 FVA1 also concluded that medium greenfield residential development in Whitehaven and the Key Service Centres is viable and generates a surplus for affordable housing, elevated planning policy requirements and S106 contributions. The results from FVA2 show that HWH4 (a medium greenfield site in Whitehaven) and HEG2 and HEG3 (medium greenfield sites in Egremont) are viable with 10% affordable housing and produce a surplus that could be used to fund other plan policies.
- 80.0 The other greenfield sites in the Key Service Centres namely HCM1, HCM2, HEG1 and HMI2 produce marginal results whilst HCM1 is unviable. In some cases the TIS and SAA contain significant requirements for highways and access measures for these sites, the sum of which is greater than the deficit produced by the appraisals. In the case of HCM1 and HEG1 we have identified significant abnormal development costs. It would be expected that if these costs cannot be mitigated at application stage, then in accordance with the PPG, they would need to be taken into consideration in any future assessment of the benchmark land value, with a consequent downward adjustment.
- 81.0 We have also noted in relation to a number of these marginal sites, that the amount of site coverage is relatively low at 13,000 sq.ft or significantly less in some cases. With an increase in density or an adjustment to the housing mix to include a greater number of larger dwellings then this would improve the site coverage to the optimum range of 13,500 to 15,000 sq.ft per acre and so improve the viability outcome.

- 82.0 The sensitivity testing also shows that in many cases a relatively small increase in sales prices or reduction in normal construction costs would be sufficient to achieve a viable development.
- 83.0 FVA1 concluded that small and small/medium greenfield residential development in Whitehaven and the high value local centres and villages is viable and generates a surplus for affordable housing, elevated planning policy requirements and S106 contributions. This outcome was also confirmed in the results of the present study. The viability testing for the allocations in St Bees (HSB1), Beckermest (HBE1, HB2), Bigrigg (HBI1, HB12) and Summergrove (HSU1) are all viable with 10% affordable housing and produce surpluses for other planning contributions should they be required. This outcome is also supported by the generic testing which shows that greenfield sites achieving sales prices in excess of £2,260 per sq.m (£210 per sq.ft) are viable.
- 84.0 There are two exceptions to this conclusion, namely HSB3 in St Bees and HDH2 in Drigg. In the case of the former the cost of achieving a satisfactory access into the site is disproportionately expensive given the size of the allocation at 30 units and makes the site unviable. For HDH2 it is the cost of dealing with the TIS requirements (at £8,636 per dwelling) that are disproportionately expensive and undermine the viability of the site.
- 85.0 In relation to small and small/medium greenfield residential development in the average value local centres and villages, FVA1 concluded that this was unviable. The results from the viability testing that we have carried out largely support the conclusion that residential sites in these locations are not sufficiently viable to support affordable housing. In some case this is due to the lower values that have been assumed ie in Distington and Thornhill. For a number of the other proposed allocations the disproportionately high cost of access arrangements in comparison with the capacity of the site are of greater significance for example the allocations in Seascale (HSE2, HSE3) and in Lowca (HL1).
- 86.0 The remaining allocations in the lower value local centres and villages namely Arlecdon (HAR1) and Moor Row (HMR1, HMR2) are viable in the absence of affordable housing however with 10% affordable housing included they become marginal. It is notable that the testing for these 3 sites is again based on relatively low site coverage and if this is increased, it will improve the viability outcome. The sensitivity testing shows that for all three allocations a relatively modest uplift to the sales prices of around 2.5% would be sufficient to achieve viability inclusive of 10% affordable housing.

- 87.0 The results from the viability testing of small generic greenfield sites demonstrated that at values of £2,260 per sq.m (£210 per sq.ft) or less, development is not currently sufficiently viable to support affordable housing.
- 88.0 In relation to previously developed sites FVA1 concluded that large and medium brownfield residential development in Whitehaven is marginal and generates no surplus for affordable housing, elevated planning policy requirements and S106 contributions. The results from FVA2 are that the two brownfield allocations (HWH1 and HWH5) are not currently viable either with or without affordable housing. The other brownfield allocations tested namely in Cleator Moor (HCM3), Distington (HDI2) and Holmrook (HDH3) are also unviable at the present time. The viability testing for the small brownfield sites shows that sales prices would need to be at least £2,476 per sq.m (£230 per sq.ft) to support 10% affordable housing.
- 89.0 The results for the Housing Allocations tested demonstrate that at the present time not all sites across the Borough will be able to support affordable housing requirements. There is however only limited information on which to base an assessment about the final extent of abnormal costs that may be appropriate to many of these sites. This will only become apparent once site investigations are undertaken and engineering solutions are finalised.
- 90.0 The proposed drafting for Strategic Policy H8PU: Affordable Housing would provide sufficient flexibility to address circumstances where affordable housing or planning contributions do have a material impact on viability and enable a lower percentage or potentially a different tenure mix to be agreed.
- 91.0 Similarly Strategic Policy DS5PU: Planning Obligations introduces a level of flexibility to enable requirements in relation to a range of infrastructure and contributions to be relaxed where it can be demonstrated through a financial viability assessment that development would not be viable with these policy requirements.
- 92.0 As is apparent from the viability testing, the housing mix contained in the SHMA contains a relatively high number of smaller dwellings, and as a result at lower densities this produces a relatively low level of site coverage. This has an impact on viability particularly in low value areas. The Council should be mindful of this and may wish to adopt a more flexible approach to seeking the SHMA mix taking into consideration viability.

