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	Your Details	**Agent's Details** (if applicable)
Name	[redacted]	
Position	Development Control Lead	
Organisation	Sellafield Ltd	
Address	Albion Square Albion Street Whitehaven	
Postcode	CA28 7NE	
Telephone	[redacted]	
Email	[redacted]m	

Gender (Please circle) – ***N/A replying on behalf of an organisation***

Male	Female	Prefer not to say

Age (Please circle) – ***N/A replying on behalf of an organisation***

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	NU1PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

"In applying this policy the Council will expect all nuclear sector-related development in the Borough to make a proportionate and meaningful contribution to local economic, social and environmental strategies/priorities."

While it is acknowledged that Policy NU1PU has been designed to apply to all potential nuclear proposals, Sellafield Ltd is concerned by the wording of the final paragraph which requires "all nuclear sector-related development […] to make a proportionate and meaningful contribution to local economic, social and environmental strategies/priorities". There is ambiguity in terms of what is being sought and how this would be measured and assessed by the Local Planning Authority. Indeed, the fundamental purpose of the planning system is to achieve sustainable development, whereby economic, social and environmental objectives need to be pursued in mutually supportive ways. This underpins the plan preparation process and future decision-taking on development proposals. As such, all nuclear-sector related development would need to take account of local economic, social and environmental strategies/priorities in order to achieve sustainable development and comply with national and local planning policy requirements. Thus, it is unclear how the developer should meet this requirement over and above the need to ensure any development proposal conforms with other relevant policies in the Development Plan and National Planning Policy Framework (NPPF) taken as a whole.

(Continue on a separate sheet /expand box if necessary)

In addition, the phrase 'proportionate and meaningful contribution' is ambiguous and could be interpreted in such a way that the developer is expected to provide a monetary contribution to satisfy this policy requirement. While a monetary sum may be required where reasonable, necessary and directly related to the development, this is appropriately addressed at Policy DS5PU. Any additional monetary contribution being sought from nuclear-related development proposals through the planning process would be unjustified and unsound.

As highlighted in our previous responses, there are other mechanisms in place to secure funding for the benefit of local community which should remain separate to the planning process. Sellafield Ltd delivers its Social Impact Programme in order to meet the Nuclear Decommissioning Authority's supplementary function under S.7 (1) (e) Energy Act 2004 in line with the NDA Strategy 2021 (a document subject to public consultation). Sellafield Ltd's Social Impact Programme has been developed in collaboration with other stakeholders, including Copeland Borough Council, and Sellafield Ltd are determined to deliver the maximum social impact from the c. £2bn of taxpayers' money spent at Sellafield every year. It is wholly inappropriate for a requirement within the Local Plan for Sellafield Ltd to contribute funds through the planning application process, unless it satisfies the planning obligations tests, and such a requirement could have the negative consequence of restricting delivery of the social agenda, leading to a fragmented approach and missed opportunities.

For these reasons, the wording of this policy requirement is deemed imprecise and unjustified. It therefore fails the test of soundness and should be deleted and/or modified in such a way that it serves a clear purpose and is sufficiently precise and unambiguous.

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

This criterion should be deleted and/or re-worded to ensure it is sufficiently precise and unambiguous. As a minimum, reference should be made to Policy DS5PU 'Planning Obligations' and clarification given in respect of how this requirement would not be applicable to new development on the Sellafield site (as existing arrangements already in place / secured).

(Continue on a separate sheet /expand box if necessary)

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8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	X

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Signature: [redacted] Date: 17-03-2022

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Male	Female	Prefer not to say

Age (Please circle) – ***N/A replying on behalf of an organisation***

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph	Criterion A	Policy	NU4PU	Policies Map	Sellafield Site boundary

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

"a) All nuclear development (other than monitoring, maintenance and investigatory work necessarily done off-site) shall be sited within the existing Sellafield site boundary unless Criterion b) applies."

Sellafield Ltd does not necessarily object to the inclusion of this criterion but wishes to reiterate earlier concerns with regard to the interpretation of 'nuclear development' and the extent of the 'Sellafield site boundary'. Further clarification is required to ensure the policy wording is justified and effective in its intent when considering future planning applications pertaining to the Sellafield site.

Interpretation of 'Nuclear Development'

As previously advised, there are a broad range of activities carried out on the Sellafield site, not all of which can easily be defined as "nuclear development" requiring direct permission from the Office for Nuclear Regulation (ONR). For example, there are various support activities (including emergency response infrastructure, welfare facilities, offices and infrastructure upgrades) and construction works (including compound and laydown areas) which are required alongside nuclear developments to continue the delivery of the Sellafield Ltd mission. The necessity for these non-nuclear facilities is founded upon the principle of safe, secure, sustainable site stewardship, as regulated by the ONR (e.g. Nuclear Site Licence Condition 11 requires appropriate Emergency Arrangements to be in place), and the requirements to meet the Nuclear Decommissioning Authority's (NDA) Strategy.

(Continue on a separate sheet /expand box if necessary)

Sellafield Ltd seeks clarity regarding the associated developments required on-site (such as infrastructure upgrades etc) so that they are enabled and supported by the Local Plan. Sellafield Ltd therefore requests the policy wording to be modified (via clarification) to enable all appropriate types of development on the Sellafield site. This would serve to provide a 'positively prepared' strategy which would the avoid the need for Sellafield Ltd to repeatedly demonstrate the requirement for "non-nuclear" development on the Sellafield site at the planning application stage.

Sellafield Site Boundary

Sellafield Ltd has previously advised that its Nuclear Licensed Site (NLS) boundary, security infrastructure, and other areas developed in support of the operation of the site do not have a common boundary although they are all operated and controlled by the company. The site boundary, as shown on the Local Plan Proposals Map, appears to follow the NLS boundary which only relates to part of the Sellafield site. There are areas outside of this boundary which have been developed and it would seem logical to recognise these, such as the rail sidings and the former Visitor's Centre site, as being within the defined Sellafield site. Sellafield Ltd therefore requests the proposed site boundary to be reviewed in order to reflect the area that is currently operated and controlled by Sellafield Ltd.

It is understood that CBC wish to keep the site boundary focused towards existing buildings and areas that need to be cleaned up as part of the Sellafield Ltd mission as opposed to adding additional areas into the site. However, Sellafield Ltd do not consider the regularisation of the area operated by Sellafield Ltd as detracting from or unduly expanding the site's clean-up operations. Instead, having a defined site boundary, which is consistent with the area operated and controlled by Sellafield Ltd, would serve to regularise minor inconsistencies and would offer the opportunity to make best use of available land in support of the site's overarching mission.

A site location plan has been appended to this representation which shows the operational land within Sellafield Ltd's control (leased from the NDA) and highlights the inconsistencies between the NLS and security fence boundaries. For the reasons above, Sellafield Ltd would welcome the full extent of its operational land (as demarcated by the lease boundary) to be represented as the site boundary on the Local Plan Proposals Map.

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

a) ~~All~~ Nuclear development (other than monitoring, maintenance and investigatory work necessarily done off-site) and associated non-nuclear development shall be sited within the existing Sellafield site boundary unless Criterion b) applies.

A revised 'Sellafield Site Boundary' to include all land currently operated and controlled by Sellafield Ltd, as defined by the lease boundary on the appended site location plan.

(Continue on a separate sheet /expand box if necessary)

Please note: *In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions.* ***After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.***

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	X

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Signature:	[redacted]	Date:	17-03-2022

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Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph	Criterion B	Policy	NU4PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policyor Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

"b) Where any proposed development is outside the Sellafield site it shall be sited on a designated employment site or on suitable sites within settlement boundaries in accordance with the principles set out in Policies DS3PO and DS4PO, or otherwise accompanied by a justifiable exceptional need case[43]."

*"[43] A development proposal which is supported by a statement outlining the special `site specific` circumstances that demonstrate the **need / reason for that development on planning grounds** to be on that particular site (as opposed to elsewhere) and which justify the proposal in that location as **an exception to established planning policies**."*

As highlighted in previous consultation responses, there is a likely requirement for supporting non-nuclear development to be sited in close proximity to the Sellafield site to allow for the continued delivery of Sellafield Ltd's mission. While the inclusion and wording of criterion (b) is welcomed insofar as it provides an opportunity for such development to be considered, there remains a degree of uncertainty as to what is required by the "justifiable exceptional need case". The additional footnote [43] intended to help describe the "exceptional need case" fails to establish the basic parameters upon which any development proposal would be assessed.

Noting that Sellafield Ltd is under an obligation to deliver value for money to the taxpayer [ref S.9 (2) (d) Energy Act 2004] and that the Local Planning Authority is under an obligation to approve sustainable development, the subjective interpretation of "exceptional need case"

(Continue on a separate sheet /expand box if necessary)

could prove problematic without further guidance on the required information to support future planning applications. Taking account of the fact Sellafield Ltd is a publicly funded body, there needs to be a degree of certainty within local planning policy to understand whether a project is likely to be 'acceptable in principle' prior to substantial investment into concept design. While it is acknowledged that any development proposal at the pre-planning stage carries an element of risk, it remains that the level of ambiguity surrounding the "exceptional need case" presents an unacceptable financial risk to Sellafield Ltd. Indeed, the lack of clarity surrounding the proposed approach has potential to jeopardise the delivery of projects at "best value for money" and could derail the site's overarching mission contrary to the Nuclear Decommissioning Authority's (NDA) Strategy (i.e. *objective 4.1: to deliver site end state as soon as reasonably practicable with a progressive reduction of risk and hazard).* Thus, criterion (b) should specify the precise assessment criteria to be adopted when considering proposals subject to the "exceptional need case" to ensure a consistent and deliverable approach to decision-taking.

Furthermore, footnote [43] implies that any proposed development outside the Sellafield site would be considered an exception to established planning policies. This is somewhat misleading as Policy DS4PU offers support to "nuclear related development" and "essential infrastructure to support energy development and other infrastructure" outside settlement boundaries provided there is a proven need for an open countryside location. Thus, it follows that future development outside the Sellafield site – subject to adequately demonstrating the need for an open countryside location – would comply with Policy DS4PU and should not be deemed an exception.

Nevertheless, the assessment criteria for proving the need for an open countryside location is similarly ambiguous and ill-defined as the "exceptional need case". It does not provide Sellafield Ltd with any certainty on the information required or how decision-takers at application stage will approach the assessment process. Indeed, the failure to quantify and substantiate the reason underpinning the "exceptional need case" has given rise to circular reasoning and it is not possible to differentiate the relevant planning policies to be applied to such proposals.

Ultimately, forthcoming development proposals will emerge in response to the site requirements in order to enable the continued operation of the Sellafield site and the safe delivery of its mission. The absence of a clear assessment framework could impede the delivery of the Sellafield Ltd mission and clarity on this matter is deemed necessary in order to justify and guarantee the effective delivery of this policy criterion.

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Further guidance and clarification are required, either within Policy NU4PU or its supporting text, on the assessment criteria to be applied to future development proposals outside of the defined Sellafield site and subject to the "exceptional need case".

Additional wording to be inserted at footnote 43:

[43] A development proposal which is supported by a statement outlining the special `site specific` circumstances that demonstrate the need / reason for that development on planning grounds to be on that particular site (as opposed to elsewhere) and which justify the proposal in that location as an exception to ~~established planning policies~~ allocated employment sites. Such circumstances are likely to include the rationalisation for non-nuclear support activities to be located off-site in order to deliver the Sellafield Ltd mission and the wider public benefits associated with high hazard reduction and site selection.

(Continue on a separate sheet /expand box if necessary)

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8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	X

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Age (Please circle) – ***N/A replying on behalf of an organisation***

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph	Criterion C	Policy	NU4PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policyor Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

"c) With the exception of irradiated fuel and nuclear materials, no radioactive material is imported for treatment or storage on the Sellafield licensed site unless the proposal represents the best practical environmental option and is an interim proposal pending agreement on a national disposal route."

This criterion is not justified and should be deleted. The consolidation of radioactive material is in line with NDA Strategy 2021 and not in itself development requiring planning permission and would be controlled by other regulatory processes and regulators such as the Office for Nuclear Regulation (ONR) and the Environment Agency (EA). Sellafield Ltd wishes to reiterate that this is not a matter for inclusion within the Local Plan nor should it be debated through the planning process. The NDA undertakes extensive public consultation prior to the publication of its Strategy which establishes its position on the consolidation of nuclear material. It is then the responsibility of Sellafield Ltd, as the Nuclear Site License Holder for the Sellafield site, to respond and deliver its mission in accordance with the NDA Strategy. The local planning process should seek to enable this delivery rather than introducing an additional requirement which is outside the planning scope and could conflict with the national strategy for nuclear waste management.

Notwithstanding the above, the criterion also makes reference to outdated terminology (i.e. "best practical environmental option"), with Sellafield Ltd required to demonstrate Best Available Techniques (BAT) under environmental permits regulated by the EA.

(Continue on a separate sheet /expand box if necessary)

Irrespective of the wording used, it is not however reasonable or justified to include this requirement within the Local Plan as it unnecessarily duplicates another regulatory regime to no apparent benefit.

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Criterion (c) should be deleted.

(Continue on a separate sheet /expand box if necessary)

Please note: *In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions.* ***After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.***

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	**X**

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Signature:	[redacted]	Date:	17-03-2022

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Copeland Local Plan 2021- 2038

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CA28 7JG

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Name	[redacted]	
Position	Development Control Lead	
Organisation	Sellafield Ltd	
Address	Albion Square Albion Street Whitehaven	
Postcode	CA28 7NE	
Telephone	[redacted]	
Email	[redacted]	

Gender (Please circle) – ***N/A replying on behalf of an organisation***

Male	Female	Prefer not to say

Age (Please circle) – ***N/A replying on behalf of an organisation***

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph	Criterion G	Policy	NU4PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policyor Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

"g) Proposals shall include measures for carbon offsetting via off site / other agreed compensatory means where it has been demonstrated that they cannot be achieved on site."

While appreciative of the borough's target to achieve net-zero status by 2037, Sellafield Ltd would like to take the opportunity to reiterate previous concerns in respect of this criterion. The site's core mission is high hazard and risk reduction. This means that sometimes carbon is not considered the biggest driver in decision-making as nuclear safety and security must be paramount. Nevertheless, Sellafield Ltd is implementing carbon reduction measures across the site, where feasible and appropriate, to accord with the requirements imposed by the Nuclear Decommissioning Authority (NDA). These align with the Government targets to achieve carbon net zero status by 2050. In achieving this target, the NDA is taking a centralised approach to secure large-scale carbon offsetting to ensure consistency, good practice and best use of publicly funded resources. The NDA requires the operating companies (i.e. Sellafield Ltd) to continue with the primary task of carbon reduction and does not expect nor require individual projects to undertake carbon offsetting at scale.

Notwithstanding the above, the intended purpose of the requirement is also unclear and there is no understanding of how carbon offsetting would be measured and applied in practice. For example, is carbon offsetting being sought against all development proposals, taking account of construction, operation and future decommissioning phases? How would the required carbon offsetting be measured and how/where could it be carried out? Has CBC allocated areas within the borough for delivery / implementation of carbon offsetting?

(Continue on a separate sheet /expand box if necessary)

In addition, no reference has been made to carbon reduction measures and how these would be considered alongside the measures for carbon offsetting. It follows that there is potential risk for this policy requirement to undermine the implementation of carbon reduction measures which would actively reduce the site's current emission levels. Indeed, the current wording is such that the cost of achieving carbon offsetting "via off site / other compensatory means" would divert the approach (and publicly funded resources) away from carbon reduction measures being delivered on-site.

Similarly, no reference has been made to Strategic Policy DS2PU 'Reducing the impacts of development on Climate Change' which does not impose a requirement for carbon off-setting. There are clear inconsistencies within the Local Plan.

For the aforementioned reasons, the imposition of this criterion within Policy NU4PU would be inconsistent with the NDA Strategy for carbon management and offsetting. It results in unnecessary duplication, which could give rise to double counting and the inefficient use of publicly funded resources, and therefore fails the tests of soundness on the basis it is unjustified, ineffective and inconsistent with national policy. It is respectfully requested that this criterion should be deleted.

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Criterion (g) should be deleted.

(Continue on a separate sheet /expand box if necessary)

Please note: *In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions.* ***After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.***

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	X

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Gender (Please circle) – ***N/A replying on behalf of an organisation***

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18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph	General	Policy	NU4PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policyor Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

It may not be possible nor appropriate for Sellafield Ltd to comply with other policies within the Local Plan, for instance biodiversity net gain, landscaping, flooding, SUDS and design requirements etc, due to constraints on the Sellafield site, safety and security reasons, mission delivery and value to the UK taxpayer. The insertion of words "where appropriate" within other policies is therefore welcomed and would allow the relevance of these policy requirements to be considered on a case by case basis at the planning application stage.

Nevertheless, Sellafield Ltd considers it would be prudent to include an additional criterion within Policy NU4PU which takes account of the site-specific constraints and explicitly recognises that nuclear development proposals may not comply with other policies within the Local Plan. It would be preferable to acknowledge the acceptability of potential of non-compliance through the inclusion of an additional criterion, in the interest of clarity and future deliverability, as opposed to an 'exceptions' case needing to be presented alongside each proposal.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Additional criterion to be inserted:

Proposals for development within the existing Sellafield site boundary shall not be subject to other policies contained within the Local Plan where these would compromise nuclear safety and/or security requirements.

(Continue on a separate sheet /expand box if necessary)

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8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	X

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Address	Albion Square Albion Street Whitehaven	
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Gender (Please circle) – ***N/A replying on behalf of an organisation***

Male	Female	Prefer not to say

Age (Please circle) – ***N/A replying on behalf of an organisation***

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	NU5PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

"Demolition of buildings or structures on the Sellafield site shall conform to the following principles:

1. *Demonstrate an acceptable method of demolition.*
2. *Provide full details of a programme of restoration of the site and /or redevelopment.*
3. *Shall not adversely affect any ecological assets unless it can be demonstrated that appropriate mitigation or compensation (on or off site) can be provided.*
4. *Shall not give rise to other adverse impacts unless it can be demonstrated that they can be adequately mitigated."*

Demolition is required in order to facilitate the clean-up and restoration of the Sellafield site. As per our covering letter, Sellafield Ltd's overarching mission is to carry out decommissioning of the site, and in the context of this part of the plan, to reduce the hazard and risk presented by the nuclear legacy. Ultimately this includes remediation of the site which all provides strong environmental benefits [see S.3 Energy Act 2004 for NDA's designated responsibilities, the Secretary of State Designation for the Sellafield site (number 2) which sets out the requirements for the Sellafield site, and NDA Strategy 2001 s.1.1 "The aim of our mission is simple: to complete the clean-up of our legacy sites and release them for beneficial reuse."]

As discussed in earlier consultation responses, Sellafield Ltd respectfully requests Policy NU5PU to be deleted as it fails the test of soundness on grounds of it being unjustified and non-complaint with government policy. Above all, it results in the unnecessary duplication of

(Continue on a separate sheet /expand box if necessary)

Class B, Part 11 of Schedule 2 of the Town and Country Planning (General Permitted Development) (England) Order 2015 (as amended) whereby the principle of demolition is deemed acceptable subject to certain prescribed matters. Indeed, the prior approval process serves to specifically consider the method of demolition and restoration of the site in order to minimise the impact of said activities on local amenity. It follows that the Local Planning Authority (LPA) is limited to considering only these specific prior approval matters when determining such applications. Planning Practice Guidance (PPG; Paragraph: 028 Reference ID: 13-028-20140306) is clear of the distinctions to be drawn between the statutory requirements relating to planning applications and the prior approval process; it is stated that LPAs should not impose unnecessarily onerous requirements on developers and should not seek to replicate the planning application system.

Policy NU5PU introduces 'principles' for demolition which go beyond the permitted development / prior approval process contrary to government policy. It is unclear how these additional principles would be reasonably considered when taking account of the prescribed legislative framework for determining prior approval applications. It is also unclear as to why these additional principles are being sought purely in relation to demolition activities taking place on the Sellafield site (and not other demolition projects taking place elsewhere within the borough) which are controlled by other means i.e. *The Wildlife and Countryside Act 1981*, Environment Agency CL:AIRE protocol and the Sellafield Ltd Travel Plan, as approved by Copeland Borough Council.

Finally, Sellafield Ltd considers "principle 4" to be imprecise and ambiguous with regard to the meaning and intent of "other adverse impacts [to be] adequately mitigated". Again, this is beyond the scope of the permitted development rights afforded to the site in respect of demolition activities and therefore conflicts with the legislative framework.

For these reasons, Policy NU5PU should be deleted.

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Policy NU5PU should be deleted.

(Continue on a separate sheet /expand box if necessary)

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8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	**X**

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Male	Female	Prefer not to say

Age (Please circle) – ***N/A replying on behalf of an organisation***

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	R7PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

This policy does not apply to small scale rural development such as offices although it can be applied to proposals to create new unrestricted retail floorspace through conversion or the removal of restrictive goods conditions.

Sellafield Ltd has previously highlighted the likely requirement for "main town centre uses" on the Sellafield site. These uses, namely offices and welfare/canteen facilities, are needed to support personnel required to work on the site in order to comply with the Office for Nuclear Regulation (ONR) Site Licence Conditions - for example Condition 11 (Emergency Arrangements), Condition 26 (Control and Supervision of Operations) and Condition 36 (Organisational Capability) – to safely deliver Sellafield Ltd's mission.

Policy R7PU does not provide an exemption from applying the sequential test for such development on the Sellafield site and future proposals would need to be assessed on a case by case basis. Despite assurances from Copeland Borough Council that the need for "main town centre uses" on-site have been acknowledged and could be adequately addressed through the planning application process, Sellafield Ltd does not consider this to constitute the most appropriate strategy, which could give rise to conflicts between Policy R7PU and the National Planning Policy Framework (NPPF). Thus, similar to the proposed policy exemption for small scale rural development, Sellafield Ltd requests that the wording of the final paragraph be amended as per the modification below.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Additional text to be inserted:

This policy does not apply to facilities required to be on the Sellafield site (to support the proper operation of the site) or small scale rural development such as offices although it can be applied to proposals to create new unrestricted retail floorspace through conversion or the removal of restrictive goods conditions.

(Continue on a separate sheet /expand box if necessary)

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Yes, I wish to participate in the hearing session(s)		**No**, I do not wish to participate in the hearing session(s)	X

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Signature: [redacted] Date: 17-03-2022

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Sellafield Ltd

Sellafield Site

Sellafield, Seascale
Cumbria CA20 1PG
Tel: +44 (0)19467 28333
Fax: +44 (0)19467 28987
www.sellafieldsites.com

18 March 2022

[redacted]
Strategic Planning Manager
Copeland Borough Council
Market Hall
Market Place
Whitehaven
CA28 7JG

Email: [redacted]
Mobile: [redacted]

Our ref: CBC-LP-22-03

Dear [redacted]

RE: SELLAFIELD LTD RESPONSE TO THE COPELAND LOCAL PLAN 2021 – 2038 PUBLICATION DRAFT (REGULATION 19) CONSULTATION

Sellafield Ltd welcomes the opportunity to respond to the Copeland Local Plan 2021– 2038 Publication Draft (Regulation 19) Consultation. Please find enclosed the completed representation forms for the consideration of the appointed Planning Inspector as part of the Local Plan Examination.

Sellafield Ltd submits individual representations on the following policies:

- ***NU1PU*** *– Supporting Development of the Nuclear Sector*
- ***NU4PU (criterion a)*** *– Nuclear Development at Sellafield*
- ***NU4PU (criterion b)*** *– Nuclear Development at Sellafield*
- ***NU4PU (criterion c)*** *– Nuclear Development at Sellafield*
- ***NU4PU (criterion g)*** *– Nuclear Development at Sellafield*
- ***NU4PU (general)*** *– Nuclear Development at Sellafield*
- ***NU5PU*** *– Nuclear Demolition*
- ***R7PU*** *– Sequential Test*

Sellafield Ltd has engaged with Copeland Borough Council throughout the plan preparation process and made representations at each stage of consultation to inform the formulation of planning policies and enable positive outcomes for the development of the local area and for the nuclear industry. Sellafield Ltd is committed to working with our host community and delivering our mission in a way that is sensitive to the local area.

For the benefit of the appointed Planning Inspector, the remainder of this covering letter provides an overview of the site's overarching mission and regulatory context. It does not detail Sellafield

Ltd's response to the Copeland Local Plan 2021-38 but provides some contextual background to accompany the formal representations and to assist the appointed Planning Inspector's understanding of this complex and challenging nuclear site which faces a comprehensive new build programme over the next 20-year period. I would therefore be grateful if a copy of this letter could be made available to the Planning Inspector for information purposes.

Sellafield Ltd, as the Nuclear Site Licensee, is responsible for the safe operation of the Sellafield site. We are a wholly owned subsidiary of the Nuclear Decommissioning Authority (NDA), the owner of the Sellafield site, and are a publicly funded organisation. Sellafield Ltd operates within a heavily regulated environment and is subject to the Office for Nuclear Regulation (ONR) and Environment Agency (EA) regulatory controls which ensure that the site is managed safely with no unacceptable risks to people or the environment.

The Sellafield Ltd mission is determined by Government policy and NDA Strategy. Our purpose is to ***create a clean and safe environment for future generations by cleaning-up the site to a defined end state*** in accordance with the *Energy Act 2004*. This encompasses the delivery of a wide portfolio of work such as completing the reprocessing programme, long term spent fuel storage and management, the safe management of special nuclear materials, nuclear waste management, decommissioning and remediating the site. Sellafield Ltd also continues to provide an important national mission in terms of receiving irradiated fuel from the operating reactor fleet which, in turn, supports electricity generation for the UK. More detail can be found in the Sellafield Ltd Context Plan - GOV.UK (www.gov.uk).

The Sellafield site ranks as one of Europe's largest industrial complexes, managing a significant radioactive inventory and is home to some of the most hazardous legacy nuclear facilities in the country. This presents us with challenges in managing current operations and future developments to support the remediation of the site. The site is also heavily congested and a key constraint is the availability of land for future development, because in order to achieve our clean up mission we need to undertake a major construction programme of new facilities.

We recognise the important role of the planning system in enabling the delivery of our nationally important mission and would, therefore, like the Copeland Local Plan 2021-38 to provide a positive policy framework that is responsive to the site's clean-up challenges and supports the delivery of future development while also providing sufficient flexibility for us to respond to new opportunities that may arise from changes in Government policy. It is also important that local planning policies acknowledge the role and remit of other regulatory processes (i.e. ONR and the EA) and seek to complement those controls as opposed to contradicting or duplicating their function.

Finally, we would like to take the opportunity to emphasis the uniqueness of the Sellafield site and our overarching priorities of high hazard reduction work, maintaining safety and security, providing value for money for the UK taxpayer and functionality. We would request that these

are factored into consideration when examining the site-specific policy requirements for new development on the Sellafield site, as contained within the Copeland Local Plan 2021-38.

With regard to the examination process, Sellafield Ltd has opted not to participate in the hearing sessions on the understanding that our written representations will carry the same weight as oral evidence presented to the appointed Planning Inspector. We would, however, be willing to attend a hearing session to provide an introductory / contextual overview of the Sellafield site if this would, in the Inspector's view, be of benefit and assist in their understanding of our mission when assessing the soundness of the plan.

Please do not hesitate to contact me if you need any further information.

Yours sincerely

[redacted]

[redacted]
Head of Corporate Planning

Distribution

[redacted] Sellafield Ltd
[redacted] Sellafield Ltd

Copeland Local Plan 2021- 2038

For internal use:	
Resp. No.	.....
Rep. No.	.....
Date Rec.	.....

Publication Draft Consultation Response Form

This Representation Form provides the opportunity to comment on the Publication Draft of the Copeland Local Plan which can be viewed at: https://www.copeland.gov.uk/content/local-plan-2021-2038-publication-draft-consultation. This consultation is a requirement under the Town and County Planning (Local Planning) Regulations 2012 Regulation 19.

The Publication Draft represents the Council's final draft of the Local Plan that we wish to submit to the Secretary of State for Public Examination by a Planning Inspector. Completed forms will be sent to the Planning Inspectorate for their consideration through the Examination in Public process.

Comments **not** submitted on the standard response form will only be considered at the Inspector's discretion

It should be noted that representations will be made available to the Planning Inspectorate and to the Inspector appointed by the Secretary of State to conduct the Examination. Representations will be also be 'made available' in line with the Town and Country Planning (Local Planning) (England) Regulations 2012 (Regulations 20, 22 and 35). This includes publication on the Council's website.

Privacy Notice

A copy of the Council's privacy statement can be viewed at https://www.copeland.gov.uk/sites/default/files/attachments/privacy_notice1.pdf. Further information is also available by contacting the council's Data Protection Officer at info@copland.gov.uk or by calling 01946 598300 and asking to speak to the Data Protection Officer.

Please complete a separate sheet for each representation you wish to make and return this form **no later than 4.30pm on Monday 21st February 2022** to:

Strategic Planning
Copeland Borough Council
Market Hall
Market Place
Whitehaven
CA28 7JG

Or email: localplanconsultation@copeland.gov.uk

Part A: Your Details

Please provide your details below. This information will be added into our database so we can contact you about the Submission, Examination and Adoption of the Local Plan as well as future Local Plan consultations.

All information in the following table will be used solely for this purpose and no identifying information will be used in any future stages of the Local Plan process. Age and gender data will be used to monitor engagement in the Local Plan consultation process.

If you **do not** wish for your details to be held in our consultation database, please tick here: ☐

If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	**Agent's Details** (if applicable)
Name		[redacted]
Position		Associate
Organisation		Cushman & Wakefield
Address	This representation is submitted on behalf of a Developer Consortium comprising Story Homes, Gleeson Homes, Persimmon Homes and Genesis Homes as detailed in the attached document.	Type text here 1 Marsden Street Manchester
Postcode		M2 1HW
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H8PU, DS2PU, H7PU, N3PU, DS5PU, DS6PU, CO7PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X - please see further comments below however

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

Please see attached representations. Please note that we are not directly objecting to all of the above policies but consider that aspects of the viability evidence base need to be reviewed for the reasons explained in the attached. This is relevant to the key policies with viability implications which are set out above and the full list is provided in Keppie Massie's LPVA. Please see further comments in the attached.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Please see attached representations.

(Continue on a separate sheet /expand box if necessary)

Please note: *In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions.* ***After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.***

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)	x	**No**, I do not wish to participate in the hearing session(s)	

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

We may wish to participate depending on the extent of the changes made to the viability evidence.

Signature: [redacted] Date: 17/3/21

Please use a separate form for each site you wish to comment on and return this form **no later than 4.30pm on Monday 21st February 2022.** We are unable to consider any responses received after this date.

Thank you for completing this form

CUSHMAN & WAKEFIELD

Copeland Borough Council: Local Plan Viability Assessment

Consultation Representation

Prepared on Behalf of a Developer Consortium:

- Persimmon Homes
- Gleeson Homes
- Story Homes
- Genesis Homes

March 2022

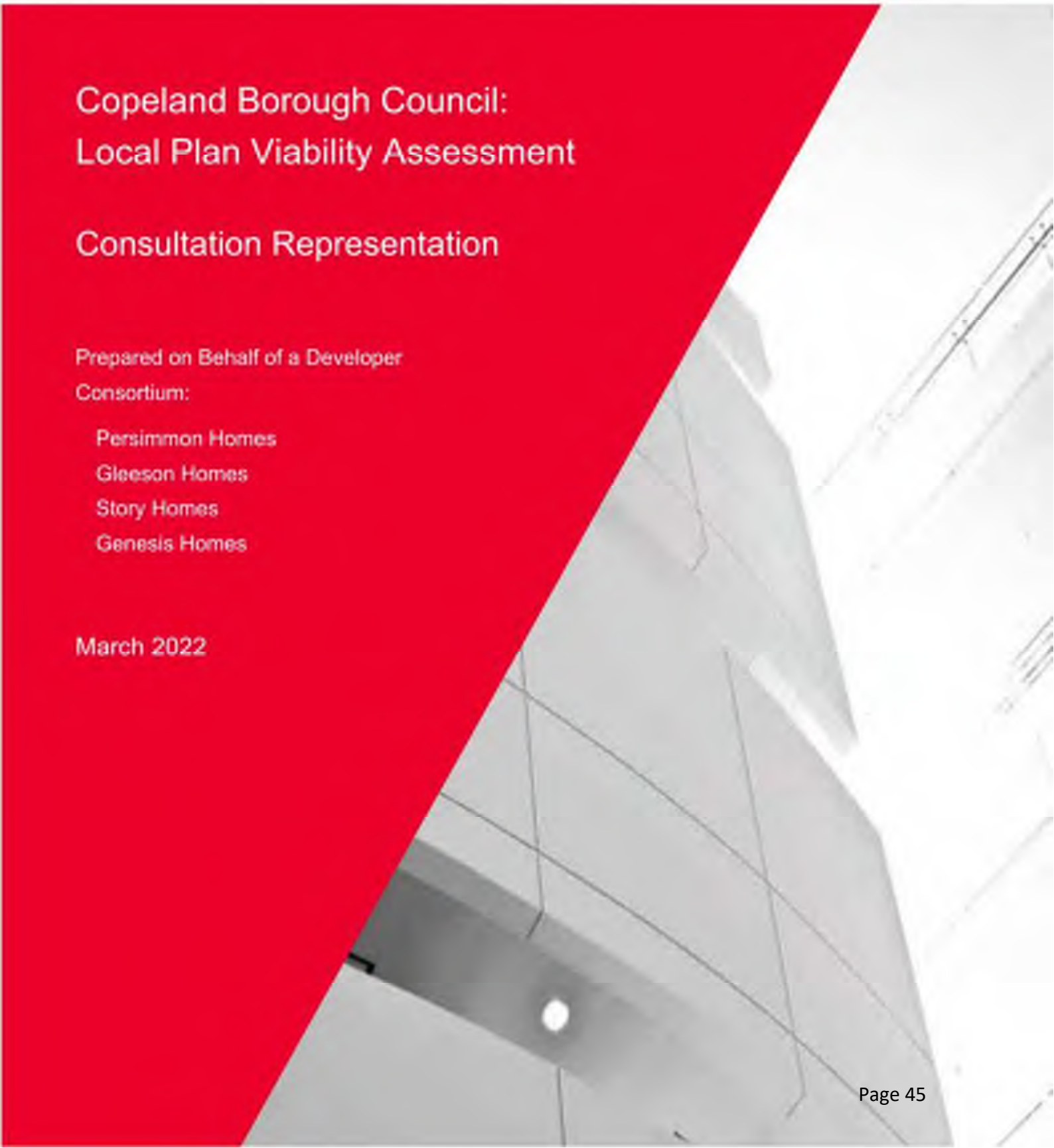


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Appendices

Appendix 1: RICS Professional Statement: Financial Viability in Planning – Mandatory Reporting Requirements

Appendix 2: Market Commentary (BuiltPlace, June 2021)

Appendix 3: Digging Deeper: Land Registry Lag and Coronavirus (BuiltPlace, February 2021)

Appendix 4: Digging Deeper: The Problem with the New Build Premium (BuiltPlace, October 2021)

Appendix 5. Evidence of Non-Cash Incentives and Extras

Appendix 6: Lichfields Insight (August 2021) – Fine Margins: Viability Assessments in Planning and Plan-Making

Appendix 7: Anonymised Abnormal Costs Schedule – Example Sites

Appendix 8: BCIS Five Year Forecast (October 2021)

Appendix 9: Land off Holts Lane, Poulton-le-Fylde (ref: APP/U2370/W/19/3241233) – Appeal Decision and Keppie Massie Viability Report

Appendix 10: Terms of Engagement

1. Executive Summary

1.1. This representation has been prepared on behalf of a Developer Consortium comprising Persimmon Homes, Story Homes, Gleeson Homes and Genesis Homes ('our Clients') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

1.2. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

1.3. In July 2018, the government published the revised National Planning Policy Framework ('NPPF') alongside revised Planning Practice Guidance for Viability ('PPGV')[1]. One key change to the viability regime was to shift focus towards viability testing at the plan-making stage so as to limit the need for site-specific financial viability assessments ('FVAs') at the application stage as far as possible ("frontloading" viability).

1.4. As such, it is imperative that the approach and assumptions adopted in the LPVA are realistic and market-facing to support an accurate assessment of development viability in Copeland. This is crucial to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site deliverability.

1.5. Having reviewed the viability approach and the assumptions proposed in the LPVA, our Clients have concerns that a number of the key inputs are insufficiently evidenced and/or are inappropriate for the purposes of testing the viability of residential development in Copeland at the plan-making stage.

1.6. Below we summarise the key issues which we have identified in respect of the proposed approach and appraisal assumptions and/or our recommendations to support more robust inputs. This summary is not an exhaustive list and should not be read in isolation from the main body of this representation which sets out the full range of issues.

Summary of Identified Issues – LPVA Approach and Assumptions

Viability Assessment Input / Assumption	C&W Comments
Residential Typologies, Housing Mix and Unit Sizes	Gross:net site area ratios not fully justified. Housing mix assumptions do not fully accord with the market evidence. Housing mix and unit sizes not varied by market area but singular "blanket" assumptions applied for all allocations.
Market Housing Sales Values	Concerns as to the use of the Land Registry indexation analysis as the data may potentially overstate price growth in comparison to actual up-to-date house prices "on the ground". More focused second hand analysis around the allocations is recommended to better inform the revenue assumptions.
Affordable Housing Transfer Values	Transfer values insufficiently evidenced as none of the actual data sources referred to by KM are provided. Shared Ownership ('SO') transfer values regarded as excessive particularly in light of the recent national changes to the SO model.

[1] Both documents have since been updated in 2019 and 2021 respectively.

Viability Assessment Input / Assumption	C&W Comments
Standard Build Costs	KM have relied on an "in-house" build cost database rather than using transparent market evidence such as the BCIS. The database is not provided for independent review and analysis. We have identified a number of issues associated with KM's database as part of another recent LPVA and have concerns that similar information has been used in this study.
	Standard build costs not transparently defined to enable proper benchmarking.
	Some of the terminology utilised in the Cost Report is ambiguous.
	KM have compared their costs to the BCIS but it is unclear if the comparison is like-for-like. KM have also applied significant discounts to the BCIS figures for the purposes of the comparison which is not supported.
Professional Fees	Professional fees are regarded as understated and have not been applied to the total costs.
Abnormal Costs	Abnormal cost allowances for a large number of typologies fall below a reasonable provisional allowance at the plan-making stage.
S106 Contributions	The S106 allowance is assumed to cover highways contributions only which is regarded as inappropriate in the context of emerging Policy DS5PU which lists 13 different categories of infrastructure that will be funded by planning contributions.
	The Copeland Transport Improvements Study which has informed the highways contributions in the LPVA is considered flawed as it fails to account for junction improvements and as such there is likely to be a significant underestimate of the off-site highways costs for all allocations.
Developer's Profit	Developer's profit for market housing understated and inconsistent with the market evidence.
Development Period, Delivery Rates and Cash Flows	Lead-in periods, main construction periods and sales periods for all site typologies not specified.
	Lead-in period of 3 – 6 months across sites ranging from 20 units to 532 units in size is inappropriate and unreflective of market realities.
Benchmark Land Value (BLV)	Certain brownfield EUVs regarded as too low and inconsistent with the local market evidence.
	Certain BLVs regarded as understated which will not provide a sufficient incentive for landowners to sell.
	The use of arbitrary 'fixed' multipliers / percentage uplifts to determine the landowner premium regarded as inappropriate and does not reflect the workings of the market.
	KM's analysis of the BLVs adopted in other North West LPVAs is partial and not all accurate.
	No variation in BLVs by value area and/or abnormal cost allowances which does not reflect the typology approach required in the PPGV.

1.7. As this summary table demonstrates, there are a number of issues associated with the proposed approach and assumptions in the LPVA, both in respect of the supporting evidence base and the individual input assumptions.

1.8. It is not a prudent approach to adopt unrealistic appraisal inputs so as to demonstrate a viable position based on the emerging policy requirements. Rather, the viability evidence needs to be robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements which are introduced using the findings of the LPVA.

1.9. In our opinion, if the current inputs are maintained, the LPVA will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

1.10. At present, therefore, we consider that the LPVA does not constitute robust viability evidence upon which to base Local Plan policy requirements. We recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation. It is considered that several key amendments are required for the viability evidence to be found sound.

2. Introduction

Purpose of Representation

2.1. This representation has been prepared on behalf of a Developer Consortium comprising Persimmon Homes, Story Homes, Gleeson Homes and Genesis Homes ('our Clients') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

2.2. Our Clients are established active housebuilders in Copeland and/or neighbouring authorities and are therefore important local stakeholders in the plan-making process. Our Clients wish to ensure that the Local Plan is robust and meets the tests of soundness as set out at Paragraph 35 of the National Planning Policy Framework ('NPPF'), namely that the Local Plan is:

- Positively prepared;
- Justified;
- Effective; and
- Consistent with national policy.

2.3. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

2.4. According to the LPVA, the aim of the study is to test 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 Local Plan at risk.

2.5. In accordance with the NPPF and the Planning Practice Guidance for Viability ('PPGV'), it is imperative that all local policy requirements are based on sound viability evidence with appropriate market-facing assumptions, to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site viability.

2.6. The purpose of this representation is to set out our comments in respect of the approach to assessing viability and the proposed appraisal assumptions in the LPVA. We highlight where we consider that modifications are required and/or where further evidence needs to be provided to justify the approach and/or assumptions. The suggested changes are intended to improve transparency and to determine appropriate levels of viability based on market-facing inputs.

2.7. This representation is therefore intended to provide further information and observations to assist the Council as it progresses the Local Plan towards submission, where the Plan must be considered against the tests of soundness in accordance with the NPPF. Our Clients reserve the right to participate at the forthcoming Examination in Public ('EiP').

Structure

2.8. This representation is structured as follows:

- Section 3 – RICS Financial Viability in Planning: Conduct and Reporting (May 2019)
- Section 4 – Summary of Relevant National Policy and Guidance
- Section 5 – Viability Assessment – Proposed Approach and Assumptions
- Section 6 – Viability Assessment – Results
- Section 7 – Emerging Local Plan Policy Drafting
- Section 8 – Conclusions
- Section 9 – Disclaimer

2.9. Due to the reduced time period for responding to the viability evidence, which was not published until 15th February 2022, we have limited our comments to those areas of the LPVA which are directly relevant to our Clients' interests. We have then focused our comments on a series of "core" issues.

2.10. Our absence of comment on particular aspects of the evidence base and/or assumptions does not imply our agreement and we reserve the right to submit further representations at the next stage of the process as necessary.

Representation Authors

2.11. This representation has been prepared by:

[redacted] MRICS
Associate
RICS Registered Valuer
[redacted]
hannah.gradwell@cushwake.com

[redacted] MRICS APAEWE
Partner
RICS Registered Valuer
[redacted]
derek.nesbitt@cushwake.com

Market Conditions Explanatory Note: Novel Coronavirus ('COVID-19')

2.12. The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly, and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty.

2.13. This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

3. Financial Viability in Planning: Conduct and Reporting (May 2019)

3.1. This representation has been prepared in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) (May 2019) ('the Professional Statement').

3.2. The Professional Statement 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 should be arrived at.

3.3. Sections 2.1 to 2.14 of the Professional Statement set out fourteen mandatory reporting and process requirements for all FVAs and representations prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

3.4. We confirm that this representation has been carried out in accordance with Sections 2.1 to 2.14. The relevant mandatory reporting requirements are set out at Appendix 1.

4. Summary of Relevant National Policy and Guidance

4.1. Within the LPVA, KM summarise relevant national guidance relating to viability testing. It is not necessary to repeat this guidance however it is pertinent to highlight some key principles particularly relating to stakeholder engagement.

4.2. The revised NPPF and PPGV set out the key requirements in respect of the overall approach, the methodology and the assumptions to be adopted in FVAs prepared at the plan-making and decision-taking stages.

4.3. A key change brought about by the revised NPPF and PPGV is the shift in focus away from site-specific FVAs at the application stage towards viability testing at the plan-making stage ("front-loading" viability).

4.4. As such, it is crucial that the inputs utilised in the Copeland LPVA are robust and market-facing to ensure that the viability of development is accurately assessed. This will help to ensure that policy requirements are set at an appropriate level and that the plan and its objectives are therefore deliverable.

4.5. Importantly, the PPGV was updated in May 2019 to emphasise the need for meaningful engagement between plan makers and industry stakeholders when formulating viability assumptions and policy requirements.

4.6. Paragraph 2 of the PPGV 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".*

4.7. Paragraph 4 of the PPGV further states that plan makers will:

> *"…engage with landowners, site promoters and developers and compare data from existing case study sites to help ensure assumptions of costs and values are realistic and broadly accurate…. Plan makers may then revise their proposed policy requirements to ensure that they are creating realistic, deliverable policies".*

4.8. The RICS has recently updated its viability guidance note with the publication of *Assessing viability in planning under the National Planning Policy Framework 2019 for England (2021)* which provides further guidance relating to consultation and stakeholder engagement in plan-making.

4.9. At paragraph 3.4.1. the RICS guidance states that:

> *"Stakeholder engagement and consultation are key components of transparency and accountability, and help LPAs reach sound judgments on the deliverability and policy compliance of proposed allocations".*

4.10. The guidance note (paragraph 3.4.12) further advises that:

> *"Assessors should update the FVA if the consultees provide new information that causes the assessor, using their professional judgement, to adjust their assumptions, inputs and outputs. Any reassessment should be based on an open and transparent process with the LPA and other engaged stakeholders providing further evidence in a timely way and being kept fully briefed on the revised outputs"* (C&W emphasis).

4.11. These principles of stakeholder consultation are similarly reflected in the publication *Viability Testing in Local Plans – Advice for Planning Practitioners* (June 2012) (LGA/HBF – Sir John Harman) ('The Harman Report'). Although dated, the Harman Report still provides useful advice in respect of the methodology for viability testing and suggested approaches to defining the various appraisal inputs.

4.12. The Harman Report advises that:

> *"By working closely with developers and others in the development industry, planning authorities will benefit from a sound understanding of the factors that impact on development costs.*
>
> *This should not mean that inputs proposed by developers will not be subject to critical challenge and discussion. However, it should avoid common errors that would otherwise be contested at a later stage or overlooked to give an unrealistic picture of viability".*

4.13. Such stakeholder engagement is crucial to ensure that the viability assumptions are appropriate and grounded in market-facing evidence. This will facilitate accurate viability testing which, in turn, will help to ensure that policy requirements for new development are realistic and deliverable.

4.14. In relation to the above, the NPPF and PPGV both emphasise the importance of robust evidence in informing the plan-making process. Paragraph 31 of the NPPF 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".*

4.15. Paragraph 10 of the PPGV further states that:

> *"Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers".*
>
> *The transparency of the evidence and assumptions is crucial in determining the weight to be attributed to the FVA (be it an area-wide or site-specific study) as confirmed in the PPGV (Paragraph 8):*
>
> *"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 viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment".*

4.16. Section 2.6 of the RICS Professional Statement also clearly states that *"all inputs into an FVA must be reasonably justified".*

4.17. In our view, as currently drafted the LPVA does not fully accord with the NPPF, the PPGV and the RICS requirements as a number of the key assumptions are non market-facing and/or insufficiently evidenced. We highlight the key issues and evidential gaps in the following section of this representation.

5. Viability Assessment – Proposed Approach and Assumptions

5.1. Within this section, we comment on the key issues which we have identified in respect of the proposed approach to the viability testing and the appraisal assumptions in the LPVA. We highlight where we consider that modifications are required and/or where further evidence needs to be provided to justify the approach and/or assumptions.

5.2. For ease of reference, we have structured this section of our representation according to the headings identified in the LPVA.

Gross to Net Site Areas

5.3. KM have based the LPVA typologies on the proposed site allocations and have applied individual gross to net site area ratios for each allocation. KM state that they have adopted *"a flexible approach that takes into consideration the characteristics and constraints of the particular site"* (paragraph 4.4.7). No further detail or evidence is provided to explain and justify the assumptions.

5.4. We have identified concerns relating to the assumptions for one site (ref: HWH5) as part of a separate site-specific representation on behalf of Persimmon Homes and we suspect that similar issues could arise for other sites.

5.5. In the absence of any further supporting evidence or justification, we do not consider that the gross:net ratios for each site are fully substantiated. In addition, further due diligence carried out for each site at the application stage could reveal additional constraints or circumstances which justify different assumptions.

5.6. Therefore, not every site will align with KM's assumptions and there is a need for flexibility and review on a site-specific basis. We request that KM acknowledge this principle in their revised LPVA.

Housing Mix and Unit Sizes

5.7. KM state that the dwelling mixes are based on their analysis of planning applications in Copeland and the Council's SHMA, and that they have sought to adopt 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.

5.8. We support the analysis of recent planning applications to inform the housing mix assumptions and also the unit sizes. Analysis of recently consented and 'live' new build schemes in each local market across Copeland is crucial to understand the types of scheme and product being, and to be delivered in different locations, and to ensure that the assumptions are reflective of development that has, and will come forward in the different areas.

5.9. However, KM's assumptions do not accord with the market evidence as they have assumed provision for 1 bed units (5%) and 2 bed units (25%) at considerably greater levels than demonstrated by the planning application analysis (0% and 10% respectively).

5.10. Whilst the requirements of the SHMA are noted, we are concerned that there is insufficient market demand for the form of development tested and consequently that the LPVA is not providing an accurate assessment of likely development in Copeland. We recommend that the housing mix assumptions are reviewed in light of the market evidence and that there is closer alignment with the consented evidence.