- 93.0 The sensitivity testing shows that relatively limited adjustments to the construction cost assumptions produce viable results based on full plan policies. As noted previously the construction costs on which the viability testing is based are conservative. They assume a 5% contingency applied to all costs, there is a relatively generous allowance for professional fees and the costs for achieving part L requirements are included based on full current estimates of these costs. In addition there is likely to be some overlap of the costs that have been included for public open space, biodiversity net gain and landscaping.
- 94.0 In practice the costs of developing in the Borough will in many cases be lower. Given the limited site specific information available at the present time it is also not possible to accurately estimate the abnormal costs for each site. For the purpose of FVA2 such costs have been based typical likely requirements and ultimately the actual costs could be higher or lower than those assumed in this study. If sites do come forward with lower abnormal costs then development viability may improve which would in turn provide greater scope to support policy requirements.
- 95.0 For the testing at lower values there may need a greater reduction to the construction costs or alternatively a combination of changes to achieve viability based on full policy requirements. As noted previously we have taken an average position in terms of the pricing point and build costs. If a housebuilder is moving towards a lower quality and associated value then we would expect a consequent reduction in construction costs in any event.

Non-Residential Developments

- 96.0 The conclusions in FVA1 regarding non-residential development were that:
- Medium/large retail development on brownfield sites in Whitehaven is viable and generates a significant surplus for elevated planning policy requirements and s106 contributions.
 - Mixed use brownfield development is unviable based upon adopted values and build costs.
 - Speculative office/employment development is unviable based upon adopted values and build costs.

- 97.0 The results from the viability testing in FVA2 are not materially different to these outcomes save for some changes in relation to retail development. The results for the offices and industrial suggest that employment development is not currently viable on a speculative basis.
- 98.0 The Local Plan Policy obligations, as drafted, do not place such a burden on new employment development so as to prejudice its future delivery. Issues in relation to viability are common across other parts of the North West, and arise because rents and capital values for employment uses, although increasing, are generally lower than build costs. Traditionally this gap has been met by public sector funding support or in the case of mixed use schemes cross-subsidised by other more viable forms of development.
- 99.0 Notwithstanding the results of the viability testing it is likely that office and industrial development will come forward in Copeland motivated by specific circumstances such as an owner occupier wishing to expand or alternatively with the benefit of public sector funding support.
- 100.0 There are a number of different routes to delivery of employment development aside from the speculative form of development included in our testing. This could include pre-lets, pre-sales or development by owner occupiers of serviced plots. It may be that higher value uses are used to cross fund employment development.
- 101.0 The results of the viability testing for retail show that new convenience retail development is viable in most cases. Comparison retail is however currently unviable with a full speculative profit. In part these results are due to the higher BLVs assumed for these uses and also the fact that construction cost increases in recent times have not necessarily been matched by increases in values for these type of uses. The impact of Local Plan policies on these forms of development are fairly limited in comparison with these market factors.

Overall Conclusions

- 102.0 Subject to the comments made above, the overall scale of obligations, standards and policy burdens contained in the Local Plan are not of such a scale that cumulatively they threaten the ability of the sites and scale of development identified in the Plan to be developed viably. In certain circumstances there may need to be a balance achieved between any requirements for affordable housing and S106 contributions, however there is sufficient flexibility in the Plan policies as currently drafted to allow a relaxation of policy requirements if appropriate to ensure that the delivery of the plan is not undermined.
- 103.0 The sensitivity testing demonstrates that for those typologies that are not viable based on full plan policy requirements, then in some cases only limited adjustments to appraisal inputs may be required to achieve a viable position.
- 104.0 The results of the viability testing for speculative commercial developments in Copeland align with our experiences elsewhere in the North West where speculative employment development is generally not viable save for high value, strategic locations.
- 105.0 When applying normal development viability criteria including a speculative developer's profit, office and industrial developments are unviable and as such substantive speculative market development is unlikely to take place on this basis. However new employment development is likely to be brought forward using a variety of different mechanisms including the sale of serviced sites for owner occupation or design and build. New employment development does occur in the Borough and will continue to do so during the plan period. This may be a result of existing occupiers wishing to expand or with the benefit of public sector funding support or possibly as part of a wider mixed use scheme. Viability issues do arise in relation to certain forms of commercial development however this is as a result of market factors rather than Local Plan policy obligations.