5.11. Notwithstanding the above, there is a lack of clarity in respect of the schemes analysed by KM, including no dates for each consent and some of the names do not enable identification of each site/scheme/developer. The sample is also relatively small and focused on smaller schemes, and would thus benefit from additional analysis of more recent consents in Copeland or, in the absence of this information, in neighbouring authorities to ensure up-to-date market trends are captured.

5.12. Another key issue is that KM have not varied the assumed mix and unit sizes by market area. The type of scheme and unit sizes delivered in, for example, the existing settlements would be different to that delivered in the higher value rural markets, with the latter characterised by a greater proportion of larger house types. It is not appropriate to assume the same 'blanket' mix and unit sizes across the entire district. This will lead to inaccurate viability testing.

5.13. We recommend that the mix and unit sizes are varied in line with the evidence from recently consented schemes in the different market areas. If there are limited recent planning permissions in certain locations, we suggest that KM analyse planning consents from neighbouring authorities in similar markets as this would still constitute useful and relevant evidence.

5.14. Notwithstanding the above comments, the LPVA cannot reflect every eventuality and it is not practical to adopt a differentiated housing mix and unit sizes for every site. It follows that the actual proposed housing mix and unit sizes could differ from those assumed in the LPVA and in these instances, there could be a different impact on site viability which could influence the scale of planning obligations that are achievable from each site.

5.15. It will therefore be necessary for the Council to consider each planning application "on its own merits", taking into account relevant evidence including up-to-date market demand. We would stress that this does not mean that KM should not be adopting a more robust position in the first instance as recommended above.

Market Housing Values

5.16. KM have assessed individual sales values for each allocation which generally range between c. £200 – £220 psf, with slightly higher and slightly lower revenues adopted for certain sites.

5.17. Whilst the overall average range of values is considered to be broadly reasonable for residential development across Copeland, we have identified a number of issues associated with the evidence base which mean that we cannot confirm our full support for the assumptions for each allocation at this stage, and the revenues for certain sites may be overstated.

5.18. We reserve the right to comment again on the revenue assumptions following receipt of the clarifications and the necessary further evidence as recommended under the sub-headings below.

Land Registry Data

5.19. As the first element of their revenue analysis, KM have undertaken a high level review of overall average house prices in Copeland based on Land Registry average values for new build and second hand housing.

5.20. KM suggest that based on this information, new build house price growth between December 2017 and September 2021 in Copeland has been double that of existing stock (26% vs. 12.2%). However, KM do not acknowledge any of the potential limitations associated with the current Land Registry evidence base.

5.21. We are not disputing that house prices have increased over the time period however we would recommend that any Land Registry indexation analysis and suggested levels of price growth (particularly between pre-pandemic and post-pandemic months/years) is treated with some caution.

5.22. Based on our recent analysis of new build sales data in other locations where we have compared the Land Registry indexed price of earlier sales to the most recent achieved values on the same scheme, we have found that this approach can suggest that values have increased by a greater extent based on the Land Registry growth rates, and quite considerably greater in some instances, compared to what the developer is actually achieving at that scheme for the most recent achieved sales.

5.23. We understand that part of the reason for the potential indexed price overstatement may relate to the fact that the Land Registry datasets are transaction based. The datasets are weighted by transaction volumes rather than housing stock. The attached commentary from well-respected research consultancy BuiltPlace (Appendix 2) highlights the issues which this can create with the Land Registry indices in terms of potentially overstating growth rates.

5.24. Essentially, as a result of the widely documented "race for space" and reassessment of housing needs in light of the COVID-19 pandemic and increased working from home, we understand that there has been a shift in the profile of housing sales towards larger semi-detached and detached properties with higher sales values. This would increase the overall average values recorded by the Land Registry each month (and therefore the HPI figure for that month), based on the sample of properties which sold in that month.

5.25. It follows that when comparing the Land Registry average monthly values in 2021 and 2022 to the average monthly values in pre-pandemic years, the comparison may not be entirely "like for like" as the sample of stock underpinning the average values in the pre-pandemic years may contain fewer of the larger and higher value properties which have been selling most frequently since the pandemic. This is summarised in Appendix 2.

5.26. Arguably the bigger issue which is impacting on the reliability of the Land Registry data is the time lag and partial sample sizes. Based on our review of the data, we are finding that at each monthly release date, the most recent months of Land Registry data (particularly new build) are characterised by small sample sizes due to the backlog of sales still to be registered.

5.27. The aforementioned consultancy BuiltPlace have covered this issue in detail (Appendix 3) and have demonstrated the impact in that each latest monthly release by the Land Registry typically now only covers a small number of sales that actually occurred in the latest month it covers.

5.28. The lag and partial samples mean that the original datasets for any given month are likely to be based on a small sample of sales. According to BuiltPlace, we could therefore see some significant revisions to the index and the average price figures reported, especially at smaller geographies.

5.29. This trend is apparent in our analysis of the Copeland Land Registry data which KM have relied on as part of their revenue evidence base. When reviewing the latest Land Registry HPI for Copeland as at the date of this representation, it is apparent that the sample size for the new build data is very small.

5.30. This is illustrated in the table below for the 6 months up to September 2021 (the date at which KM have measured house price growth):

Sales Volumes (Units Per Month) – Land Registry HPI Copeland

	New Build Housing	Existing Housing
Apr-21	2	110
May-21	2	90
Jun-21	3	121
Jul-21	4	104
Aug-21	2	79
Sep-21	5	96

Source: Land Registry

5.31. This highlights the minimal sample sizes upon which the new build Land Registry HPI is based when compared to the existing stock. KM place weight on this evidence in informing their revenue assumptions, noting that a key theme arising from their analysis is *"a relatively significant rise in house prices as evidenced by Land Registry average house price data has taken place over the last 18 months"* but do not acknowledge the above issues and potential limitations associated with the recent Land Registry datasets.

5.32. In our view, the sample sizes for the new build data are too small from which to draw reliable conclusions. We consider that the existing HPI data is a more robust measure of house price growth and this information suggests much lower growth than that which KM have based their revenue conclusions on.

5.33. Further, and notwithstanding the larger sample size for the re-sale data, the above issues still suggest that at present, the Land Registry data may not necessarily represent the most appropriate measure for assessing the extent of price growth in every instance. KM are requested to note this key principle particularly in any future site-specific FVAs where the Council may seek that the applicant refers back to / indexes the plan-wide assumptions.

Modern Re-sales

5.34. KM have not relied solely on the Land Registry indexation to inform their revenues and have considered recent new build evidence and second hand evidence in Copeland which is an appropriate approach.

5.35. It is recognised that there is limited recent new build evidence in Copeland and we therefore support KM's analysis of modern re-sales in each settlement area to further inform the revenue assumptions.

5.36. Nevertheless, care needs to be had in assuming that new build properties always achieve a premium over modern re-sales as KM suggest. We would also strongly question the average 40.2% new build premium referenced by KM based on "research by Unialch". No details of the study are provided nor any evidence to confirm how this percentage figure was derived. We assume that this is a UK-wide average which is not necessarily reflective of Copeland or even the wider North West.

5.37. A "typical" new build premium does not exist as the level of uplift that can be achieved over local second hand stock will depend on a wide range of factors including (but not limited to) prevailing market conditions, level of competition, quality of specification, site location, affordability / ceiling values in each local market and so on.

5.38. Nevertheless, in our experience, the new build premium will generally range between 10-20% above the values for *average* second hand stock (rather than modern stock where a lower premium would typically be expected). This is reflected in research by BuiltPlace (Appendix 4) where they analysed the new build premium and identified that:

> *"The existence and size of the new-build premium can be contentious due to the difficulties in accurately measuring it. That there is a premium when new homes are first built appears to be backed up by simple analysis of published house price indices. For example, Fig 2 shows the apparent premium according to three different measures.*
>
> *Based on the ONS house price index, the premium has been consistently around 20% since the mid-1990s, while the Nationwide house price index suggests it was at this level in the 1990s but has fallen to around 10% in recent decades. Meanwhile, unweighted data taken from the Regulated Mortgage Survey shows there is considerable variation in the premium, even turning negative"* (C&W emphasis).

5.39. The graph below further illustrates that none of the indices analysed by BuiltPlace come anywhere near close to the 40% premium referenced by KM:



Source: BuiltPlace

5.40. BuiltPlace emphasise that it is very difficult to provide a meaningful measure of the new build premium, however if the indices generally suggest a 10-20% premium over average second hand values, the premium over more modern stock would be lower as acknowledged by KM.

5.41. According to our analysis of the revenue assumptions for each allocation, KM have generally applied a reduced premium to the average values achieved for the more modern second hand properties as shown in the table below, albeit the premium for the allocations in a number of areas including Egremont, St Bees and Seascales is c. 10% or more and the land at West Cumberland Hospital is priced at a significant premium of c. 29%:

LPVA Revenue Assumptions – New Build Premium vs. Modern Stock

Settlement	Ref	Allocation	LPVA Assumption (£ psf)	Modern Re-sale (£ psf)	New Build Premium
Whitehaven	HWH1	Land at West Cumberland Hospital and Snekyeat Rd	£215	£167	28.74%
Whitehaven	HWH2	Red Lonning and Harras Moor	£230	£217	5.99%
Whitehaven	HWH4	Land south and west of St Mary's School	£220	£211	4.27%
Whitehaven	HWH5	Former Marchon Site North	£210	£194	8.25%
Cleator Moor	HCM1	Land at Jacktrees Road	£215	£201	6.97%
Cleator Moor	HCM2	Land North of Dent Road	£220	£201	9.45%
Cleator Moor	HCM3	Former Ehenside School	£200	£201	-0.50%
Egremont	HEG1	Land North of Ashlea Road	£220	£196	12.24%
Egremont	HEG2	Land at Gulley Flatts	£220	£196	12.24%
Egremont	HEG3	Land to south of Daleview Gardens	£220	£196	12.24%
Millom	HMI1	Land west of Grammerscroft	£215	£200	7.50%
Millom	HMI2	Moor Farm	£215	£200	7.50%
Arlecdon	HAR1	Land East of Arlecdon Road	£220	£191	15.18%
Distington	HDI1	Land south of Prospect Works	£210	£188	11.70%
Distington	HDI2	Land south west of Rectory Place	£195	£188	3.72%
St Bees	HSB1	Land adjacent Abbots Court	£225	£207	8.70%
St Bees	HSB3	Fairladie Extension	£230	£207	11.11%
Seascales	HSE2	Fairways Extension	£215	£195	10.26%
Seascales	HSE3	Town End Farm East	£215	£195	10.26%

5.42. There is a lack of consistency in respect of the premium applied and no clear explanation as to why some allocations have a higher/lower uplift in comparison to others. Clarification is requested with a clear explanation of the pricing methodology.

5.43. Further, KM have analysed modern re-sales by settlement area rather than focusing on the value profile relevant to each specific allocation, save for Whitehaven where more refined analysis has been carried out across a series of different sub-areas.

5.44. At paragraph 5.2.40, KM note that:

> *"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. We have provided at Section 6 and Appendix 8 details of the specific value assumptions made for each of the allocations tested".*

5.48. We agree with this statement and that values will vary depending on site-specific location and characteristics. We do not consider that this has been fully accounted for in the LPVA as KM have undertaken modern re-sale analysis within settlement areas rather than a focused site-specific radius of each allocation.

5.48. The revenues may therefore require site-specific review as the values for modern re-sales within each settlement area as a whole may not reflect the specific value profile of the immediate location of each allocation.

5.47. We recommend that KM undertake focused analysis of recent re-sale transactions around each allocation to provide an indication of local second hand values in each specific location. It is crucial that KM first obtain a sample of all second hand data within the vicinity of each site and then refine this data to analyse the more modern transactions within the sample.

5.48. When analysing the data, we recommend that KM identify any "one-off" high value transactions within the samples, and also separate out the bungalows in each sample as these properties will achieve higher rate psf values in comparison to two storey estate housing.

5.49. Based on our market experience, we would typically expect new build properties to command a premium over the average values for second hand housing in most markets, with a larger premium over more dated and lower quality re-sale stock and a lesser premium over the better quality properties.

5.50. This is however dependent on factors including the age and quality of the existing re-sale stock, current levels of supply and ceiling values in the local market, which could mean that new build properties may only command a small premium, or may be priced equal to, or at a discount to local re-sale units.

5.51. In particular, it is important to have regard to ceiling values in the local market and that any new build premium does not breach affordability in a given location otherwise the properties may not sell, as purchasers could choose to buy the perceived more affordable second hand stock in the locality.

5.52. It is therefore vital that both the overall average values across the wider sample of second hand stock, and the overall average values across the modern sample only are analysed and reported. Although the modern evidence is most useful to inform the assessment of achievable new build values, it is still very important to understand the value profile of the immediate local market based on all second hand data in each area as this will exert an influence on the achievable new build pricing at each site.

5.53. If KM had based the LPVA on an assessment of generic hypothetical typologies in the different settlement areas as is typically carried out at the plan-making stage, then their revenue approach could be regarded as reasonable. However, as KM have elected to undertake site-specific assessments of each allocation and the specific location of each site is therefore known, this enables more focused revenue analysis to be undertaken and more robust revenue assumptions to be formulated.

Non-cash Incentives and Extras

5.54. Another issue relevant to KM's analysis and revenue assumptions is the impact of non-cash incentives and extras. KM have acknowledged that the Land Registry transactional data for new build housing represents the gross sales value for each unit before any adjustment for non-cash incentives and extras which are not reflected in the Land Registry figures.

5.56. Despite acknowledging this principle, KM have not accounted for the impact of incentives in their analysis of the transactional data or asking prices, and have derived their revenue assumptions without accounting for any incentives provision. All of the new build achieved values and asking price data which KM have analysed represents the gross Land Registry values and/or the gross asking prices before any allowance for cash and non-cash incentives.

5.58. To justify their approach, KM state that *"at the present time our experience is that such incentives are limited"* (paragraph 5.2.19). No evidence is provided to substantiate this assertion and we consider that KM's position is contradictory to market realities.

5.57. By way of example, we submitted a site-specific FVA for a scheme in Copeland in February 2022 where we highlighted that the transacted values and asking prices which we had analysed did not account for any non-cash incentives and extras offered by developers to secure sales.

5.58. Examples of such incentives include, but are not limited to, payment of mortgage deposit, legal fees, estate agent fees, removal fees, flooring, turfing, upgraded kitchens and Part Exchange. It is important that an appropriate adjustment is made to the Land Registry reported new build prices and the gross asking prices to reflect the likely net achieved value for each dwelling.

5.59. Based on our experience, the non-cash incentives and extras can range between 0% – 5% or more of the achieved purchase price depending on the particular site and plot characteristics, purchaser demand and residential market conditions at the point of marketing and sale. Below we copy an extract of the text from our submitted FVA based on data gathered in February 2022.

> *"The use of incentives in the local market is evident from our analysis of currently active schemes. By way of example, although located a considerable distance from the subject site and therefore not directly relevant from a pricing perspective, Gleeson Homes are offering incentives including upgraded kitchens and flooring packages at their Florence Drive scheme in Egremont (Appendix 4).*
>
> *We have also been advised by Genesis Homes that flooring packages have been offered at their Beckstones scheme in Frizington and the developer is also offering Part Exchange as shown at Appendix 4".*

5.60. The extracts from Appendix 4 of the FVA are provided at Appendix 5 of this representation. Further, Persimmon Homes advised in their initial representation dated 4th November 2021 (appended to the LPVA) that the average incentive allowance on their site in Workington is just over £4,000 per unit.

5.61. Based on our extensive market experience and actual net sales data provided by developers across a wide range of sites in the North West, we have found that non-cash incentives and extras typically range up to 2% – 5% of the Land Registry purchase price or more depending on specific market conditions prevailing at the date of plot release, the characteristics of each plot and so on. We have seen higher incentives based on actual net achieved sales data provided by our housebuilder clients for other sites in the North West.

5.62. Whilst we are aware that the use of non-cash incentives has reduced due to the strength of market activity over the past 12 – 18 months, we do not consider that it is appropriate to base the LPVA on the assumption of nil incentives provision across the entire district particularly as the "heat" appears to be coming out of the market at this present time.

5.63. We recommend that the comparable evidence in the LPVA and the sales values adopted by KM are reviewed and appropriate adjustments made to assess realistic net values, where the revenues account for cash and non-cash incentives and extras which are likely to be required to secure sales.

Summary

5.64. Notwithstanding the comments raised in this sub-section, in the absence of up to date, directly comparable new build market transactional evidence in Copeland which comprises the best evidence to inform the achievable sales values, we consider that the revenues for all allocations should be viewed as provisional assumptions, and further detailed site-specific review may be required at the application stage based on up to date available evidence as at the date of the assessment.

Affordable Housing Revenues

5.65. The affordable housing revenues are a key component of the viability testing and must be set at a realistic level which are reflective of current market conditions. KM have assumed transfer values of 45% of OMV for Affordable Rented units and 70% of OMV for Shared Ownership units.

5.66. KM state that the affordable housing values have been derived based on "evidence" provided to them by housebuilders and RPs in reviewing and preparing FVAs in the North West region, as well as the transfer values adopted in other area-wide FVAs. KM also state that the transfer values were subject to consultation.

5.67. No actual evidence of any of the information sources referred to by KM nor the consultation are provided to enable stakeholders to understand the supporting evidence base for the transfer value assumptions. This is inconsistent with the transparency of information requirements in the PPGV and RICS guidance as identified in Section 4.

5.68. We request that KM provide full details of the evidence base on an open and transparent basis as it is not possible to verify or support the proposed assumptions without this information.

5.69. Notwithstanding the lack of supporting evidence, the average Affordable Rented transfer values are regarded as broadly reasonable based on our Clients' experience of average transfer values in the North West and the assumptions which we typically see in area-wide studies of this nature.

5.70. However, the Shared Ownership transfer value of 70% of OMV is regarded as excessive if assuming that the affordable housing units are delivered via S106 and therefore no grant funding would be obtainable.

5.71. In all our recent market experience including disposing of a substantial number of residential development sites for public and private sector clients and reviewing developer land bids with actual affordable housing offers from RPs, we rarely see RP offer evidence for Shared Ownership units at such levels of value.

5.72. We would also highlight the recent national changes to the Shared Ownership model in April 2021. Under the new model, the repairs and maintenance liabilities have shifted from the tenant to the RP, the minimum initial equity stake has been lowered from 25% to 10% and individuals are able to staircase in 1% increments.

5.73. Several RPs active in the North West have confidentially advised us that, based on their initial internal modelling, the changes are likely to impair viability and the transfer values which they are able to offer for Shared Ownership units under S106 package deals. At this stage, we cannot disclose further details of this advice as it has been provided on a confidential basis.

5.74. The trend of impaired viability is further evidenced in the recent news article by leading social housing publication Inside Housing, who report that government are to consider bids for higher grant funding rates to build new model Shared Ownership units in acknowledgement of the *greater viability burden imposed by the new requirements*[7].

5.75. In addition, the recent publication *Delivering a Step Change in Affordable Housing Supply* (March 2022, L&G and SPF) notes that:

> *"Recent policy announcements around shared ownership – including the requirement of the Registered Provider to cover the cost of repairs for the first 10 years, are expected to increase the subsidy requirement by up to £10,000 per home. In turn, this reduces even further the number of new affordable homes that can be delivered without incurring an economic loss compared to market returns".*

5.76. There is very limited evidence of affordable housing transfer values in Copeland due to the scarcity of on-site provision and as such it is difficult to benchmark to local market evidence to support a reasonable assumption.

5.77. In this respect, and noting that all new Shared Ownership units in Copeland will be constructed under the new model, we recommend that KM consult a range of local RPs regarding the assumptions to test whether the assumed transfer values are considered acceptable under the new affordable housing regime. We request that full details of the engagement are provided in the updated LPVA to enable stakeholders to assess the robustness of the evidence base and the resulting justification.

Build Costs

5.78. To inform their assessment of the build costs in the LPVA, KM have advised that they have relied on their own "in house" build cost database rather than following standard industry practice for plan-wide viability testing by utilising the BCIS.

5.79. KM have provided a Cost Report at Appendix 11 which sets out the build cost methodology and assumptions for each of the typologies. It is stated that the construction costs have been prepared by KM's Quantity Surveyor Jon Adams MRICS.

5.80. KM begin their report at Appendix 11 by providing some commentary as to why they do not consider that the BCIS is appropriate for the purposes of the plan-wide viability testing, despite the BCIS being a recognised publicly available independent data source which is open to full scrutiny.

5.81. The limitations of the BCIS put forward by KM primarily centre on the data being "historic" and not comparable to the size and types of scheme which are expected to come forward in Copeland, with the BCIS samples often being based on relatively small schemes.

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7 https://www.insidehousing.co.uk/news/news/government-to-consider-bids-for-higher-grant-rate-to-build-new-model-shared-ownership-72022?utm_source=dlv.it&utm_medium=twitter

5.82. In describing their internal evidence base which has been used to inform the build cost assumptions, KM state that (paragraph 1.6):

> *"We have an extensive database of local construction costs derived from information provided to us by the housebuilders actively undertaking development in the North of England and more locally within West Cumbria. This provides extensive appropriate data in relation to construction costs based on market conditions and in line with the PPG has been used to inform the construction cost assessments".*

5.83. KM state that their database has been used as a guide to benchmark the rates assumed in their Cost Plans which have been prepared for each typology. It is further stated that each typology has a "bespoke" Cost Plan according to Appendix 11 and that the Cost Plan rates were *"refreshed/market tested to reflect current market rates as at April 2021 using our supply chain contacts within the industry combined with feedback from actual costs from Developer schemes previously assessed"* (paragraph 2.12).

5.84. The first key issue is that KM have not actually published their internal dataset upon which they have relied for stakeholder review and independent scrutiny. KM have advised that the information is considered to be confidential and cannot be published in its full form. KM have also not provided any details of the assumed rates or "market-testing" referred to above.

5.85. The supporting evidence base and the full details of the cost assumptions are therefore absent. By consequence, KM's cost assessments are insufficiently evidenced at present. It is not possible for stakeholders to fully comment on the reasonableness of the cost assumptions without sight of the supporting evidence base.

5.86. We request that KM's in-house dataset and details of the market-testing are disclosed as a matter of urgency. The database should be shared in a format which protects confidentiality but enables proper analysis of the data. **Our Clients reserve their right to comment again on the cost assumptions once the necessary information has been disclosed on a full and transparent basis.**

5.87. Secondly, based on our extensive experience of preparing and reviewing area-wide and site-specific FVAs across the North West, the base build costs are typically derived from BCIS data as this represents the only independent, nationally recognised and publicly available database which is maintained by the RICS.

5.88. Both the PPGV and The Harman Report (2012) state that build costs should be based on "appropriate data" such as the BCIS. The use of the BCIS has also been confirmed and supported in numerous recent appeal decisions[7].

5.89. In addition, recent research by Lichfields (Appendix 6) analyses the key assumptions adopted in a wide range of LPVAs across the country in order to identify consistencies in terms of best practice. In respect of build costs, Lichfields identified that **95%** (77 studies) of area-wide studies relied on the BCIS. Lichfields highlight the accessibility and transparency of the BCIS database in endorsing its use for the purposes of viability testing.

[7] See for example: Land North of Coventry Road, Long Lawford – APP/E3715/W/21/3268629 (01/09/21); Land next to School Lane, Milford on Sea, Lymington – APP/B1740/W/16/3200706 (08/09/17); Land at Sordo Farm, Lower Herne Road, Herne, Kent – APP/J2210/W/16/3151144 (25/09/17).

5.90. Within the sample researched by Lichfields, the remaining 5% of studies utilised a combination of BCIS and other sources of evidence, whilst only Barrow-in-Furness moved completely away from the BCIS. Upon review, we have identified that KM carried out the Barrow-in-Furness LPVA.

5.91. Accordingly, KM are the only consultant to have departed from the BCIS based on the Lichfields research. Indeed, in all our experience, we have not come across any other consultant whom has utilised another source for the purposes of assessing the base build costs in an area-wide FVA which has been found sound. This is because there is no other recognised independent industry database.

5.92. The adoption of KM's "in-house" database which is not open to full stakeholder and public scrutiny is therefore considered highly irregular. If KM are departing from the use of the BCIS and are utilising another source to inform their assumptions, it is essential that the cost database is market-tested, based on local market data and comprises recent cost information from a range of schemes and reliable / accountable sources.

5.93. This is crucial to ensure that the cost database is comparable and reflective of the local market, and that the assumptions are therefore based on appropriate market-facing evidence as required by the PPGV.

5.94. The need for the construction cost database to be based on local evidence is arguably even greater for the Copeland LPVA given the more isolated location and that build costs are inevitably higher in this area in comparison to other North West authorities. By way of example, Persimmon Homes advised in their initial representation dated 4th November 2021 (appended to the LPVA) that their base build costs are a minimum of c. £3 psf higher in West Cumbria when compared to sites in Lancashire.

5.95. As stated above, KM have sought to justify the use of their own in-house dataset by suggesting that this comprises more "relevant" and "representative" locally-specific evidence in comparison to the BCIS. In particular, KM state that (paragraph 2.10).

> *"The RICS Guidance Assessing Viability in Planning under the National Planning Policy Framework 2019 for England states that wherever possible cost estimates should be based on evidence from similar developments. It goes on to say that BCIS and other indices are 'appropriate' but are not always reflective of local market conditions. As a result, BCIS can be used if appropriate but supporting evidence of costs and duration in the local market should be used where available. The approach that we have adopted in using cost data based on local market evidence therefore fully accords to the best practice guidance".*

5.96. At this stage, we cannot comment as to whether KM's dataset comprises relevant local market evidence as we have not had sight of the information. We therefore reserve the right to provide further comments on receipt of the database. It is crucial that KM's database contains a wide range of sites in Copeland and neighbouring authorities as stated above.

5.97. We do however note that KM have recently published a partial version of their internal dataset as part of the ongoing St Helens Local Plan Examination. We undertook a detailed review of KM's database on behalf of another developer as part of their recent representations to the Main Modifications consultation in January 2022.

5.92. Based on our analysis of the information provided by KM in St Helens, some of the key limitations which we identified with KM's database are summarised under the sub-headings below.

Limited Information

- Although KM published their St Helens dataset, the information comprised anonymised breakdowns for each scheme in the database which meant that the information was still somewhat restricted in nature and unverifiable, with the database not open to full independent scrutiny. Transparency of assumptions and evidence is a crucial aspect of all viability testing as set out in the NPPF, PPGV and RICS guidance, and fundamental to determining the weight to be accorded to the viability assessment.

Source of Data

- KM did not state whether the build costs in their internal database are based on actual construction costs / tender submissions, in line with BCIS, or estimated build costs based on viability submissions and appraisals prepared by other surveyors / consultants.
- Based on the comments at paragraph 2.16 of the St Helens Cost Briefing Note and experience from another Local Plan examination, it appears that the costs are based on estimates from viability submissions rather than actual cost data relevant to the local area as provided by the BCIS.

Cost Definitions / Components

- Based on the cost breakdowns provided, KM compiled the assumed estimated costs for substructures, superstructures, preliminaries, external works within and beyond curtilage, drainage, incoming services, abnormals, fees and contingencies to arrive at a total build costs for each scheme within their dataset. KM did not provide a clear definition for each cost element to enable stakeholders to understand which costs are included under each heading.
- In addition, this approach to the analysis relies on KM correctly identifying and inputting the costs for each element for every individual scheme. As the full source of the costs and the scheme details are not provided, it is not possible for stakeholders to check the calculations for accuracy. Therefore, stakeholders cannot be certain that KM have correctly compiled and inputted the data for each scheme.
- Further, how can KM be certain that the estimated build costs adopted for each scheme have been assessed on a like-for-like basis following the exact same definitions in terms of which cost items have been included in the standard build costs and abnormal costs, and within each of their own identified individual cost categories?
- In summary, the analysis is subjective and reliant on considerable judgement / interpretation.

Sample Sizes and Site Sizes

- Based on the information provided for St Helens, the sample sizes were small for a number of categories with very few or just one scheme in the sample. For example, there was only **one** scheme in the 25 – 49 dwelling category. This is not a sufficient sample size from which to draw reliable conclusions.

- In relation, KM made the same statements for the St Helens dataset as they do for Copeland, in that they consider their dataset to be more representative of the local market in comparison to the BCIS. However, in our view, the KM dataset was not representative of the local market in St Helens and suffered the same limitations as the BCIS in that there was a dearth of data for larger sites.
- Within the St Helens dataset, half of the schemes were within the 0 – 24 dwellings category. Only 5 schemes were in excess of 150 units, and only 2 schemes were in excess of 200 units. One of these schemes had standard build costs of £952 psm according to KM's analysis, and the other had standard build costs of £1,359 psm. This represents a very wide range of costs and it is not possible to draw reliable conclusions from this information.

Sample Dates – Historic Information

- In relation to the above, KM's cost database presented in St Helens comprised a significant number of dated schemes from 2012 – 2015. For example, none of the schemes in excess of 150 units were from within the last three years, and the single schemes in the 225 – 499 and 500+ dwelling bands were from 2015 and 2013 respectively. The single scheme in the 25 – 49 dwelling category was from 2012.
- The cost information is therefore dated, meaning that the majority of the schemes are not actually reflective of current build and design standards or market specifications.
- By contrast, we understand that the BCIS data can be refined so as to limit the cost submissions to the most recent 5 years, thereby helping to ensure that the costs are based on the most recent data and should therefore be more reflective of the current market and specifications. This approach is consistent with the recent appeal decision in respect of Land next to School Lane, Milford on Sea, Lymington (reference: APP/B1740/W/18/3209706, April 2019) where the Inspector favoured the use of the BCIS 5 year data.
- As well as the above issues, KM state that they have updated and adjusted the costs for each scheme for time/date and location using the BCIS TPI and location factors. No details of the calculations were provided to enable stakeholders to check that the adjustments have been accurately undertaken.

5.99. In summary, based on our analysis of KM's dataset published as part of the ongoing St Helens Local Plan Examination, we have concerns as to the robustness of the information for the purposes of informing the build cost assumptions in the LPVA.

5.100. If KM have relied on a similar database to inform the cost assumptions in the Copeland LPVA, we do not consider that KM's database fully complies with the NPPF, PPGV and RICS requirements relating to appropriate and transparent market-facing evidence for the reasons identified in our St Helens analysis and summarised above.

5.101. For the purposes of the St Helens LPVA, it was therefore considered inappropriate for KM to depart from the use of the only independent, publicly available and transparent base build cost database (BCIS) which is widely accepted for the purposes of assessing site viability.

5.102. At present, it is not clear if the database upon which KM have relied for the Copeland LPVA suffers the same limitations as their dataset published as part of the St Helens LPVA. In the absence of this clarity, it is our view that the LPVA assumptions cannot currently be relied on.

5.103. It is therefore essential that the Council do not seek to hold applicants to KM's assumptions when preparing site-specific FVAs at the application stage. Our Clients reserve their right to comment on the build cost evidence at the next stage of the process once the necessary information and evidence base has been shared on an open and transparent basis.

5.104. We remain of the view that the BCIS database represents a more robust independent source for assessing the base build costs. Sufficient justification has not yet been provided to depart from the BCIS which is utilised in the vast majority of area-wide FVAs and has been endorsed in multiple recent appeal decisions and industry guidance.

5.105. As well as the methodological and evidential issues as summarised above, there are certain other limitations associated with the build cost assumptions which we outline under the sub-headings below.

Table 6.5

5.106. At Table 6.5 of the LPVA, KM provide a summary of the "total build costs" assumed for each typology based on the Cost Report at Appendix 11. The costs are stated to be inclusive of contingencies, professional fees, on-site open space and play provision but exclusive of abnormal costs and EVCs.

5.107. It is not possible to analyse the standard build costs only from this information, nor comment on the reasonableness of the assumptions, as the total figures are inflated by the addition of contingencies, professional fees and the POS / play provision, the latter of which would be regarded as a site-specific abnormal cost in our view. The standard build costs are the key figures which need to be specified on a full transparent basis to enable comparison to the standard build cost data which we have obtained through our extensive viability, valuation, expert witness and land agency work.

5.108. In addition, KM have omitted to state that the costs in Table 6.5 also include Part L costs which would increase the "standard" build costs even further. Our Clients are concerned that the actual total standard build costs before any of the aforementioned additions may be too low given the figures presented, as the costs would be much lower when the contingencies, fees, on-site open space, play provision and Part L costs are removed.

5.109. We request that the total standard build costs before any of the above additions (contingencies, fees, POS / play provision, Part L) are specified for each typology on an open and transparent basis. For clarity, the standard build costs would include the base build cost (substructure and superstructure), preliminaries, standard plot external works, standard estate roads and sewers, and plot service connection costs. We recommend that the cost of garages is stated separately for transparency.

5.110. We reserve the right to comment on the cost assumptions once the standard build costs have been stated on a full transparent basis to enable proper analysis and benchmarking to the BCIS for comparison purposes.

Garages

5.111. KM state that garage costs are included in the testing but the specific cost assumptions for each garage type (i.e. the cost per garage) are not clearly specified in Appendix 11. It is also stated that garages are applied to detached houses only but the number of detached units (and therefore the number of garages) in each typology is not clearly set out in the main report.

5.112. Clarification is requested and we reserve the right to comment on the garage costs once known. Notwithstanding the lack of clarity, KM advise that they have adjusted the garage costs for economies of scale. This approach is not supported, and we are not aware of any market evidence to demonstrate that garage costs reduce as scheme size increases. In our experience, developers build up and calculate their standard cost allowance for each garage type across their schemes with no variance for site size.

5.113. KM's approach is also a little contradictory as they have taken another "typical" scheme cost of plot service connections which they have applied *"based on a typical average cost per dwelling, regardless of size"* (paragraph 2.29).

5.114. KM are requested to provide full justification for the economies of scale adjustment for garages. The approach departs from recognised best practice and the garage cost assumptions in other LPVAs where there is no variance for site size. In the absence of any justification, we consider that a standard allowance should be applied to garages across all typologies based on a reasonable evidence-based cost for each type in accordance with other plan-wide studies.

Plot Service Connections

5.115. At paragraph 2.29, KM state that plot service connection costs have been applied based on a typical average cost per dwelling as noted above. The average cost does not appear to be specified in the report. Clarification is requested as it is not possible to comment on the reasonableness of an unknown assumption.

Terminology

5.116. Throughout KM's Cost Report, there is reference to "Base Build Costs" (capitalised) and "Oncosts" in several different places. It is not clear which costs each term specifically relates to.

5.117. In our experience, the "base build cost" relates to the dwelling footprint or the "box" cost only but KM may be applying a different definition as their allowance could be inclusive of external works and POS based on the drafting in parts of the Cost Report. It is certain that Part L costs have been included which should be stated separately to avoid inflating the base build cost figures for the purposes of any comparison to the BCIS for example, as should garage costs.

5.118. In this respect, it is not regarded as appropriate or transparent for KM to set out a table of "Base Build Costs" on page 2 of Appendix A where the costs appear to represent the base "box" cost only, and to use the same term "Base Build Costs" in the summary table on page 9 of Appendix A where the costs are inclusive of the base "box" costs and garages and Part L costs. This is misleading and the Part L / garages costs must be stated separately.

5.119. In addition, the term "Oncosts" appears to be used interchangeably and is stated to include contingencies and professional fees in some parts of the Cost Report, but then may also include external works and preliminaries based on the drafting in other parts.

5.120. The drafting and terminology is therefore ambiguous. We request full clarification with transparent definitions provided for all terms utilised in the report and the individual cost elements reported separately to enable stakeholders to properly understand and analyse the cost assumptions.

BCIS Comparison

5.121. At the very end of the final bullet point at paragraph 2.48 of the Cost Report, it is stated that page 11 contains *"the assumed rate of discount that should be applied to BCIS Average Rates data"*. KM have benchmarked their build cost allowances to the BCIS data in order to assess the reasonableness of their assumptions (Appendix B of the Cost Report) and conclude that their allowances are generally above the Lower Quartile and Median rates (and therefore assumed to be reasonable).

5.122. KM state that they have applied a **10%** discount to the BCIS figures. KM state that this discount is an adjustment for Developer's overheads and profit and scale.

5.123. The application of significant discounts to the BCIS figures is not regarded as appropriate for the purposes of cross-checking the reasonableness of build cost assumptions at the plan-making stage. We have never seen such an approach adopted by any other viability consultant or QS when preparing an LPVA.

5.124. It is also not clear as to which specific costs KM are comparing to the BCIS figures. As stated above, the terminology in the report is ambiguous. It appears that KM have taken the "Base Build Costs" plus preliminaries in the breakdowns on page 9 of Appendix A but both **garages and Part L costs** are included in these "Base Build Cost" figures as noted above.

5.125. We understand that the BCIS figures are inclusive of the base house "box" cost and preliminary costs only. It is not appropriate to include garages and Part L costs in the "Base Build Costs" as the comparison to the BCIS figures is not like-for-like. Full clarification is requested and any comparison to the BCIS must be carried out on a directly comparable basis otherwise the benchmarking is distorted and inaccurate.

5.126. In addition, the build costs should not be adjusted for developer's profit as this is a separate assumption in the viability testing. We assume that this is a typo and that the correct reference should be contractor's profit which is embedded in the BCIS base build costs. Clarification is requested.

5.127. As set out in the aforementioned recent research by Lichfields (Appendix 6), in order to reflect potential cost efficiencies on larger sites which would likely be developed by established housebuilders, a common approach at the plan-making stage is to adopt the BCIS Lower Quartile figures for these sites rather than the Median.

5.128. If this approach is adopted, the Lower Quartile should not then be further adjusted for overheads and profit and scale. In our view, the use of the Lower Quartile is already intended to implicitly reflect a scale / cost efficiency adjustment, yet KM have applied a further 10% discount to the Lower Quartile figures. This will understate the BCIS costs for the purposes of the comparison.

5.129. Our Clients are therefore concerned that the base build costs, and by consequence the total standard build costs, have been set at an unrealistically low level in the LPVA. As above, we request that KM clearly set out the total standard build costs for each typology to enable proper analysis and comparison to the relevant unadjusted BCIS figures.

5.130. In addition, it is considered inappropriate to benchmark the build costs for smaller allocations to a discounted Lower Quartile figure as the same (or even any) economies of scale will not be achievable on the smaller sites. Any comparison and conclusions drawn from this analysis are therefore not regarded as relevant.

Professional Fees

5.131. KM state that professional fees have been applied on a sliding scale of 8% – 6.5% with the allowance decreasing as site size increases. Care needs to be had in applying a sliding scale where the base build costs have also been varied by site size, as the reduced professional fee allowance is applied to a reduced base build cost for larger sites which could have the effect of understating the total capital sum for professional fees.

5.132. Importantly, KM have applied the professional fees to the "Base Build Costs" only, which means that the actual allowances are lower than their stated sliding scale. For the larger sites of 250+ units, the professional fee allowance equates to 5.8% of the total build costs as shown at Appendix A, whilst the allowance for the vast majority of sites is 6.6% or less.

5.133. The percentage figures stated at paragraph 2.30 of Appendix 11 are therefore somewhat misleading and not a true reflection of the assumptions in the testing. The professional fees are incurred on all build costs rather than the base build costs only. We therefore recommend that the percentage allowances are applied to the total build costs including abnormals in accordance with market practice.

5.134. Based on the professional fee allowances we typically see adopted in other area-wide FVAs, we would suggest a minimum 7% allowance is applied in the LPVA so as to not test the margins of viability at the plan-making stage in accordance with recognised best practice.

5.135. A higher allowance may potentially be appropriate for the more complex and technically challenging sites to reflect the additional planning, technical and promotional costs incurred on these sites. This should be explored in dialogue with the relevant stakeholders of the larger site allocations including the Former Marchon strategic site.

Contingencies

5.136. The same issue is apparent for the contingency assumptions which have also been applied to the "Base Build Cost" only. We support the 5% allowance for contingencies which represents a reasonable plan-wide assumption consistent with other LPVAs.

5.137. As with the professional fees, we recommend that the contingency allowance is applied to the total build costs including abnormals as there is potential for additional costs and inflationary pressures across all build cost items, rather than the base build costs only.

Abnormal Costs

5.138. KM have adopted provisional abnormal cost assumptions for each of the allocations in the LPVA. According to our analysis, the assumed abnormal costs including contingencies and professional fees equate to c. £5,000 – £30,000 per plot.

5.139. Whilst KM appear to have adopted reasonable provisional sums for some allocations, the allowances for many typologies are still regarded as too low, with **17 of the 30** typologies having abnormal costs of c. £9,000 per plot or less.

5.140. In particular, in respect of greenfield sites, we disagree with the principle of applying a lower abnormal cost to these sites in comparison to brownfield sites. We have seen other consultants adopt a similar approach seemingly on the assumption that greenfield sites are "not contaminated" and therefore the abnormal costs are lower. In our experience, greenfield sites often have higher abnormal costs when compared to brownfield sites due to the need to address issues such as drainage, ground levels, abnormal foundations and the enabling infrastructure required to facilitate development of the site.

5.141. KM will be aware of this principle having been involved in viability reviews for a wide range of sites including C&W site-specific viability submissions where greenfield sites have had much higher abnormal costs than brownfield sites on a number of occasions.

5.142. In fact, within Appendix 11, KM contend that:

> *"Abnormal development works on a 'greenfield site' are those works that are regarded as additional to an ideal undeveloped site that has good ground conditions and no other causes for additional costs. Greenfield sites typically range from £25,000/net acre up to £150,000/net acre"*

5.143. This statement is wholly unsubstantiated, and we seldom see any greenfield site with abnormal costs at the upper end of the range stated by KM, let alone the lower end of the range which would equate to a cost of less than £2,000 per plot based on an average site density of say 14 units per net acre.

5.144. To further demonstrate this point and the abnormal cost insufficiencies in the LPVA for numerous allocations, we refer to our internal abnormal / extra over cost database where we have monitored the costs which we have recently experienced on a wide range of residential development sites (including greenfield and brownfield) as part of previous land disposals, expert witness work and site-specific FVAs which we have been involved in and/or are aware of.

5.145. KM were involved in a number of these sites where they were acting as viability reviewer of the C&W site-specific viability submissions on behalf of the LPA, including reviewing the submitted abnormal costs.

5.146. The abnormal / extra over costs within the sample sites cover a wide range of cost heads including but not limited to remediation, ecological mitigation, abnormal drainage, acoustic mitigation, abnormal foundations, cut and fill, retaining walls and abnormal services costs.

5.147. The range of abnormal costs and the overall averages across the different site sizes are shown in the table below. Please refer to Appendix 7 for the full schedule. Site details have been anonymised for confidentiality reasons to prevent specific identification of the data[4].

Abnormals / Extra Over Costs – Example Sites

	Site Size (Units)	Abnormals / Extra Over Costs Per Net Acre	Abnormals / Extra Over Costs Per Plot
0 – 99 Units			
Maximum	43	£482,000	£36,000
Minimum	98	£132,000	£11,000
Average	**69**	**£304,571**	**£23,143**

[4] Please note that abnormal cost information has to be provided from internal confidential data sources as there is no publicly available database for abnormal costs as there is for the standard build costs, such as the BCIS. This is why the information has to be anonymised.

	Site Size (Units)	Abnormals / Extra Over Costs Per Net Acre	Abnormals / Extra Over Costs Per Plot
100 – 249 Units			
Maximum	100	£483,000	£52,000
Minimum	120	£120,000	£8,000
Average	**158**	**£313,050**	**£22,524**
251 – 550 Units			
Maximum	272	£458,000	£36,000
Minimum	334	£251,000	£12,000
Average	**379**	**£316,500**	**£22,333**
551+ Units*			
Average	**784**	**£223,000**	**£15,000**
Overall Average	**211**	**£309,867**	**£22,395**

Source: C&W Internal Database based on Housebuilder and Cost Consultant Data

*Costs have been rounded to the nearest £1,000. Note that there is only 1 site in the 551+ unit category.

5.148. The abnormal / extra over costs across the greenfield and brownfield sites within the sample range from c. £120,000 – £485,000 per net acre / £8,000 – £52,000 per plot. The overall average across the entire sample of 38 sites equates to c. **£310,000 per net acre / £22,000 per plot.**

5.149. There is no clear trend to suggest that greenfield sites have lower abnormal / extra over costs than brownfield sites with both site types having a range of total costs, nor is there any trend of decreasing abnormal costs with increasing site size. What is also evident from the data is that the costs vary significantly across the sites due to site-specific differences in terms of technical constraints and infrastructure / enabling works requirements.

5.150. We are not suggesting that the abnormal costs in a plan-wide study should be set at the same level as we often see in site-specific viability submissions at the application stage as the LPVA cannot account for every eventuality nor fully eliminate site-specific FVAs and indeed this is not the purpose of a plan-wide study.

5.151. However, this does not downplay the importance of adopting a more robust position at the plan-making stage in the first instance. If a reasonable provisional abnormal cost allowance is not included for all typologies, there is a risk that site viability will be overstated, and policy requirements may be set at unrealistic levels. This will inevitably defer viability to the application stage for many sites which will lead to delays in schemes being brought forward for development, as housebuilders / landowners will have no choice but to submit site-specific FVAs to challenge the inaccurate assumptions in the LPVA and negotiate more reasonable policy requirements based on the true viability of the site.

5.152. In light of the above evidence, we do not support the reduced abnormal cost allowances for a large number of the allocations with no evidence-based justification. Further, based on the summary abnormal cost schedules in the appendices, key abnormal costs have been omitted for many sites including abnormal foundations and retaining walls.

5.153. Whilst KM have made provisional high level allowances for abnormal costs at this stage which is accepted in the absence of detailed site due diligence, it is not regarded as appropriate to omit likely abnormal cost heads. The resultant allowances for many sites at less than c. £9,000 per plot is regarded as an unrealistic assessment in light of the above analysis.

5.154. We therefore recommend that KM revisit the adopted allowances and ensure that a reasonable provisional assumption is applied to all sites at the plan-making stage at a minimum of say c. £15,000 per plot for non-strategic sites, subject to the addition of contingency and professional fees. The larger, more strategic sites will need to be the subject of a more fine-grained analysis with appropriate allowances made based on known information at this stage of the process.

5.155. Even after revising the assumptions, it is still imperative that there is sufficient flexibility in the relevant policies and the ability to revisit viability at the application stage where necessary, in order to account for site-specific circumstances where the actual abnormal costs are higher than adopted in the LPVA. This will inevitably be the case for some sites as demonstrated through the example cost evidence in the table above.

5.156. KM have acknowledged this principle to an extent, noting that (paragraph 6.3.13):

> *"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".*

5.157. It is recognised that all abnormal cost assumptions at the plan-making stage will be necessarily provisional as detailed due diligence has not been undertaken on each site to accurately assess the site abnormal costs. As such, the abnormal costs will require site-specific review on a site-by-site basis as further due diligence is carried out. If the actual cost allowances differ from those assumed in the LPVA, this may result in the need for a site-specific FVA to test the true viability of the site and the policy requirements which can be supported.

5.158. As above, it is still imperative that the abnormal cost assumptions are revisited and more realistic provisional allowances included at this stage of the process, so as to at least try to provide a more realistic assessment of site viability to inform the setting of appropriate policy requirements and to help to limit the number of site-specific FVAs at the application stage.

Future Homes Standard / Part L – Building Regulations

5.159. KM state that they have adopted costs associated with the new Part L requirements (31% reduction in CO2 emissions) ranging from £4,845 for a terraced house to £6,838 for a detached house which we understand are based on the government guidance[5]. The source and cost allowances are regarded as fair and reasonable.

5.160. KM have also set out costs ranging from £3,454 – £9,963 per unit for the Future Homes Standard ('FHS') which is, as yet, an undefined standard. It is not clear if these costs have been factored into the testing as part of the sensitivity analysis or indeed anywhere else in the report as there appear to be no other references to this scenario in the LPVA.

5.161. Clarification is requested and we reserve the right to comment again on the cost allowances following receipt of this clarity. If KM are including the costs in the testing, an appropriate, evidenced assumption with a full breakdown should be included rather than speculative allowances.

[5] The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Impact Assessment (MHCLG, October 2019)

5.182. We agree with KM that there is a lack of certainty as to the extent of the government's requirements and the nature of the improvements needed to achieve the FHS given that less due diligence has been carried out on this element of the regulation changes. Any cost assumption at this stage may therefore need to be refined as more clarity and market evidence emerges.

5.183. We would however note that KM assumed a cost of £12,960 per plot for the FHS in the emerging St Helens Local Plan Update (August 2021) based on a study by Currie and Brown and AECOM (2018) which is considerably in excess of the LPVA allowances.

5.184. Moreover, whilst the FHS will not be implemented for a number of years, the Council must recognise that certain larger sites will be affected by the changes hence additional policy flexibility may be required for these sites. If and when a site-specific FVA is submitted at the application stage for larger sites, such costs will need to be factored into the assessment. We request that KM acknowledge this principle in the LPVA.

Vehicle Charging Points

5.185. KM have adopted a cost of £581 per unit for vehicle charging points. Based on our Clients' experience in West Cumbria, this cost is regarded as potentially slightly low with an allowance of c. £600-750 per unit more reflective of the actual costs which they incur in this region.

5.186. Policy CO7PU of the emerging Local Plan does not define the required specification for the charging points. This is an important consideration as the cost of charging points can vary quite substantially depending on the specification and type of charger. For example, rapid charging facilities can lead to the requirement for additional sub-stations, whilst upgraded cabling is often necessary even for more basic charging points to cope with the additional demand on the electricity supply network.

5.187. We request that the required specification is clarified as a matter of urgency and that wording to this effect is added to Policy CO7PU. If the specification differs from that which KM have assumed, the LPVA assumption will need to be amended as there will be a different impact on viability.

5.188. In relation to the above, KM have explicitly stated that no allowance has been made for any infrastructure costs which may be needed in future if the chargers are used on a large scale. In this respect, it would be prudent for the Council to engage with the main energy suppliers in order to determine network capacity in Copeland to accommodate any adverse impacts if all dwellings have a charging facility.

5.189. If charging demand became excessive, there may be constraints to increasing the electric loading in an area because of the limited size and capacity of existing cables and new sub-station infrastructure may be necessary even if the charging points were not super-fast charging. The cost of such infrastructure would not be covered by a nominal allowance per dwelling and could adversely impact on site viability depending on the scale and cost of the requirements.

5.190. We would expect the LPVA to acknowledge this principle and to advise that policy flexibility is therefore crucial for those sites which do require network reinforcements. This is more likely to be the case for larger sites where the greater number of new charging points will put more pressure on the grid.

S106 Contributions

5.171. KM have adopted provisional allowances for S106 contributions based on contributions towards transport improvements only. Our Clients are concerned that contributions towards other infrastructure requirements such as health and education have not been factored into the testing.

5.172. This approach is regarded as inappropriate particularly in the context of emerging Policy DS5PU which lists 13 different categories of infrastructure that will be funded by planning contributions and confirms that additional contributions beyond highways/transport improvements will be requested from development.

5.173. Further, the Copeland Transport Improvements Study which has informed the highways contributions in the LPVA is considered flawed as it fails to account for junction improvements. As such, there is likely to be a significant underestimate of the off-site highways costs for all allocations.

5.174. It is imperative that the Local Plan is based on sound viability evidence and a proportionate assessment of the cumulative cost of all relevant policy requirements which demonstrates that the total cumulative policy burden does not cause development to be unviable.

5.175. As such, we strongly recommend that a higher allowance for S106 contributions is included in the "base" viability testing to reflect likely mitigation requirements for both highways and other infrastructure. A failure to incorporate the full estimated cost of policy requirements will overstate site viability and could mean that policy requirements are set at unrealistic levels. The current assumptions thus risk increasing the number of site-specific FVAs at the application stage, due to certain sites potentially being unviable when the true costs are factored into the viability appraisal.

Biodiversity Net Gain

5.176. It is stated that the construction cost assessments are inclusive of the costs associated with achieving 10% biodiversity net gain ('BNG') but there are no allowances set out anywhere in the report as far as we can see.

5.177. Clarification is requested with a clear evidence-based cost provided for each allocation. We reserve the right to comment on the assumption once known.

5.178. Notwithstanding the above, it is very difficult to comment on the appropriate allowance for BNG costs at the plan-making stage as the requirements will be entirely site-specific depending on the specific measures required to achieve the necessary improvements on each site. In some instances, this could involve off-site contributions / off-setting which can result in substantial costs.

5.179. The actual costs to achieve BNG could therefore be higher or lower than assumed in the testing. As such, it is vital that there is sufficient flexibility in the Local Plan policies to enable other policy requirements to be relaxed if the actual BNG costs are higher than initially assumed in the LPVA.

Developer's Profit

5.180. One of the most significant issues in the LPVA is the developer's profit assumptions which are set at 15% of market housing GDV for smaller sites, 18% of market housing GDV for larger sites and 6% of GDV for affordable housing.

5.181. This is not an acceptable level of return for the purposes of plan-wide viability testing in Copeland particularly in the context of recommended best practice to adopt a conservative approach which does not test the margins of viability to avoid compromising delivery.

5.182. In respect of market housing, at the plan-making stage it is widely recognised that a developer's profit of 20% of GDV is the minimum reasonable return for the purposes of testing Local Plan viability. In a residential location such as Copeland where the sales market is weaker in comparison to other authorities across the North West, this profit level is regarded as the absolute minimum return at the plan-making stage.

5.183. To support our position, we firstly refer to the developer's profit assumptions adopted for market housing in other recent area-wide FVAs across the North West, Yorkshire, the North East and the Midlands (published between June 2017 and August 2021) which we have monitored over recent years.

5.184. Of the 35 studies which we have reviewed, **29** of the studies adopted a developer's profit for market housing of **20% of GDV**. Pertinent examples from the North West are shown in the table below. We note that all of the below studies were prepared by KM which demonstrates the inconsistency in respect of their proposed approach in the Copeland LPVA:

North West LPVAs – Developer's Profit Assumption (Market Housing)

Local Plan / CIL Viability Assessment	Developer's Profit on Market Housing
Cheshire East CIL VA (August 2017)	20% of GDV
Wyre LPVA (October 2017)	20% of GDV
Cheshire West LPVA (December 2017)	20% of GDV
Liverpool LPVA (October 2018)	20% of GDV
St Helens LPVA (December 2018)	20% of GDV
Fylde LPVA (February 2020)	20% of GDV
Rossendale LPVA (February 2021)	20% of GDV

5.185. Further to this, we also refer to a wide range of other recent Local Plan and CIL Charging Schedule examinations where a developer's profit of 20% of GDV for market housing has been deemed appropriate.

5.186. In interpreting this evidence, it is important to note that many of these areas in southern geographies would be regarded as stronger markets in comparison to Copeland where house prices and land values are lower:

Local Plan / CIL Charging Schedule Examinations

Local Plan / CIL Report	Date	Reference	Examiner	Para.	Developer's Profit (Including Overheads) for Private Housing
Ipswich (Local Plan)	17/02/2022	PINS/R3515/429/7	Karen Baker	98	20% of GDV
Darlington (Local Plan)	28/01/2022	PINS/N1350/429/9	William Fieldhouse	-	20% of GDV
Hambleton (Local Plan)	19/01/2022	PINS/G2713/429/8	Matthew Birkinshaw	-	20% of GDV
Havant (CIL)	27/08/2021	No reference specified in Examiner report.	Andrew Seaman	28	20% of GDV
North Warwickshire (Local Plan)	20/07/2021	PINS/R3705/429/6	Thomas Bristow	-	20% of GDV
Vale of White Horse (CIL)	02/07/2021	No reference specified in Examiner report.	Keith Holland	25	20% of GDV
Worthing (CIL)	27/05/2021	PINS/M3835/429/8	Jameson Bridgwater	8	20% of GDV
Bromley (CIL)	17/02/2021	No reference specified in Examiner report.	Keith Holland	16	20% of GDV
Runnymede (CIL)	08/12/2020	No reference specified in Examiner report.	Philip Staddon	41	20% of GDV
Harrogate (CIL)	19/05/2020	PINS/E2734/429/8	Jameson Bridgwater	7	20% of GDV
London Legacy Development Corporation (Local Plan)	24/04/2020	PINS/M9584/429/3	Mike Fox	-	20% of GDV
Kirklees (CIL)	10/01/2020	PINS/Z4718/429/8	Katie Child	24	20% of GDV
Rushcliffe (CIL)	25/06/2019	No reference specified in Examiner report.	Terrence Kemmann-Lane	17	20% of GDV
Waverley (CIL)	28/09/2018	PINS/R3650/429/9	Philip Staddon	39	20% of GDV
Gloucester, Cheltenham and Tewksbury (CIL)	31/07/2018	PINS/B1605/429/1	Elizabeth C Ord	34	20% of GDV

5.187. We would also highlight the aforementioned recent research by Lichfields (Appendix 5) where a profit of 20% of market housing GDV is recommended to be applied for plan-wide viability testing on the basis that this assumption was adopted in the vast majority of the 93 studies analysed.

5.188. Only 10 studies analysed by Lichfields adopted a lower profit margin. Lichfields do not specify the location of the 10 studies but it may be that some (or all) of these studies were situated in southern geographies in stronger market areas and/or where the predominant form of development that was tested was high rise apartment schemes which can have different return metrics depending on the assumptions adopted in relation to pre-sales for example.

5.189. Lichfields further advise that flexibility should be built into the profit assumption particularly for larger, strategic sites where significant upfront investment is required and where their delivery could be integral to Local Plan delivery.

5.190. On this basis, the proposed developer's profit allowance in the Copeland LPVA falls below the guideline range set out in the Lichfields research and the other market-based evidence referred to above.

Market Risk and Uncertainty

5.191. In formulating appropriate profit assumptions for both area-wide and site-specific FVAs, consideration needs to be given to economic and residential market conditions as at the date of the assessment.

5.192. At the time of drafting this representation, there is uncertainty affecting the economy and the residential market due to a wide range of market and economic risk factors including the emerging cost of living crisis, rising interest rates, build cost inflation, the forthcoming end of the Help to Buy scheme as well the continued disruption associated with the COVID-19 pandemic.

5.193. In respect of the former issues, general consumer inflation (as measured by the CPI) has risen to a record 30-year high, hitting 5.5% in the 12 months to January 2022[5], driven by soaring food costs and the energy bills crisis. Analysts are predicting that worse is to come, with inflation now expected to exceed 8% in April 2022[6].

5.194. The inflationary pressures brought forward the first interest rate rise which took place in December 2021, with a further rate rise to 0.5% in February 2022. Although the first rate rises are modest, it is expected that there will be further increases over 2022 and 2023 to combat inflation which will represent somewhat "unchartered" territory for prospective new homes purchasers who have generally lived in a low-rate environment for a prolonged period.

5.195. It is also important to note that the residential market is no longer supported by the SDLT holiday whilst the Help to Buy reforms commenced in April 2021 whereby regional price caps have been introduced and the scheme is limited to first time buyers only. This will be followed by the withdrawal of the scheme in 2023.

5.196. The price cap for the North West is **£224,400.** It is widely recognised that Help to Buy has been a driver of activity in the new build sales market, supporting c. 38% of all new build sales since the scheme was introduced in 2013[7]. As such, the impending restrictions, followed by the removal of the scheme, have the potential to negatively impact on the new build residential market across Copeland.

5.197. This could increase the sales risk associated with the delivery of future dwellings and further justifies a higher profit than currently proposed by KM, particularly when combined with the ongoing uncertainty relating to the cost of living crisis as well as the COVID-19 pandemic, the risk of future variants and the associated economic disruption which this could cause.

5.198. We would finally note that these market headwinds are coinciding with build cost inflationary pressures which further adds to the development risk. This is evidenced in the BCIS' latest five-year forecast (Appendix 8) which reported that tender prices are under pressure from the rising materials prices and site labour rates, together with stronger demand. This has resulted from a combination of factors including supply chain bottlenecks due to global demand shocks, container shortages, increased port administration due to the UK-EU Trade and Cooperation Agreement and sharp rises in shipping costs.

[5] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/january2022
[6] The Living Standards Outlook 2022 (Resolution Foundation, March 2022)
[7] Help to Buy: Equity Loan Scheme – Progress Review (June 2019) – National Audit Office

5.199. The full BCIS analysis is attached at Appendix 8 and sets out a series of headline statistics and forecasts including an increase in materials prices and labour rates of 16.9% and 10% respectively in Q3 2021 compared with a year earlier.

Summary

5.200. In light of the above evidence, we consider that a developer's profit of 20% of market housing GDV represents the minimum acceptable return for the purposes of testing plan-wide viability in Copeland. We strongly recommend that KM amend the testing assumptions to reflect a more market-facing and reasonable position.

5.201. It is worth highlighting again that recommended best practice for area-wide viability testing is to adopt a cautious approach so as to not test the margins of viability, with the developer's profit representing a key assumption that should be set at an appropriate level in order to provide sufficient headroom and flexibility to accommodate changes in market conditions. We consider that the lower profit for smaller sites in particular will significantly risk SMEs being pushed out of the market in Copeland.

5.202. We would further note that for those sites which are subject to viability testing at the application stage, there will be a need to consider the profit requirement for each site on a site-specific basis, having regard to all relevant circumstances including the site-specific market and development risks at the point of assessment based on the nature of the site and proposed scheme, and prevailing market conditions.

5.203. It is not possible for a single plan-wide profit assumption to reflect the required return for all sites and as such it should be recognised that different profits may still be applicable for certain sites in Copeland.

Development Period and Cash Flow Assumptions

5.204. The development period for each typology needs to be based on an accurate and realistic lead-in period having regard to the site size and the need for necessary infrastructure and enabling works, followed by a realistic build and sales period based on an appropriate sales rate. These are key assumptions which, together with the cash flow profiling, have a significant impact on the finance cost and the viability of a scheme.

5.205. KM have adopted a sales rate of 3 units per month across market and affordable housing, with the first sales taking place between 9 and 11 months after a start on site. The sales rate is regarded as reasonable based on the blended position across the different tenures.

5.206. KM assert that they would expect the sales rate of 3 units per month to apply to market housing only and that they have adopted a conservative approach. This assertion is not supported by any market evidence or analysis of the sales pace at active new build schemes in Copeland. We therefore do not support the unsubstantiated comment and justification is requested.

5.207. Based on the date at which first sales are assumed to take place, if allowing a standard 6 month initial build period to construct the first houses prior to first sales, KM have allowed a lead-in period of 3 – 5 months.

5.209. This could represent a reasonable assumption for the smaller typologies however a longer lead-in period is required for the larger sites to reflect the greater time needed to deliver the necessary infrastructure and enabling works to facilitate development. It is unrealistic to assume the same lead-in period – save for a 2 month variation – across sites ranging from 20 units to 532 units in size.

5.208. We recommend that the lead-in assumptions are refined, and that KM provide clear reasoning and justification for the adopted approach for each typology. We are not suggesting that each typology needs to have an individually defined lead-in period but that reasonable assumptions should be adopted for different site size categories.

5.210. In addition, as far as we can see, no details are provided as to how abnormal costs and policy costs are profiled in the cash flow models. We suggest that the abnormal costs should be weighted towards the beginning of development to reflect the enabling works and the timely delivery of upfront infrastructure required to facilitate development, otherwise the finance cost may be understated, and, by consequence, site viability may be overstated.

5.211. For the policy costs, the profiling is very important and should be aligned with the likely payment triggers which the Council will set in future S106 Agreements. We expect that infrastructure contributions are likely to be requested upfront by the Council, for example. If upfront payments were required and KM have not reflected this assumption in their cash flows, this would negatively impact on site viability.

5.212. Full clarification is requested alongside clear reasoning and justification for the adopted approach, to enable stakeholders to assess the robustness of the cash flow modelling and that the finance cost and resultant land value outputs have been accurately calculated. We reserve the right to comment on the development period and cash flow assumptions once the above information has been shared.

5.213. For transparency, for each typology we request that the following information is specified:

- Lead-in period;
- Main construction period;
- Total sales period; and
- Timing of abnormal costs and S106 contributions.

5.214. KM do not explain how the site-specific assessments have been carried out but we would expect the appraisals to have been prepared using Argus Developer software in accordance with standard industry practice. No copies of the appraisal print outs are provided. We request that this information is disclosed on a transparent basis for independent scrutiny and verification that the assumptions have been accurately inputted.

Benchmark Land Value

5.215. The final element of the LPVA where we have some concerns at this stage is the proposed benchmark land values ('BLVs') adopted by KM.

5.216. The PPGV provides the framework for assessing the BLV and requires the use of the EUV+ method. Where appropriate, market evidence can be used to cross-check the BLV arrived at using the primary approach of EUV+.

5.217. The key principle in the PPGV is that the BLV should provide a reasonable incentive for the landowner to sell their land for development while allowing a sufficient contribution to fully comply with policy requirements. It is implicitly acknowledged that a careful balance must be struck so as to ensure that the BLVs do not place land delivery at risk, and that landowners are appropriately incentivised to bring land forward for development.

5.218. KM have not varied the assumed BLVs by typology or value area but have adopted the same BLV of £150,000 per net acre for all greenfield and brownfield typologies, irrespective of the site-specific circumstances including the assumed revenues and the assumed provisional abnormal costs.

5.219. The BLVs have been derived by applying a fixed multiplier of 15 x EUV for greenfield land and 50% above the EUV for brownfield land.

5.220. The methodology does not accord with the PPGV and RICS requirements whilst the proposed BLVs are regarded as too low for many sites when considering realistic landowner expectations in Copeland and when viewed in the context of the policy requirements and abnormal cost allowances proposed by KM.

5.221. We summarise our concerns in respect of the assumed existing use values ('EUVs') and the landowner premiums under the sub-headings below. Before doing so, we firstly highlight the key methodological issues which we have identified.

Methodology

5.222. We regard the use of arbitrary "fixed" multipliers / percentage uplifts to determine the BLVs as inappropriate. Such an approach is not an accepted basis of valuation and does not reflect the workings of the market, as a landowner does not formulate their expectations of minimum return based on an arbitrary multiplier or percentage uplift.

5.223. This is reflected in the RICS guidance (paragraph 5.3.3) which states that there is no "standard amount" for the landowner premium. In determining the premium, the PPGV (Paragraph 16) further states that:

> *"This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration".*

5.224. The use of a narrow range of arbitrary fixed multipliers / percentage uplifts does not capture these requirements and may result in BLVs that are set at an unreasonable level. Our Clients therefore object to this approach.

5.225. Of particular concern with the multiplier / percentage uplift approach is that the resultant BLVs are set at an artificially low level without due consideration to all influencing factors which should inform the BLV as set out in the PPGV, notably comparable market evidence and landowner expectations in light of other options available to them (ie. withholding land) if the BLVs are considered too onerous.

5.226. It is also important to highlight that a crucial requirement in the RICS Professional Statement is for the assessor to "stand back" and apply a "viability judgement" to their appraisal assumptions (including BLV) and outputs, in that "an objective, rational and experienced opinion is formed".

5.227. KM have undertaken a series of cross-checks against different sources of market evidence to inform the landowner premiums which is an appropriate approach. That said, KM still appear to have defaulted to the fixed multiplier / percentage uplift approach to determine the BLVs. We have also identified some concerns relating to KM's cross-checks as detailed later in this section.

Lack of Typology Variation

5.228. Another key methodological issue is that the BLVs have been applied as a flat rate across the plan area, with no differentiation for revenues and/or abnormal cost assumptions.

5.229. This does not accord with the PPGV (Paragraph 4) which sets out the following guidance in respect of the typology approach to testing viability at the plan-making stage:

> *"The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan. Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology"* (C&W emphasis).

5.230. In respect of revenues, it is recognised that the land value has a direct relationship with the achievable sales values and it would be unreasonable to assume that, for example, a landowner of a site in a higher value Copeland location would release their site for the same value as a landowner in a lower value area, assuming that all other circumstances are similar (eg. similar abnormal costs, policy requirements, house type mix etc). This approach of differentiating BLV by value area has been adopted in the Council's Stage 1 LPVA and other area-wide FVAs across the North West as shown in Table 6.2 of the LPVA.

5.231. In addition to the above, the PPGV (Paragraph 14) requires the BLV to "reflect" the implications of abnormal costs and site-specific infrastructure costs. For those sites with higher abnormal costs, the BLV would therefore be reduced in comparison to a less impaired site, again assuming that all other circumstances are similar.

5.232. For clarity, however, we would not expect the BLV for any sites to be reduced below the current provisional assumption of £150,000 per net acre unless the site was impaired by an exceptional level of abnormal costs and was situated in a low value area. In our view, based on the evidence presented in the LPVA and expanded on below, and having regard to the policy requirements (notably 10% affordable housing) this would tip the land value past the point of providing the minimum incentive for a reasonable landowner to release their site for development in accordance with the PPGV.

Existing Use Values

5.233. KM have referred to various data sources to support the assumed EUVs for greenfield and brownfield land including the RICS and RAU Farmland Market Directory of Land Sales North West Prices, local agricultural land comparables, regional industrial land comparables and the MCHLG (2019) Land Value Estimate for Policy Appraisal. The range of data sources is regarded as appropriate.

5.234. In respect of greenfield land, KM have adopted an EUV of £10,000 per acre which represents a reasonable assumption for "typical" greenfield sites at the plan-making stage. This is comparable to the EUVs assumed in other LPVAs for greenfield land.

5.235. It is not practical to adopt varying EUVs for all different site sizes and locations in a plan-wide FVA however there will be a wide range of different sites brought forward for development throughout the plan period and the EUVs of these sites could vary. KM acknowledge this principle in part, stating that (paragraph 6.2.21):

> *"It is probable during the local plan period that greenfield sites of differing quality and size will come forward for development. Some will have more limited existing use values as evidenced by the data in table 5.18, whilst others, particularly those of a smaller lot size, will be suitable for use as "pony paddocks" and will consequently command a higher existing use values".*

5.236. As such, certain sites which come forward for development over the plan period could have an EUV which is higher than £10,000 per acre, particularly smaller scale "paddock" or amenity greenfield sites. This should be acknowledged at the application stage on a site-specific basis as necessary, and applicants should not be held to KM's single average plan-wide assumption in every instance where up-to-date local market evidence supports a higher EUV.

5.237. In respect of brownfield land, KM have adopted a district-wide EUV of £100,000 per acre. We would question whether this figure is a realistic reflection of secondary brownfield industrial land in Copeland.

5.238. There is a dearth of transactional evidence for brownfield industrial sites within the local area according to our enquiries and the LPVA. KM have sourced details of only two land sales at Lillyhall on the boundary with Copeland, both of which are very dated. Details of the sales are provided below:

Location	Date	Size (Acres)	Price Paid	Price Paid (Per Acre)	Comments
Lillyhall Industrial Estate	30/10/2014	2.9	£175,000	£60,345	Sale to Arnold Clark
Lillyhall Business Park	01/12/2013	4.09	£186,000	£45,968	Sale to Energy Coast UTC

Source: Copeland Draft LPVA (February 2022)

5.239. The sales are very historic, and it is widely recognised that industrial land values have moved on since 2013/2014, particularly over recent years as the structural changes affecting the retail market and the growth of e-commerce continue to drive increased occupier demand in this sector. This increased demand together with lack of supply supports industrial land value growth as can be seen by the trend of increasing industrial land values across the North West (and wider UK) over recent years.

5.240. This is evidenced in the recent B8RE North West Market Report (January 2022) which shows that land values have moved on due to the combination of strong occupier demand, limited development pipeline, rental growth and yield compression, with B8RE claiming that industrial land values in the North West have "doubled" over the last 12 months for prime sites:

Industrial Site Type	Value Per Acre	% Increase From 2020
Super Prime Site	£2,000,000	-
Prime Site	£1,500,000	100%
Secondary Site	£500,000 – £700,000	55%
Tertiary Site	£300,000 – £400,000	50%

Source: B8RE Market Update Report (January 2022)

5.241. KM do not refer to the B8RE Market Report in the Copeland LPVA when they referred to this evidence as part of their Blackburn LPVA (January 2022) which was produced at a very similar time period.

5.242. As a result of the lack of transactional evidence, KM have sourced a small number of employment development opportunities within the wider west Cumbria area as set out in the table below:

Address	Size (Acres)	Asking Price (Per Acre)	Comments
Clay Flatts Industrial Estate, Workington	2.94	£25,424	Guide Price for Auction on 16/3/22
Nelson Street, Carlisle	4.25	£188,235	Former Mill demolished to slab. Historic residential consent.
Risehowe Industrial Estate, Maryport	3.36	£81,845	99 year long leasehold interest.
Former Troutbeck Auction Market, Nr Keswick	1.33	£167,910	On A66 potential for mixed use development.

Source: Copeland Draft LPVA (February 2022)

5.243. The site at Clay Flatts Industrial Estate is marketed for a very low asking price which is inconsistent with the other price data. We have spoken with the agent of this site who has advised that the likely key issues include that not all of site will be developed, unknown ground conditions and unknown planning potential. The agent further advised that the asking price has been set at this level to stimulate bidding and that it is very difficult to assess what the site will eventually sell for.

5.244. We therefore consider that limited weight can be applied to this piece of evidence. If the site was excluded from the analysis, the overall average asking price across the other three sites would equate to c. £146,000 per acre. We have identified that the site at Risehowe Industrial Estate, Maryport comprises an industrial complex with yard area and is therefore not necessarily a directly relevant land comparable.

5.245. The overall average asking price across the two other comparables equates to £163,000 per acre although these sites are situated in different geographies.

5.246. KM state that they would expect brownfield sites which come forward for residential development in Copeland to be lower quality and that the land value would be reflective of this position. We do not disagree with the principle that employment use is likely to represent a "suboptimal" use on those brownfield sites which come forward for residential development otherwise the landowner is unlikely to release their site for an alternative use, as the EUV may be higher than the alternative residential use. Nevertheless, the EUV still needs to be set at a fair and realistic level with an appropriate premium to incentivise residential land sales.

5.247. KM imply that the prices paid / asking values for the secondary industrial sites referenced in the LPVA include an element of "hope value". No evidence is provided to substantiate this comment. Based on the levels of value which these sites have transacted at, and the considerable discount to the "tertiary" values stated in the B8RE report, we do not consider it is reasonable to assume that the prices include hope value as the land values are already set at a low level.

5.248. KM further suggest that (paragraph 8.2.26):

> *"Across the North West of England it is our experience that area wide viability assessments will typically adopt EUVs for brownfield sites in the range of £247,000 to £494,000 per hectare (£100,000 to £200,000 per acre).*
>
> *At the present time EUVs at the higher end of this range are normally assumed for brownfield sites in locations that are close to major motorway connections for example in relation to the area wide FVAs prepared for St Helens and Warrington".*

5.249. C&W prepared the Warrington LPVA and KM have taken the assumed EUV for brownfield land out of context in their comments above. In Warrington, we assumed an EUV of £200,000 per acre for secondary employment land. KM state that this EUV *"reflects the strategic location of Warrington in the context of the national motorway network"* (paragraph 6.2.44).

5.250. At no point did we make this statement in Warrington. Rather, we stated that:

> *"We would expect any brownfield land brought forward for residential development to be of relatively low quality which may have even become obsolete for employment purposes and this would not represent the optimum use. It follows that the EUV applied to brownfield land should be reflective of this position"* (paragraph 7.353).

5.251. This accords with KM's assumption relating to brownfield land in Copeland. We agree that secondary brownfield EUVs in Copeland would not be set at the same level as Warrington.

5.252. In light of the evidence in the LPVA and the way in which industrial land values have increased over recent years, and taking KM's assumption of basing the brownfield EUVs on industrial land values, we consider a minimum EUV of £125,000 – £150,000 per acre would be appropriate for low quality brownfield sites across the district. If the values are set any lower, we consider that these types of site may not be released for development as landowners are unlikely to transact for values below the adopted EUV.

5.253. Certain sites in better areas could command a higher EUV and as with the greenfield EUVs, this principle should be acknowledged at the application stage on a site-specific basis as necessary, and applicants should not be held to the revised average plan-wide assumption in in every instance where up-to-date local market evidence supports a higher EUV.

Landowner Premium

5.254. The second key issue associated with the BLV assumptions relates to the proposed landowner premiums. The premium represents *"the minimum return that would persuade a reasonable landowner to release the land for development, rather than exercise the option to wait or any other options available to the landowner"* (RICS guidance note, paragraph 5.3.2).

5.255. KM have assumed fixed landowner premiums at 15 x EUV for greenfield land and 50% above EUV for brownfield land. This results in BLVs of £150,000 per net acre for all typologies.

5.256. The PPGV sets out a range of factors to be considered in assessing the landowner premium (Paragraph 16). There is a need to reflect abnormal costs and the requirements of planning policy, but there is also a need to consider a reasonable minimum return in order to incentivise landowners to release their land for development. This inevitably requires a balance to be struck between the aspirations of landowner, developer and LPA (PPGV, Paragraph 10).

5.257. There is no one-size-fits-all approach to determining the premium or "typical" range of "acceptable" values. The assessment of the premium is inherently subjective and is a matter of professional judgement. We have highlighted the issues relating to KM's "fixed" uplift methodology earlier in this section.

5.258. Our Clients are concerned that, in the context of the abnormal costs assumed in the LPVA and the policy requirements, the proposed BLVs could be regarded as too low for many development sites in Copeland and will not provide landowners with sufficient incentive to release their land for development.

5.259. This could restrict land supply due to insufficient landowner returns whilst the viability of development may also be overstated, and policy requirements could be set at unrealistic levels. Both of these factors present a risk to site deliverability.

5.260. To inform the assessment of landowner premium, we would typically seek to analyse relevant market evidence of policy compliant residential land values based on local land transactional evidence.

5.261. The approach of utilising policy compliant market evidence to inform the landowner premium is consistent with the PPGV and RICS guidance, and has been adopted by many other qualified viability consultants in both site-specific and area-wide FVAs we have seen and reviewed since the changes to the national viability guidance in 2018.

5.262. This is crucial to ensure that the adopted premium is fair and realistic when benchmarked against local market activity, rather than simply applying an arbitrary uplift.

5.263. According to our enquiries and the evidence in the LPVA, however, there are no recent new build schemes in the local market which have delivered full policy requirements and for which full land transactional data is available.

5.264. It is acknowledged that it is difficult to accurately adjust the non-policy compliant transactions to reflect the cost of policy compliance in accordance with the PPGV, particularly as the full site information is not publicly available. It therefore follows that, rather than attempting to adjust each non-compliant transaction which would introduce significant subjectivity into the analysis, greater weight should be attributed to the policy compliant land transactions.

5.265. In the absence of this evidence, KM have had to consider other market evidence, the core component of which is the BLVs adopted in other recent North West LPVAs. This is regarded as relevant market evidence as specified in the PPGV and RICS guidance.

5.266. When analysing the BLVs adopted in other LPVAs, KM state that (paragraph 6.2.37):

> *"To enable a direct comparison with the sales prices today in Copeland as outlined in Section 5, we have rebased the sales prices assumed in the respective FVAs. This has been carried out with reference to Land Registry data and is based on the increase in average new build prices over the period from publication of the particular FVA. The adjusted value figure on a per sq.ft basis is shown in the first column. For St Helens the value figures are taken from the August 21 Update Report prepared following the examination hearings. The Warrington values are the unadjusted values taken from the August 21 FVA".*

5.267. For the reasons outlined earlier in this representation, we have concerns over the accuracy of the Land Registry indexation to assess house price growth and the resultant indexed values may therefore be overstated.

5.268. This is particularly the case for the new build Land Registry data where the sample sizes are much smaller in comparison to the existing property data as illustrated above in relation to Copeland.

5.269. By way of further evidence, below we highlight the sample sizes for a number of the other LPVAs referenced by KM as part of their BLV analysis, based on the Land Registry data available as at March 2022:

New Build Sales Volumes (Units Per Month) – Land Registry HPI

	Rossendale	Pendle
Jan-21	1	2
Feb-21	No value	9
Mar-21	No value	9
Apr-21	No value	7
May-21	1	6
Jun-21	No value	5
Jul-21	No value	4
Aug-21	No value	4
Sep-21	1	4
Oct-21	No value	3

Source: Land Registry

5.270. This again highlights the minimal sample sizes upon which the new build HPI is based for these areas. We request that KM disclose a copy of the HPI datasets for each location / LPVA which they have analysed so that the sample sizes for the new build data can be reviewed and assessed for robustness.

5.271. Further, KM do not advise of the date to which they have indexed the new build values in each of the studies analysed. Clarification is requested but it appears that the values have been indexed to the same date as the evidence analysed by KM in the Blackburn LPVA (January 2022), being July 2021.

5.272. For ease of reference, we have copied a very similar table from the Blackburn study below:

Blackburn LPVA – BLV Analysis (January 2022)



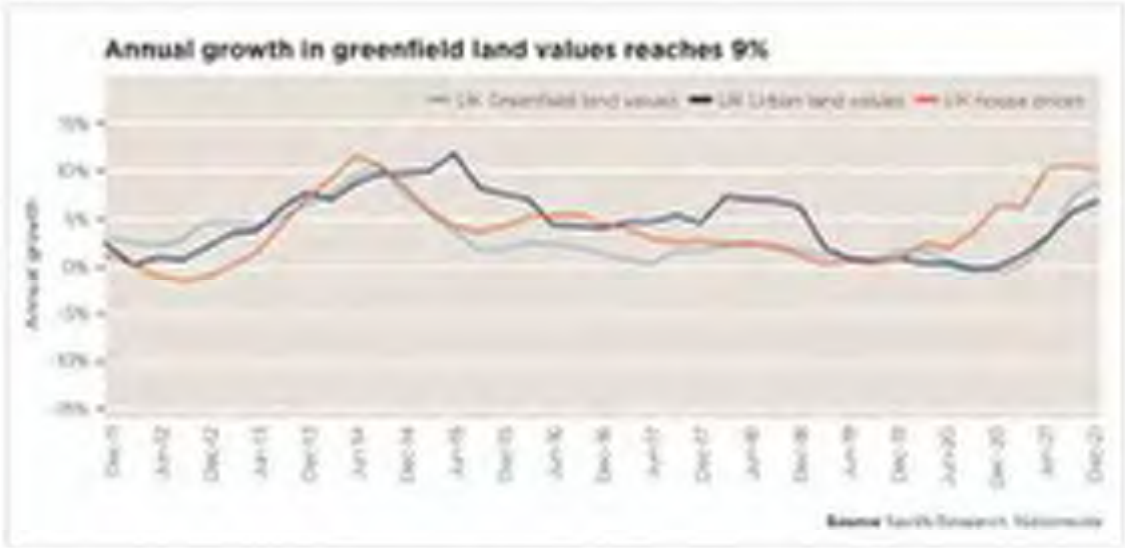
Source: Blackburn LPVA (January 2022)

5.273. The table illustrates that KM have omitted the second line of the Rossendale LPVA analysis from the Copeland LPVA when, in our view, this information illustrates the potential inaccuracies in the current Land Registry indexation, as the indexed values equate to **£263 psf** which is not regarded as representative of new build values in this area. KM are requested to provide on the ground market evidence of new build housing transacting at this level in Rossendale as at July 2021 to verify the Land Registry indexation.

5.274. KM have sought to utilise the indexed values and BLV analysis to justify their assumed BLVs of £150,000 per net acre across the entire district. As above, it cannot be stated with certainty that the indexation analysis is robust and the conclusions drawn from this analysis therefore carry very limited weight in our view.

5.275. Further, KM's analysis is unbalanced and flawed as they have indexed the sales values in each LPVA but have not indexed the assumed BLVs. This is contradictory to market realities as land values will generally rise in line with sales values. This trend has been highly apparent over recent years with increased house price growth supporting higher land values.

5.276. By way of example, the graph below taken from the latest Savills *Residential Development Land Index Q4* 2021 depicts the trend of residential land value growth, reaching 9% on an annual basis in 2021:



Source: Savills

5.277. If KM are indexing the sales values as part of their analysis of other LPVAs – which we do not support for the reasons outlined above – then the BLVs must also be indexed to prevent distortion of the figures.

5.278. KM refer specifically to their recent LPVA in Rossendale where premiums of 50% and 60% were applied to the assumed brownfield EUVs. KM highlight that this LPVA was recently found sound in December 2021. Importantly, the policy requirement for affordable housing in Rossendale is 30%. We would expect this additional policy burden to be reflected in a reduced BLV when compared to Copeland which has a 10% affordable housing requirement.

5.279. Despite this, KM have adopted the same BLV as the lowest value area in Rossendale which is not regarded as appropriate. The same comments apply to KM's analysis of their Allerdale LPVA.

5.280. Another study referenced by KM is their St Helens LPVA which is currently subject to Examination. Several stakeholders have submitted detailed representations to the St Helens Local Plan highlighting their concerns with respect to the assumed BLVs which are regarded as too low for many typologies particularly when considering the reduced abnormal cost allowances in the study. This information does not yet comprise "evidence" as the BLVs have not been found sound.

5.281. Finally, KM refer to the recent Warrington LPVA (August 2021) prepared by C&W however their analysis of the assumed BLVs in this study is inaccurate. As above, KM have taken the assumed EUV for brownfield land out of context.

5.282. Secondly, KM have presented a distorted analysis of the premiums assumed in the Warrington LPVA. KM have presented one assumed BLV only rather than the full range of BLVs for brownfield and greenfield land.

5.283. For clarity, the assumed BLVs for the generic typologies and the site allocations (excluding the four largest strategic sites with much greater infrastructure costs) ranged as follows:

- Greenfield: £250,000 – £350,000 per acre
- Brownfield: £240,000 – £325,000 per acre
- Brownfield Town Centre: £525,000 per acre

5.284. This reflects a premium ranging between 16 – 38 x EUV for greenfield land and 20% – 63% above EUV for brownfield land, although we stress that the Warrington BLVs were not assessed using any such arbitrary multiplier or percentage uplift approach.

5.285. Further, in Table 6.2, KM have referred to a greenfield BLV of £150,000 per acre in the Warrington LPVA based on sales values of £230 / £240 psf. This is an error as this level of BLV was not assumed for any generic greenfield sites with these sales values. The only sites with a BLV assessed at £150,000 per acre were the large scale strategic greenfield sites with substantial abnormal costs and S106 contributions totalling c. £47,000 – £51,000 per plot as well as 30% affordable housing. This is not at all comparable to the level of costs and policy requirements assumed in the Copeland LPVA.

5.286. Moreover, and in relation to the above, the policy requirements and abnormal / extra over costs assumed in the Warrington LPVA are considerably above those assumed by KM in the Copeland LPVA. The affordable housing requirement for Warrington is 30% and the total abnormal / extra over costs and S106 contributions equate to c. £44,000 – £65,000 per plot across the 4 strategic sites, c. £31,000 – £38,000 per plot across the other allocations and c. £24,000 – £26,000 per plot across the majority of the generic typologies.

5.287. Again, this is far in excess of the allowances adopted in the Copeland LPVA. The additional affordable housing and policy costs would be reflected in a reduced BLV, yet KM's BLVs for all typologies in Copeland are below those assumed in Warrington, save for the strategic sites with the significant abnormal / policy cost impairment. We acknowledge that achievable revenues in Copeland are lower in comparison to Warrington, however we do not consider that this would support the significantly reduced land values proposed by KM.

5.288. Based on their analysis of the other LPVAs, KM conclude that (paragraph 6.2.48):

"Evidence from Local Plan FVAs shows landowner premiums ranging from 20% to 75% although it is our experience that landowner premiums are reducing across the North West as the viability requirements and guidance in the PPG start to take effect. This is certainly evident from the assumed premiums in the Warrington FVA which are at 20%".

5.289. This is regarded as a partial and distorted summary which does not reflect the true circumstances in Warrington.

5.290. In addition, the sample of previous LPVAs reviewed by KM to inform their assumed BLVs is partial. It is apparent that KM have reviewed the Warrington LPVA yet they have overlooked the table of BLVs presented in this report which is repeated below for ease of reference. KM prepared all of these LPVAs and we would therefore expect each study to be referenced as part of their evidence base for Copeland:

North West Area-Wide FVAs – Benchmark Land Values

Local Plan / CIL Viability Assessment	Assumed Market Housing Sales Values	BLV (per net acre)	Affordable Housing Requirement
Cheshire East CIL VA (August 2017)	£150 – £275 psf	£150,000 – £650,000	30%
Wyre LPVA (October 2017)	£170 – £220 psf	£250,000 – £400,000	30%
Cheshire West and Chester LPVA (December 2017)	£150 – £275 psf	£150,000 – £550,000	30%
Liverpool LPVA (October 2018)	£150 – £250 psf	£150,000 – £450,000	20%
St Helens LPVA (December 2018)*	£170 – £225 psf	£150,000 – £350,000	30%
Fylde LPVA (February 2020)	£250 – £340 psf	£200,000 – £450,000	30%
Rossendale LPVA (February 2021)	£175 – £240 psf	£150,000 – £350,000	30%

*Local Plan currently subject to examination

5.291. Some of these studies are now dated and both sales values and land values will have moved on. That said, for the reasons stated above, we do not consider that it is appropriate to index the sales value assumptions in the other studies utilising the Land Registry indexation. Further, if a level of indexation is applied to "update" the figures, this would need to be applied to both the sales values and the BLVs.

5.292. When analysing this wider evidence, it is noted that KM's assumed BLVs are either equal to or fall below the minimum BLVs assumed in all of these studies despite the lower affordable housing requirement of 10% in Copeland and the higher assumed revenues for numerous sites.

5.293. For clarity, we are not suggesting that the BLVs assessed in the other studies were necessarily all appropriate for those specific locations (and indeed the St Helens assumptions have been challenged by stakeholders as noted above), however this does provide further evidence of the range of BLVs adopted by KM in other North West local authority areas and the potential landowner premiums, subject to adjustment for the policy requirements and the site-specific abnormal and extra over costs assumed in Copeland.

5.294. It is acknowledged that there is generally a trend of reducing BLVs across the more recent assessments as the impacts of the new viability guidance begin to filter through. That said, some of the sales values in most of the more recent assessments are lower which we would expect to be reflected in reduced BLVs. We remain concerned that the proposed BLVs are too low for many sites in the context of the policy costs and reasonable landowner expectations in Copeland.

5.295. It is also important to note that KM's approach in Copeland is inconsistent with their approach in the recently published Blackburn LPVA (January 2022). In Blackburn, KM have assumed greenfield BLVs of £200,000 per net acre for sites with average assumed revenues of £220 psf (which we did not necessarily support for all typologies). This was based on a fixed multiplier of 20 x EUV.

5.296. As above, we do not support the arbitrary multiplier methodology however if KM are assuming a BLV of £200,000 per net acre in Blackburn where the key policy requirement for affordable housing is higher at 20% and the abnormal cost allowances for the greenfield sites are relatively low, it is regarded as inappropriate and inconsistent to adopt lower BLVs in Copeland based on the assumptions in the LPVA.

Holts Lane, Poulton

5.297. By way of further evidence to support reasonable BLVs, we refer to KM's approach in a recent appeal (April 2020) relating to Land off Holts Lane, Poulton-le-Fylde (reference: APP/U2370/W/19/3241233) (Appendix 9) whereby the Inspector concluded that the FVA prepared by KM on behalf of the Council was *"consistent with the guidance set out in the viability section of the Planning Practice Guidance"* (Paragraph 12).

5.298. The Holts Lane site comprised a parcel of greenfield land and in determining the BLV, KM stated that *"typically an uplift of 15-25 times EUV is applied for greenfield sites"* (paragraph 4.21). In the Holts Lane matter, given the extent of the abnormal costs affecting the site, KM applied a premium of just under 15 to the assumed EUV of £8,000 per acre to arrive at a BLV of approximately £117,000 per gross acre / £151,000 per net acre.

5.299. KM assessed the abnormal costs for the site at approximately **£453,000 per net acre / £35,000 per plot.** This is substantially above the abnormal costs proposed in the LPVA for the majority of sites whilst the policy requirements for the Holts Lane site equated to 30% affordable housing and S106 contributions totalling c. £5,000 per plot. The market revenues were assessed at £218 psf.

5.300. This appeal decision therefore demonstrates that, in the context of the much lower abnormal cost and S106 allowances in the Copeland LPVA for the majority of sites, and the lower affordable housing requirement, KM's proposed BLVs for many sites are too low and contradictory to their approach recently adopted elsewhere.

Site-Specific Flexibility

5.301. Another key point to note and reinforce is that the assessment of BLV is a matter of judgement and the premium required to incentivise release of each site will vary on a site-by-site basis depending on the specific circumstances affecting that particular site. It is not possible to reflect all site-specific circumstances at the plan-making stage through the average BLV assumptions.

5.302. As such, it needs to be recognised that even after revising the plan-wide assumptions in line with stakeholder recommendations, different BLVs may still be applicable for certain sites in Copeland where, for example, the EUV differs to that assumed in the LPVA, and/or if there are specific circumstances (eg. lack of competition from alternative sites, restrictive covenants / easements, condition, obsolescence, significant abnormal costs etc) which support a higher or lower landowner premium.

Abnormal Costs

5.303. The final key point to highlight is KM's approach in relation to abnormal costs. Within Section 6 of the LPVA, KM state that they would expect sites with "significant" abnormal costs to have a downward adjustment to BLV. Further, at paragraph 7.2.93, KM suggest that the BLV should be "adjusted accordingly" to take into consideration additional abnormal costs in excess of the allowances assumed in the LPVA.

5.304. The PPGV (Paragraph 14) requires the BLV to "reflect" the implications of abnormal costs and site-specific infrastructure costs. It is fully acknowledged that for those sites with higher abnormal costs, the BLV would be reduced in comparison to a less impaired site, assuming that all other circumstances are similar (eg. similar revenues, policy requirements, house type mix etc).

5.305. KM's comments are a little ambiguous and could be implying that for any sites with higher abnormal costs at the application stage, the additional abnormal costs (and/or S106 contributions) need to be deducted from the BLV which requires clarifying. In our view, the phrase "reflect" in the PPGV does not equate to "fully deduct". If the PPGV required abnormal costs to be fully deducted from the BLV on a pound-for-pound basis, the guidance would have stated this clearly.

5.306. To demonstrate this point, we again refer to the recent case of Land off Holts Lane, Poulton-le-Fylde (reference: APP/U2370/W/19/3241233). As stated above, KM assessed the abnormal costs for the site at c. £453,000 per net acre and adopted a BLV of c. £150,000 per net acre. KM stated that the BLV of £250,000 per net acre in the Wyre LPVA hypothetically assumed a greenfield site free from abnormal costs (paragraph 4.18).

5.307. We do not agree with the approach of excluding abnormal costs from the LPVA as this will overstate the viability of development. Notwithstanding this, the Holts Lane case illustrates that KM reduced the BLV by only c. £100,000 per net acre to reflect the extent of the site abnormal costs, despite the full abnormal cost impairment being c. £453,000 per net acre.

5.308. In this matter, KM inherently recognised that the full abnormal costs could not be deducted as the resultant land value would not provide sufficient incentive for the landowner to sell (indeed it would have been negative). The methodology adopted by KM in the appeal was endorsed by the Inspector. Based on the comments in the LPVA, KM may now be advocating a different position.

5.309. Clarification is requested and we would not support any methodology which deducts abnormal costs from the assumed BLVs on a pound-for-pound basis. This is because for all sites, there remains a minimum value below which a landowner will not be incentivised to release their site for development. If deducting the abnormal costs tips the BLV past the point of providing a sufficient incentive and leads to land values which mean landowners will not sell, then this conflicts with the PPGV.

5.310. If KM and/or the Council contend that any additional abnormal costs and/or S106 contributions above the allowances in the LPVA will be fully deducted from the BLV in a site-specific FVA, then the landowner premium and the "starting" BLVs must be set at higher levels to allow for additional costs to be deducted and for the resultant BLVs to remain at a reasonable level which provides landowners with adequate incentive to sell.

5.311. This is crucial to ensure that there is a continued supply of land for development in Copeland, that new homes continue to be built and that the Local Plan and its objectives can accordingly be delivered.

Other Assumptions

5.312. The proposed assumptions for finance, sales and marketing costs, affordable housing legal fees and land acquisition costs as set out in Table 6.7 are considered reasonable.

6. Viability Assessment – Results

6.1. KM set out the results of the testing in Section 7 of the LPVA. Based on the comments in this representation, we would expect the results to be different when based on more realistic assumptions for all of the appraisal inputs as recommended in Section 5.

6.2. We have therefore provided some initial comments on the results but do not consider that meaningful weight can be attributed to the findings until the necessary revisions to the assumptions have been made.

Presentation Format

6.3. When presenting the results for each typology, KM set out the "surplus" or "deficit" figures only rather than the calculated residual land values, the assumed BLVs and the surplus and deficit figures.

6.4. We consider that the presentation lacks transparency, and that the full information should be provided for every typology in accordance with standard practice for plan-wide viability testing to enable cross-checking of the results.

Sensitivity Analysis

6.5. As part of their results, KM have undertaken sensitivity analysis based on variations in developer's profit, BLV, revenues and build costs. The sensitivity testing is welcomed and provides an indication of the impact on viability with changes to the key inputs.

6.6. For the reasons explained in Section 5, we consider that a developer's profit of 20% of market housing GDV should be adopted for the purposes of the plan-wide testing. If this assumption is adopted, the sensitivity testing illustrates that many of the typologies are unviable with the full policy requirements in this scenario, even with no changes to the BLVs or the other assumptions which we have concerns over.

6.7. In our view, this demonstrates that the total cumulative policy burden has not yet been robustly tested as viable and deliverable.

6.8. The relevant plan policies contain flexibility in relation to viability and permit site-specific FVAs to be submitted at the application stage to negotiate a reduction in policy requirements where necessary. Whilst this policy flexibility is welcomed and is requisite irrespective of the plan-wide assumptions, the NPPF and PPGV establish the importance of having a robust and up-to-date assessment of viability at the plan-making stage so as to limit the need for viability testing at the application stage as far as possible.

6.9. If the current assumptions are adopted, we consider that the LPVA fails short of this central requirement and will overstate development viability, with policy requirements likely to be set at unrealistic levels as a consequence. It is therefore probable that site-specific FVAs will continue for many residential sites in Copeland as the total cumulative policy burden may compromise site viability.

6.10. This will lead to delays in sites being brought forward for development, as housebuilders / landowners will have no choice but to submit site-specific FVAs to challenge the unreasonable assumptions and to negotiate more reasonable policy requirements based on the true viability of the site.

6.11. It is therefore regarded as essential that KM revisit the testing assumptions based on the recommendations in this representation.

Build Costs

6.12. KM have carried out sensitivity testing on reduced build costs as part of their analysis, and claim that the construction costs on which the viability testing is based are "conservative". KM further assert that the costs have (paragraph 7.2.91):

> *"..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) shows that even a 5% reduction in costs leads to a fairly significant improvement in viability in many cases".*

6.13. We disagree with KM's assertions that the build costs are conservative based on our analysis in Section 5 of this report and we have identified key issues associated with the BCIS benchmarking. There is a need for full transparency regarding the cost assumptions before any weight can be attributed to these sensitivity scenarios.

6.14. If the build costs have been understated, the sensitivity testing with a 5% increase in costs shows that many typologies would be unviable based on the full policy burden.

BLVs

6.15. KM have carried out sensitivity testing with an increase and decrease in BLV of £50,000 per acre for each typology.

6.16. For the reasons outlined in Section 5, we consider that nil weight should be attributed to the sensitivity tests with decreased BLVs as the resultant values would not reflect the minimum incentive required for the landowner to sell in the context of the policy requirements, the allowances for abnormal costs and S106 contributions.

7. Emerging Local Plan Policy Drafting

7.1. The emerging Local Plan contains various policies relating to viability and associated supporting text. The flexibility in relation to viability in the emerging policies is welcomed by our Clients particularly in the context of the current deficiencies in the viability evidence base. However, we have identified a number of issues associated with aspects of the drafting as summarised below.

7.2. At paragraph 6.3.4, it is stated that:

> *"Viability testing through the Local Plan process, removes the need for further viability assessment at planning application stage. In rare cases however an applicant may wish to demonstrate that particular circumstances have changed and this justifies a need for a more up-to-date site specific assessment. In such cases, national guidance should be considered and detailed evidence should be submitted".*

7.3. Our Clients do not support this statement. Plan-wide viability testing does not remove the need for further viability testing at the application stage.

7.4. The revisions to the national viability guidance in 2018 were driven by the government's aspiration to "upstream" viability testing to the plan-making stage so as to limit the need for site-specific viability testing at the application stage as far as possible.

7.5. Whilst it is critical that the Local Plan is underpinned by a robust LPVA to limit the need for site-specific FVAs, the nature of area-wide viability testing means that even the most robust LPVA can only provide a relatively high level overview of viability across the district, as it is based on standardised assumptions across a sample of sites.

7.6. At the plan-making stage, it is not possible or indeed practical to undertake the detailed testing required, including investigating site-specific abnormal costs, in order to accurately reflect the viability of every potential site across the district.

7.7. Therefore, even where the LPVA is based on robust assumptions for all key inputs – which is not currently the case in Copeland – it is not possible to account for every eventuality and all site-specific circumstances at this stage of the process.

7.8. This represents one inevitable limitation / tension associated with the government's aspirations to "frontload" viability testing to the plan-making stage. This is reflected in the LPVA where, in relation to abnormal costs for example, KM note that (paragraph 6.3.13):

> *"At the present time there is no substantive information about the quantum of abnormal costs across the various allocations".*

7.9. For this reason alone, the drafting at paragraph 6.3.4 of the Local Plan is regarded as inappropriate and misleading, and inconsistent with the assumptions in the LPVA which are necessarily provisional in respect of abnormal costs. It is quite possible that the actual abnormal costs required to deliver each site will differ from the high level provisional allowances in the LPVA which would result in a different viability position for each site.

7.10. Further, even if full detailed due diligence had hypothetically been carried out for each and every site at this stage, the Local Plan extends over a c. 15-year time period, meaning that changes in market conditions and legislation over the plan period will likely render the area-wide assessment out of date relatively quickly. For larger sites in particular, the actual costs required to deliver the scheme could change over the lifetime of the development.

7.11. There is, therefore, an inherent tension between market and practical realities and government aspirations to upstream viability testing to the plan-making stage.

7.12. This principle is highlighted in the aforementioned research published by Lichfields (Appendix 6) where they stress the need for sufficient flexibility to account for changing circumstances over plan periods of 10 – 15 years, noting that:

> *"…the cyclical nature of the economy brings the need for flexibility into sharp focus"* and that *"this might result in the need for local authorities to be adaptable in their application of planning obligations and policy requirements so that development might continue to come forward… throughout the plan period"*.

7.13. As such, it will be necessary for site viability to continue to be assessed at the application stage to account for site-specific circumstances where these differ from the LPVA. Our Clients consider that the drafting in the Local Plan should be amended to reflect the above principles.

7.14. In addition, the above circumstances do not preclude or downplay the importance of having a robust LPVA with fully evidenced and market-facing assumptions in plan-making, so as to limit the extent of site-specific viability testing at the application stage and the associated delays in delivering new housing in Copeland.

Exceptional Circumstances

7.15. At paragraph 13.11.18, the Local Plan states that:

> *"In accordance with the NPPF, Policy H8PU does allow developers to provide alternative levels of affordable housing in exceptional circumstances"*.

7.16. The reference to "exceptional circumstances" is regarded as inappropriate drafting which is not consistent with the NPPF and PPGV.

7.17. Whilst it is critical that the Local Plan is underpinned by a robust LPVA, the nature of area-wide viability testing means that even the most robust LPVA can only provide a relatively high level overview of viability across the district as noted above. Site-specific FVAs will therefore be required at the application stage in many instances and not in "exceptional circumstances" only.

7.18. The PPGV does not refer to exceptional circumstances. Instead, the PPGV (Paragraph 7) refers to "particular circumstances". This is an important difference. The PPGV goes on to list a range of potential circumstances which may justify a site-specific FVA, including but not limited to:

> *"Where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force"*.

7.19. We would note that the list of potential circumstances is not exhaustive. By deviating from the national guidance and referring to "exceptional" circumstances only, the current drafting in the Local Plan will set expectations for local communities and elected members that the vast majority of sites should be viable "by default".

7.20. Our Clients consider that the drafting should be amended with a reference to the PPGV (Paragraph 7) as to when viability should be assessed in decision-taking. In addition, the "particular circumstances" should not only be limited to the suggested non-exhaustive examples in the PPGV.

8. Conclusions

8.1. To conclude, our Clients have a number of concerns regarding the viability approach and the key assumptions currently proposed in the LPVA. By consequence, our Clients are concerned that the total cumulative policy burden in the Local Plan has not been robustly tested or demonstrated as deliverable.

8.2. In order to ensure a continued supply of residential development land in Copeland and that new homes continue to be built, it is imperative that the adopted assumptions are realistic and market-facing to ensure that the viability of development is accurately tested and that policy requirements are set at realistic levels which do not compromise site deliverability.

8.3. The NPPF and PPGV further establish the importance of having an up-to-date assessment of viability at the plan-making stage so as to inform the preparation of a deliverable plan with achievable policy requirements, which will help to limit the need for viability testing at the application stage. This requirement is central to the government's aspirations to "frontload" viability testing to the plan-making stage as far as possible (noting that site-specific FVAs cannot be fully eliminated no matter how robust the plan-wide viability evidence as the LPVA cannot test every eventuality or accurately account for all site-specific abnormal costs).

8.4. For the reasons explained in this representation, we consider that the LPVA falls short of this central requirement with a number of assumptions being insufficiently evidenced and/or not reflecting a realistic market-facing position for the purposes of assessing the viability of residential development in Copeland at the plan-making stage.

8.5. In our opinion, if the current inputs are maintained, the LPVA will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

8.6. At present, therefore, we consider that the LPVA does not constitute robust viability evidence upon which to base Local Plan policy requirements. We recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation. It is considered that several key amendments are required for the viability evidence to be found sound.

8.7. Furthermore, irrespective of the revised viability findings, for the reasons outlined in this representation – notably Section 7 – it is still regarded as essential that there is sufficient flexibility in the relevant policies to enable viability to be reassessed at the application stage where necessary and for policy requirements to be relaxed where robustly justified on viability grounds. Our Clients support the flexibility in the relevant policies at this stage.

8.8. We trust that this representation is clear and comprehensive. In refining the LPVA, our Clients welcome the opportunity to work positively and collaboratively with KM and the Council to support robust viability testing and would be happy to assist with any queries.

8.9. Our Clients respectfully request to be kept informed as to the progress of the LPVA and the revised outputs in accordance with the PPGV and RICS guidance relating to stakeholder consultation and transparency. Our Clients reserve the right to comment again on the LPVA once the necessary revisions have been made and all points of clarification have been addressed.

9. Disclaimer

9.1. We have prepared this representation having regard to relevant RICS guidance. However, the representation and the advice provided do not constitute a formal valuation and should not be relied upon as such.

9.2. This representation is for the purpose of the Clients and should not be reproduced in part or in full without our prior consent. No responsibility is accepted to any other party in respect of the whole or any part of its contents.

9.3. Some of the data referenced in this representation has been obtained from third party sources and we cannot guarantee the accuracy of the data obtained from other parties. Cushman & Wakefield shall not be liable for any indirect or consequential damages arising from the use of this representation.

9.4. This representation should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this representation.

Appendix 1: RICS Professional Statement: Financial Viability in Planning – Mandatory Reporting Requirements

The relevant mandatory reporting requirements specified in the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) are set out below.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

We confirm that this representation has been prepared by RICS members who have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

We further confirm that the RICS members are suitably qualified practitioners and RICS Registered Valuers with sufficient skills, expertise and knowledge to provide a robust and objective representation.

The RICS members have extensive experience in advising on FVAs across the North West and up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

Our terms of engagement are appended to the rear of this representation.

We are currently advising, and have previously advised some of the Clients on site-specific FVAs in support of planning applications for residential development. We are also currently advising, and have previously advised some of the Clients in respect of representations to area-wide viability FVAs.

However, 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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.

Section 2.3: No Contingent Fee Statement

In preparing this representation, no performance-related or contingent fees have been agreed.

Section 2.5: Confirmation Where the RICS Member is Acting on Area-Wide and Scheme-Specific FVAs

As outlined above, we are currently advising, and have previously advised some of the Clients on site-specific FVAs in support of planning applications for residential development and/or representations to area-wide FVAs.

We are advising the following LPAs in respect of the area-wide FVA to assist in formulating policy in their emerging Local Plans:

- Warrington Borough Council
- Wakefield Council
- South Tyneside Council
- Solihull Metropolitan Borough Council

We are also advising developers in respect of representations to the following area-wide FVAs:

- Halton Local Plan Viability Assessment
- Greater Manchester Places for Everyone Viability Assessment
- Eden Local Plan Viability Assessment
- Lancaster Local Plan Viability Assessment
- Hyndburn Local Plan Viability Assessment
- St Helens Local Plan Viability Assessment
- Wyre Local Plan Viability Assessment
- Blackburn Local Plan Viability Assessment

Again, however, 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.

Section 2.6: Justification of Evidence

All inputs into this representation have been reasonably justified as explained in further detail throughout this document.

Section 2.10: Engagement

We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

Section 2.14: Timescales

We confirm that adequate time has been allowed to produce this representation having regard to the scale of this particular project.

Section 4: Duty of Care and Due Diligence

We confirm that this representation has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

Appendix 2: Market Commentary (BuiltPlace, June 2021)

Market Commentary

Residential Analysts

Powered by BuiltPlace

United Kingdom – June 2021

- **Rampant House Price Growth**
- **Weighting and Wondering**
- **First Time Buyer Squeeze**

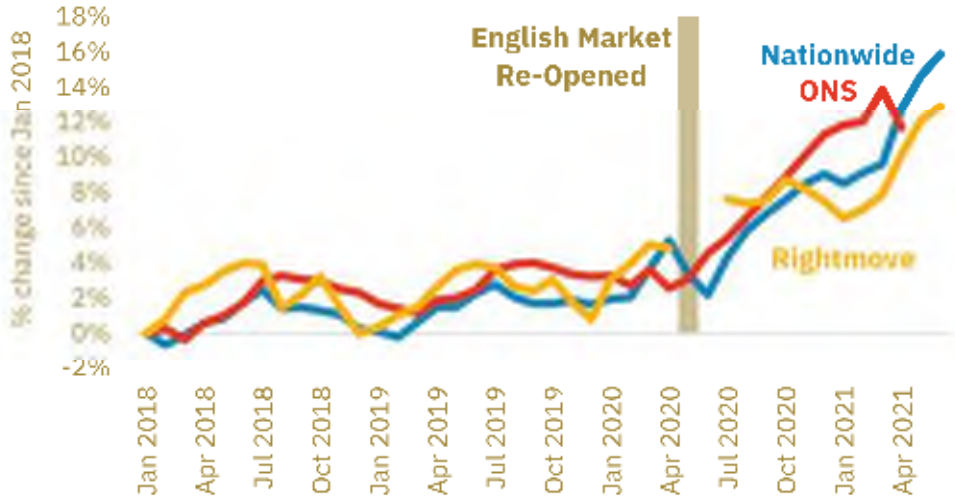
House prices are still rising rapidly and market activity is higher than pre-pandemic levels. But the temporary cuts to property transaction taxes have now ended or are in the process of being tapered off. This should bring greater clarity on the drivers of the current housing boom but it appears the higher than normal levels of market activity and rampant house price growth could continue past their end. However, there are some issues with the house price growth rates currently being reported that could mean price growth is lower than they suggest. Meanwhile, new data provides further detail on the squeeze that has been facing first time buyers since the pandemic started.

Rampant House Price Growth

House prices are rising rapidly and each month brings news of new record highs. The Nationwide index reported an annual house price rise of 13.4% in June while the ONS reported annual growth of 8.9% for April. Rightmove's index was suspended this time last year but it too is reporting rapidly rising prices. As Fig 1 shows, after two years of relatively low house price growth through to the end of 2019, the pandemic has set off a housing boom. We've explored the possible drivers of the current boom in previous commentaries (e.g. April 2021) and the end of the temporary property transaction tax cuts (Wales & Scotland) and tapering off (England & Northern Ireland) will bring further clarity on how much of a role they have had in driving the current boom. Meanwhile, evidence suggests activity is continuing at higher than normal levels, even for those that will miss out on the tax cuts. For example, Rightmove reported that sales agreed in May were 17% higher than the same month in 2019. They also reported the number of sales agreed on homes priced over £500k was 49% higher. It is increasingly clear that, along with evidence of international housing booms, the pandemic and resulting economic conditions has led to a upwards revaluation of housing independent of the tax cuts. However, only time will tell how much of that revaluation is possibly temporary (e.g. low interest rates & government support) and how much is permanent (e.g. the capitalisation of commuting costs into house prices).

Fig 1: Change in UK House Price Indices Since Jan 2018

Source: Rightmove, Nationwide, ONS

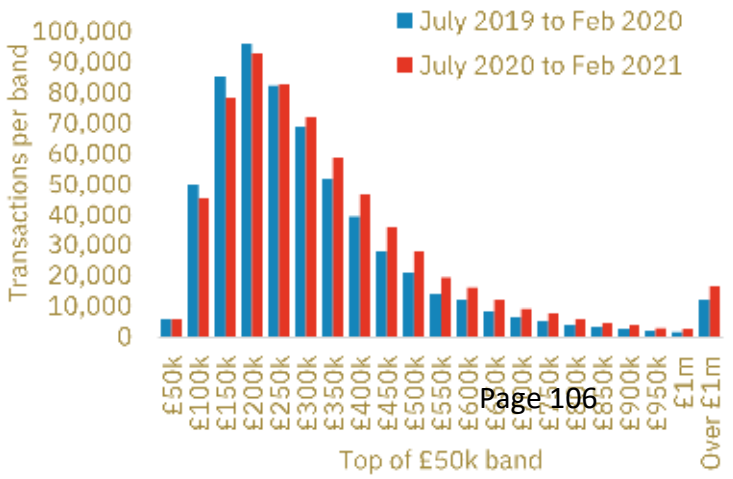


Weighting and Wondering

It is clear that there is a housing boom but the image presented by some of the house price indices is murkier than might initially appear. For example, we estimate that around 4 percentage points of the 13.4% annual growth reported by Nationwide in June is due to negative valuer sentiment last year. Meanwhile, we've previously reported on the challenges faced by ONS due to the lag in Land Registry registrations. Another possibly important factor is that all the above mentioned indices are weighted by transaction volumes. As Fig 2 shows, there's been a big shift towards higher value transactions since last summer which could lead to higher reported house price growth. Meanwhile, the Zoopla index is stock rather than transaction weighted and reported annual house price growth of 4.7% in May.

Fig 2: Sales by Price Band, England

Source: HM Land Registry, HMRC



Market Commentary

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First Time Buyer Squeeze

Prospective first time buyers have been hit hard by the pandemic, economic fallout, credit crunch, and current housing boom. Until now there was limited public information on what had happened to them during the pandemic. But thanks to new data released by the FCA this week, we now have a much better understanding of what has happened. This section looks in more detail at some of the trends highlighted by the FCA data and other sources since the pandemic hit. There is more analysis of the FCA data in our Digging Deeper slide deck.

The FCA data shows mortgage completions by first time buyers had recovered at a similar rate to mortgaged movers in the summer and autumn of 2020. However, since Nov 2020, their numbers have stayed high but not experienced the further growth seen by mortgage movers. Our estimates suggest this gap widened in Q1 2021. This situation raises two inter-linked questions:

How have first time buyer numbers recovered to pre-pandemic levels despite the challenges they face but why have they not grown to the same levels as mortgage movers.

Fig 3: Monthly Mortgage Sales by Borrower Type

Source: FCA PSD, FCA/BoE MLAR, & ONS Regulated Mortgage Survey

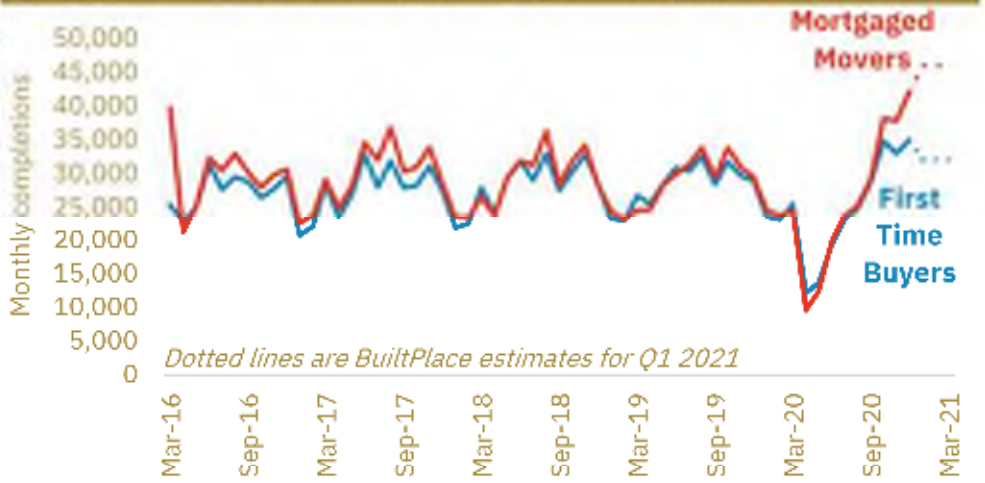
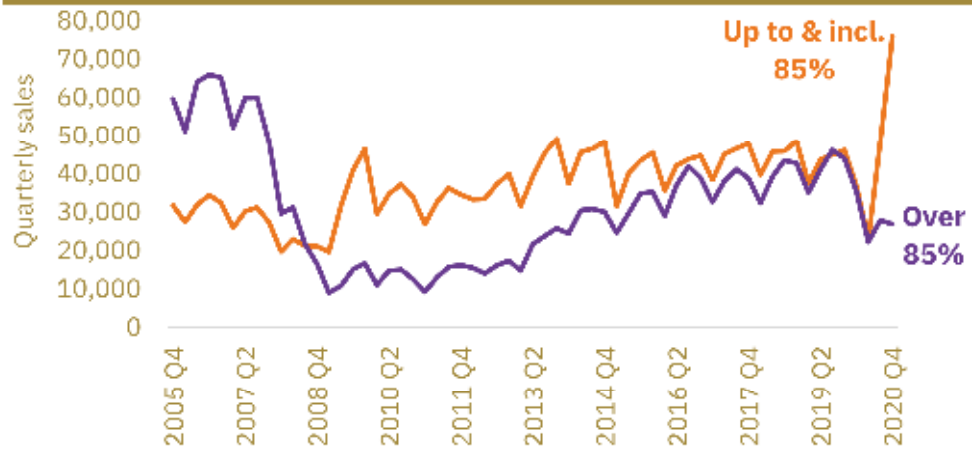


Fig 4: Quarterly First Time Buyer Sales by LTV Band

Source: FCA PSD

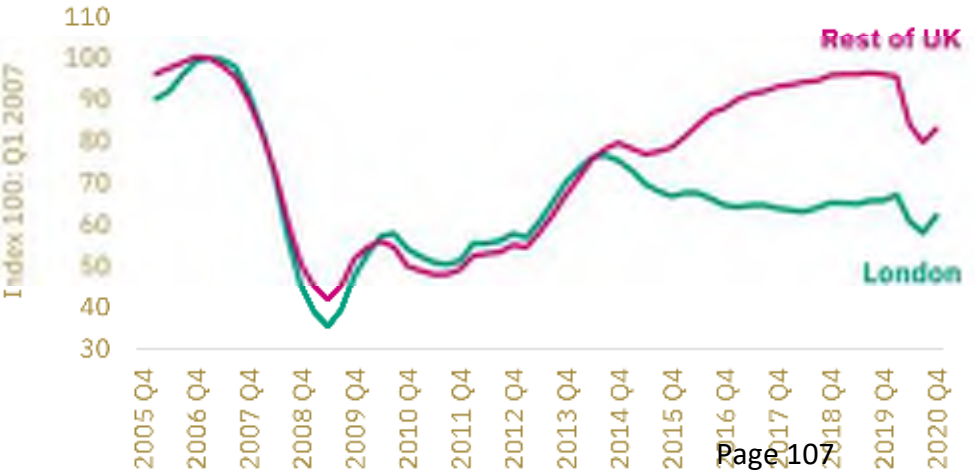


The answer to the questions lies in the balancing act between market activity and affordability. As Fig 4 shows, the credit crunch dramatically reduced sales at higher LTV ratios which should've reduced activity. But, possibly thanks to the unique circumstances of the pandemic, the fall in first time buyer sales above 85% LTV was more than compensated for by the rise in sales with LTVs of up to 85%. It is not yet clear if this was thanks to first time buyers able to increase their deposit and bring down their LTV or the housing boom bringing in new borrowers with higher deposits.

Given the wider trend in rising household savings, it's possible that many prospective first time buyers saved enough during lockdown to make up the difference. However ONS data shows the average income of a first time buyer has risen rapidly since the pandemic which suggests a change in who is buying. Irrespective of which is correct (a bit of both), the total number in both groups will be limited. Therefore, the recovery in the higher LTV mortgage market will be essential. Meanwhile, as Fig 5 shows, there are some markets where the balance between affordability and first time buyer activity is more finely balanced at much lower numbers.

Fig 5: Annual First Time Buyer Sales by Region, Indexed

Source: FCA PSD



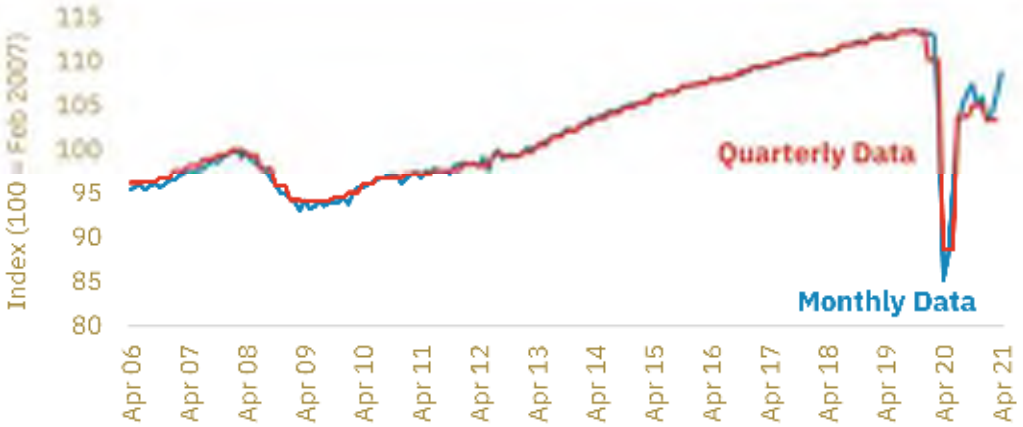
Market Commentary

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Market At A Glance

Economy - UK

The ONS reported a 2.3% monthly rise in GDP during April though the economy is still 4.0% smaller than January 2020. The second estimate of GDP for Q1 2021 reported a 1.6% fall in the quarter (prev. -1.5%) though this reflects the lockdown in January and February. This data will almost certainly be revised in coming months and years.



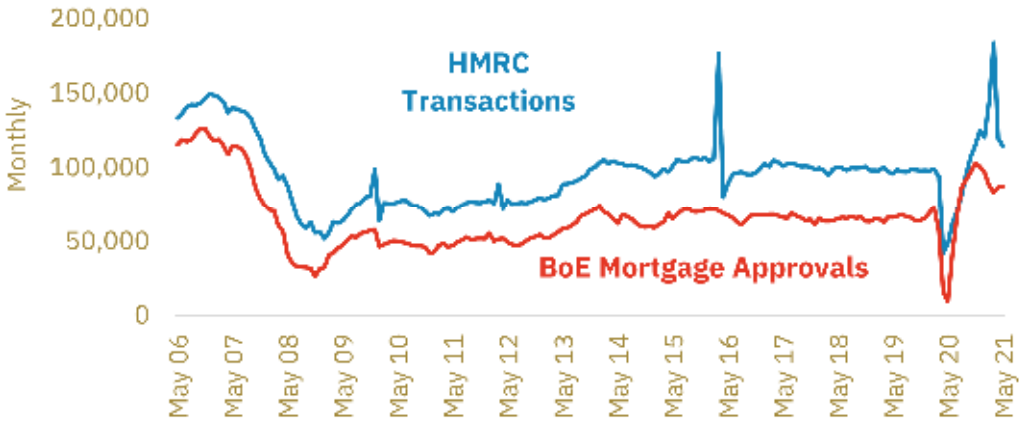
House Prices - UK

Rightmove reported another record high in asking prices in June. We are unable to calculate annual growth as their index was suspended last year. Nationwide index reported a 13.4% annual rise in their mortgage approval based index over the same period and the ONS is reporting growth of 8.9% in the year to April 2021.



Transactions – UK

HMRC provisionally reported 114,940 transactions in May, a 4% fall compared to last month. However, they were still 16% higher than the 2013-19 average. Meanwhile, the Bank of England reported a small rise (0.7%) in mortgage approvals for house purchase in May when compared to the previous month.



New Supply - England

There are issues with MHCLG's quarterly data though we have used it to suggest the potential path of completions (dotted line). The best leading indicator for supply is Energy Performance Certificates (EPCs) for new build homes with data for Q1 2021 showing a return to normal levels and total new build EPCs of 221,000 in 2020/21.



Appendix 3: Digging Deeper: Land Registry Lag and Coronavirus (BuiltPlace, February 2021)

Digging Deeper

Residential Analysts Ltd

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Land Reg Lag & Coronavirus

- **Pandemic Leading to Longer Time Lags in Registration**
- **Creates Problems With Short-Term Data & House Price Indices**

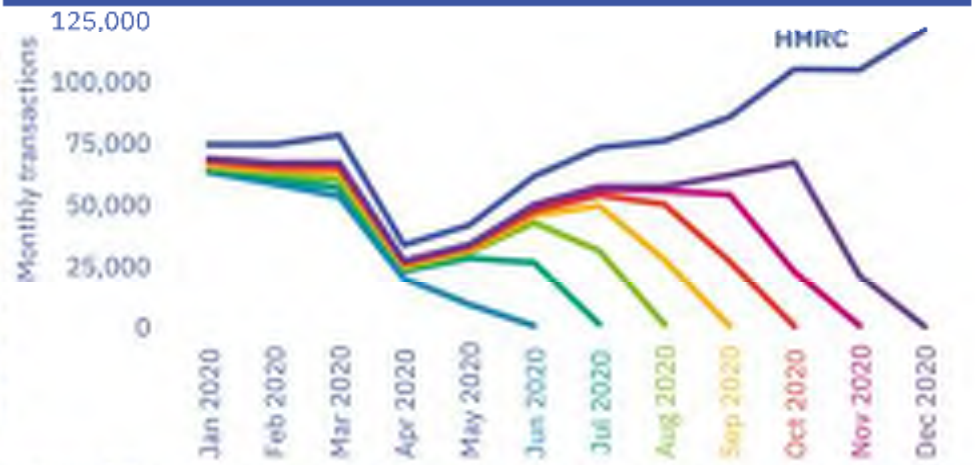
There has always been a time lag in when transactions are registered with HM Land Registry but the pandemic has increased it. The increased lag creates a short-term constraint on our understanding of the housing market with less comprehensive transaction data and could lead to larger revisions in the ONS house price index.

There is a time lag in when transactions are registered with HM Land Registry and the pandemic has made it worse. The lag in registrations means that the latest data release from Land Registry only covers a fraction of transactions that actually occurred in the latest month it covers. This lag and partial sample of transactions has caused problems in the past. For example, the revision period of the ONS house price index was extended from three to twelve months and numerous people have mis-interpreted the limited number of transactions in the Price Paid Data as a massive collapse in housing market activity when it was just the lag. Normally we can make allowances for the lag but, unfortunately, the pandemic has worsened it and this has implications for the data.

The chart opposite shows the impact of the lag on sales in the Land Registry's Price Paid Data. It shows limited sales in the most recent month's release slowly increasing towards the number recorded by the HMRC with each release. For example the first count of sales in Sep 2020 was just 880 and had increased to 62k by the Dec 2020 release. However, the HMRC data reports nearly 86k sales in Sep and so the Land Reg data will continue to close towards this level over time, though it never quite reaches the same level due to differences in data coverage.

Figure 1: Monthly Transactions by Release

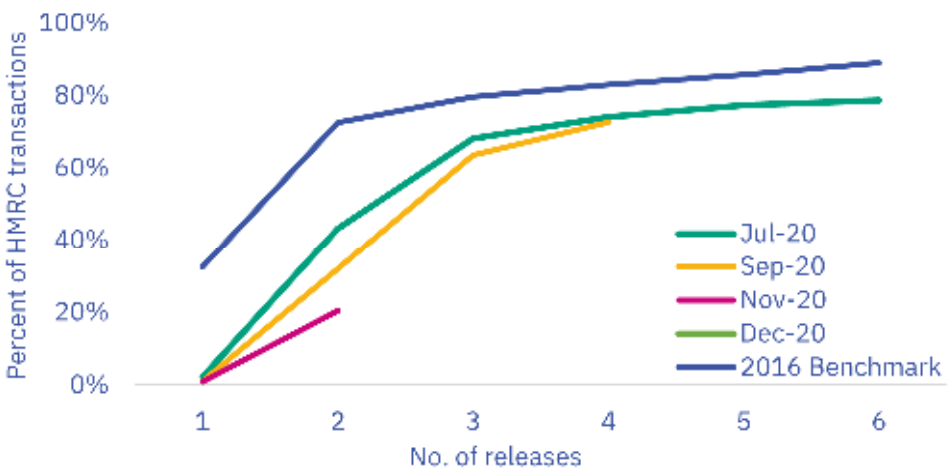
Source: HMLR, HMRC – England & Wales



Unfortunately, it appears that a combination of the pandemic and rising transaction numbers have worsened the lag in recent months. The increasing lag can be seen in Figure 2 below which looks at what proportion of sales (based on HMRC data) have been registered for the month by the number of data releases covering that month. For example, it shows 43% of HMRC sales in July 2020 had been registered by the second release of data covering that month but the second release for November covered just 20% of sales. Meanwhile, a comparison with data for 2016 shows that we would've expected around 73% of sales to appear in the second release.

Figure 2: Percent of Sales Registered by Month

Source: HMLR, HMRC – England & Wales



Hopefully this increased lag is just a short-term effect reflecting the challenges faced by Land Registry during the pandemic and a boom in transactions. There are, however, some serious consequences while it lasts. The increased lag means that the number of sales in the third release for any given month will still be a substantial undercount (this is when ONS release sales data). It also implies the first ONS house price index for any given month is based on a very small sample of sales. We could therefore see some significant revisions to the index, especially at smaller geographies.

Appendix 4: Digging Deeper: The Problem with the New Build Premium (BuiltPlace, October 2021)

The Problem With The New-Build Premium

The new-build market has a mortgage problem. Mortgage lenders are less willing to lend at high loan-to-value ratios on new-build homes than existing ones. They have concerns over the pricing of new-build and how well the price of a new home will hold relative to the market over time. Our analysis looks to investigate whether these concerns are appropriate, the role of the Help to Buy equity loan scheme in bridging the gap between lenders' concerns and market demand, and what might happen to the new-build market when Help to Buy ends.

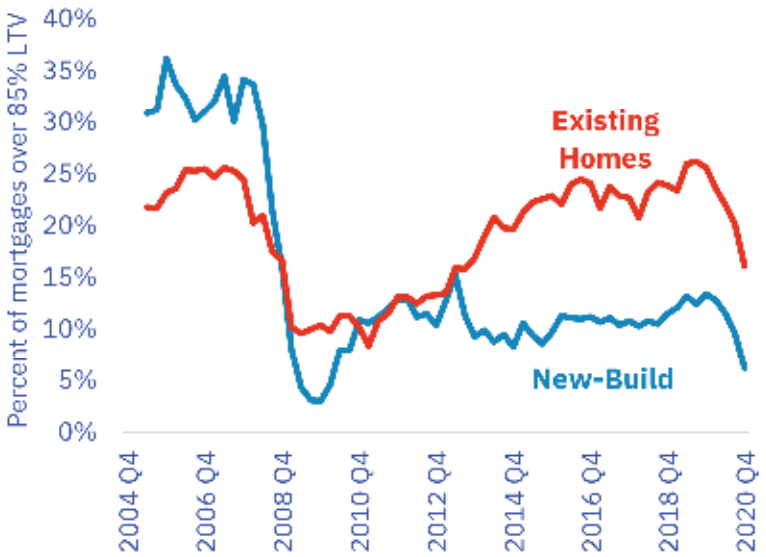
New-Build's Mortgage Problem

At the core of the mortgage problem is the new-build premium and the cautious approach lenders may take when the support offered by the Help to Buy equity loan scheme reduces. This could limit the housebuilding sector's ability to build new homes.

Much if not most of the political and policy attention tends to be focussed on the inputs and processes of housebuilding and planning. But it is also important to consider the size of the market for buyers of new housing – the numbers who can afford to buy the new homes that will be built, which may be homeowners, buy-to-let investors, or increasingly institutional investors. For housebuilders selling to homeowners, much of that demand is determined by mortgage availability and affordability. The challenge for housebuilders is, as Fig 1 shows, mortgages at higher loan-to-value ratios are more constrained for new-build homes than in the wider market.

Fig 1: High LTV Mortgages

Source: FCA Product Sales Data, UK



The reason mortgage lenders are less willing to lend at higher loan-to-value ratios on new-build stems from concerns about the new-build premium. The case for a new-build premium is clear. Simply put, many buyers of second-hand homes need to invest further money making repairs or doing up the homes to tailor them to their taste and needs. They may also have to buy new appliances. This is clearly less of an issue for new homes. But critically, the money spent by buyers of second-hand homes after purchase generally comes from a separate pot than the mortgage. Whereas, for new-build it is wrapped up in the price, which may, in the eyes of lenders, have been raised further by any incentives used to encourage buyers.

When looking at a new home lenders concerns are based on two questions. Firstly, whether the price paid for the new home that their loan is secured against is an appropriate value. Secondly, if this value will be sustained over time or if the new-build premium will be eroded. This can lead to greater depreciation relative to existing homes in the local market and result in buyers not building an equity buffer as quickly as their peers in the wider market. Lenders' approach to the new-build market is grounded in their own analysis of the risks. While we cannot know exactly what analysis they have done, we have used our own approach to assess what happens to the price of new-build homes after they have been sold by the developer.

Importantly, the results of our analysis suggest that lenders' concerns about the new-build premium and longer-term values are well founded. The research shows an under-performance in the change in value of new-build homes relative to local market benchmarks. It finds that, while new-build homes may appreciate faster than the local market benchmark in the short-term, this premium can disappear within a couple of years.

Over the longer-term, there is evidence for an under-performance in total price growth relative to the local market. For some homes, typically houses, this would effectively be regarded by lenders as a one-off discount to the market reflecting the disappearance of the new-build premium over seven years or so. However, for other homes such as flats, there is evidence from our research, which is likely to be mirrored in lenders' data, for a continued and growing discount relative to the local market benchmark.

These findings suggest lenders are right to be concerned about the longer-term value of the homes their lending is secured against. The findings also highlight the importance of the Help to Buy equity loan scheme in narrowing the gap between lenders' risk aversion and the public's appetite for buying new-build homes. This risk gap is further highlighted by Nationwide's announcement this week that they will be lending on new-build homes via the Deposit Unlock scheme, a private sector insurance scheme that aims to bridge this gap.

Digging Deeper

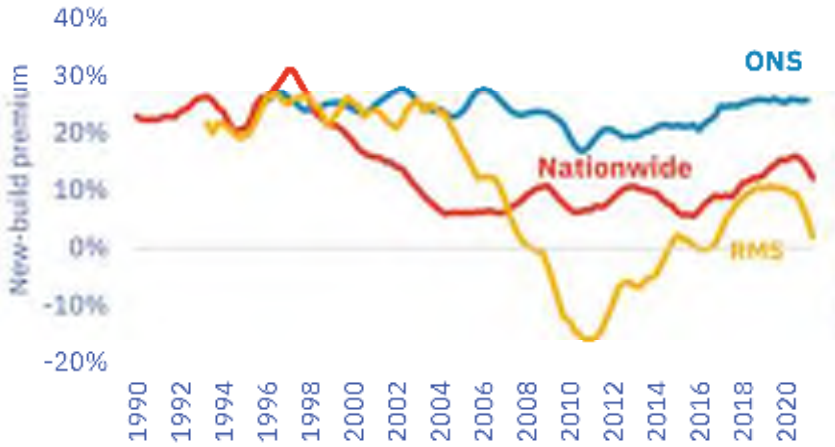
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Measuring the New-Build Premium

The existence and size of the new-build premium can be contentious due to the difficulties in accurately measuring it. That there is a premium when new homes are first built appears to be backed up by simple analysis of published house price indices. For example, Fig 2 shows the apparent premium according to three different measures. Based on the ONS house price index, the premium has been consistently around 20% since the mid-1990s, while the Nationwide house price index suggests it was at this level in the 1990s but has fallen to around 10% in recent decades. Meanwhile, unweighted data taken from the Regulated Mortgage Survey shows there is considerable variation in the premium, even turning negative. However, this tends to reflect changes in the mix of new-build homes. So, a shift to more flats being built during the mid-2000s reduced the average new-build price.

Fig 2: New-Build Premium

Source: ONS (Eng. & Wales), Nationwide (UK), RMS (UK)



The truth is none of these measures provide a meaningful measure of the new-build premium, as they are affected by several issues. These include the changes in the mix of homes being built over time and the initial starting price of the indices. There is also the question of what measures are used. Measurement could be based on total price, price per bedroom or price per square metre. A premium on one measure could easily reflect a compromise on another.

Adding to the complications is the need to compare the actual net price of the home sold. This has been a constant concern of valuers and lenders over many years, given the fluctuating use of sales incentives in the new-build market.

Accurately identifying a new-build premium at the point of sale can be challenging, irrespective of the chosen approach. Automated and traditional valuations can help but the priority for lenders is to understand what the value of the home might be in the event they have to take possession of the property at some point in the future.

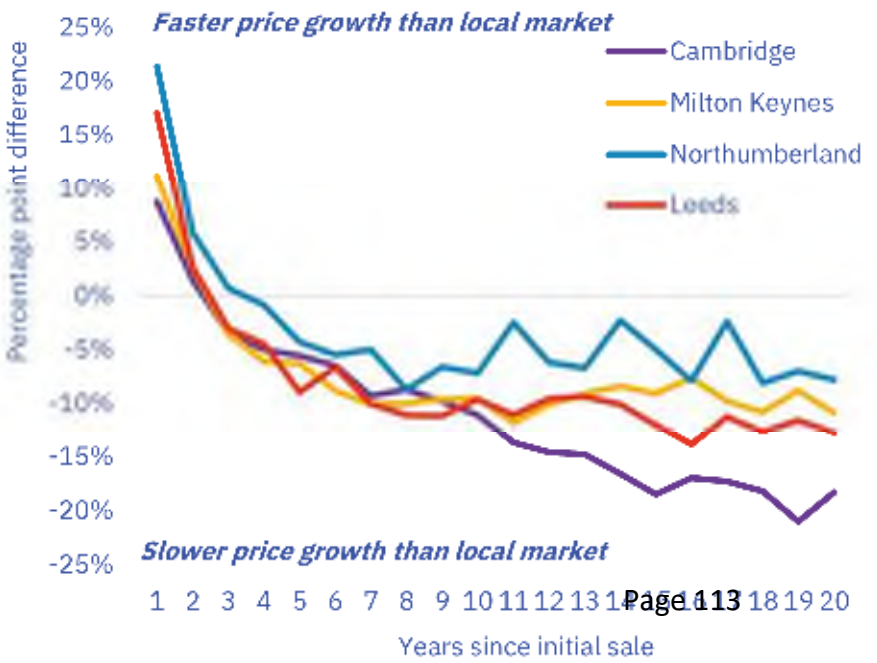
Therefore, to assess the risks lenders might see in new-build, we have chosen to analyse the price performance of new-build homes after they have been built relative to prices in the wider housing market. If new-build prices follow a similar or higher trajectory to prices of existing homes this would suggest lenders' concerns about new-build may be misplaced. If they under-perform then lenders may be rightly cautious that their money is secured against potentially under-performing assets that might struggle to sell, especially if house prices in the wider market had been static or falling over the period of ownership since the homes were first built.

Our methodology for assessing the performance of the new-build premium is based on identifying new-build property prices from the HM Land Registry price paid data and assessing how prices for those properties have changed over time in subsequent sales. We then compare the change in price of the new-build property to a benchmark based on the average change in prices across the local market during the same period. This allows us to assess how individual new-build properties have performed relative to the benchmark.

The results for selected markets are presented in Fig 3. It shows the percentage point difference in price change for new-build relative to the benchmark by length of ownership. A positive result shows new-build homes resold for prices higher than suggested by the local benchmark. A negative result shows new-build has under-performed the local benchmark when resold.

Fig 3: New-Build Versus Benchmark

Source: HM Land Registry, BuiltPlace



Digging Deeper

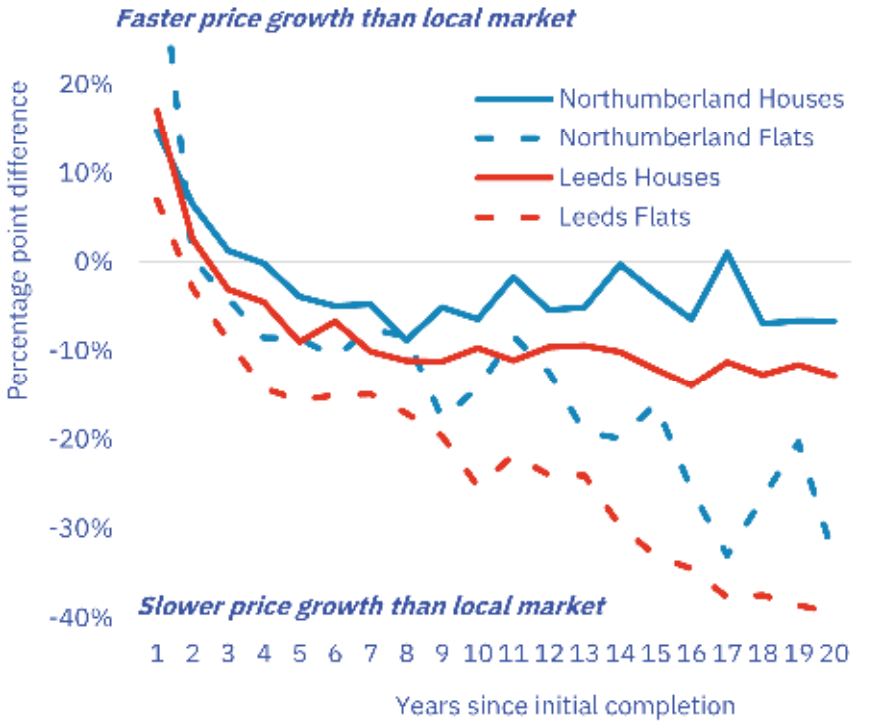
The results of our analysis reinforce the concerns held by lenders. Interestingly, the analysis shows that over the very short-term (three years or less), recent new-build homes tend to sell for a higher price than suggested by local price trends. However, this rapidly reverses in the following years with resales of new-build homes under-performing the benchmark. Although in most cases they will have still risen in actual price. Fig 3 shows that new-build homes sold seven years after their first sale had, on average, under-performed the local benchmark by around 10 percentage points. For example, if house prices in the local market had risen by 30% over the period, then the price of new-build had only risen by 20% since completion. Fig 3 also shows that the under-performance varies by location, with some areas experiencing continued declines in relative price. This is also the case when repeating the analysis by type.

Repeating our analysis with a split between flats and houses shows significant variation between the two broad property types. Fig 4 shows the result for Northumberland and Leeds. It illustrates the longer-term underperformance of new-build houses as the new-build premium is lost but it appears to be a one-off cost that does not increase beyond around seven years. The results for flats, especially in Leeds, are more severe with a continued decline relative to the benchmark over the period of our analysis.

For example, flats that were new in 2000 had under-performed the Leeds benchmark by 40 percentage points when sold 20 years later compared with 25 percentage points when sold 10 years after completion. This continued decline in flat prices relative to the benchmark is concerning and supports lenders' more conservative approach to risk when lending on new-build flats than new-build houses. Whatever the detailed reasons for the performance, to a lender it represents risk.

Fig 4: New-Build Versus Benchmark

Source: HM Land Registry, BuiltPlace

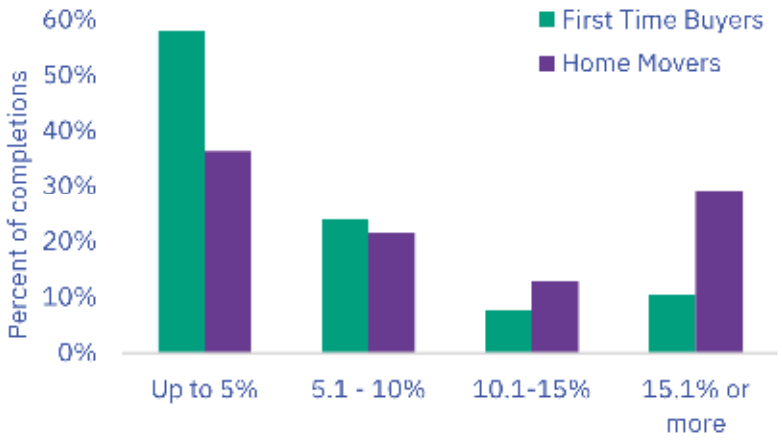


The Importance of Help to Buy Equity Loan

Our analysis suggests that lenders are right to be cautious about the longer-term value of new-build homes. Thankfully, for lenders and housebuilders, there is a policy that bridges the gap between mortgage lenders' reduced risk appetite for new-build and the public/government's aspirations for housebuilding and homeownership: Help to Buy equity loan. The equity loan scheme was launched when the overall market for higher loan-to-value lending was constrained following the credit crunch. Since then, it has been extremely successful in allowing deposit constrained buyers to purchase new-build homes. However, unlike the mortgage guarantee scheme that was launched around the same time, the equity loan scheme has remained in place.

Fig 5: H2B Deposit as % of House Price

Source: MHCLG, England



It is almost impossible to know what might have happened to the new-build mortgage market if the equity loan scheme had ended sooner. However, we do know what has actually happened. So far, it has helped people buy over 300,000 homes with 82% of purchases by first time buyers. As Fig 5 shows, most of those buyers had deposits of just 5% of the purchase price. That suggests, in the absence of the scheme, they would have required a 95% loan to value mortgage to buy their new home. However, one of the scheme's nicknames (help to buy bigger) hints at the challenges in accurately assessing the impact of the scheme as many buyers changed their property preferences to larger homes based on their improved borrowing capacity through the scheme.

Digging Deeper

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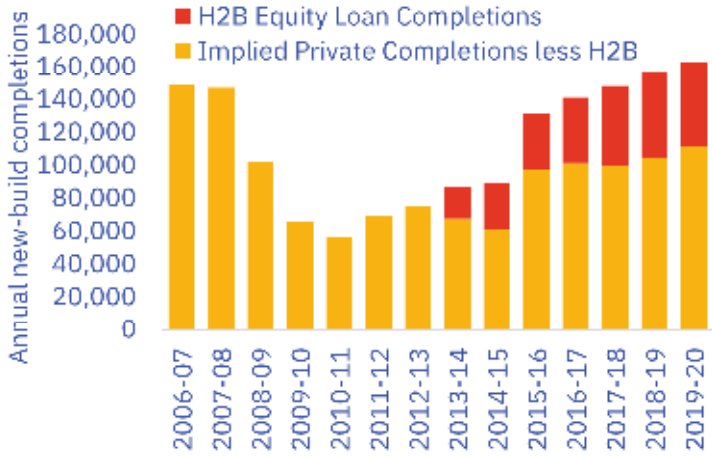
Fixing The Premium Problem

Our analysis suggests that mortgage lenders are rightly cautious about lending on new-build homes but the end of the existing Help to Buy equity loan scheme is rapidly approaching. That presents a serious problem for the housebuilding sector and government. Simple analysis of new-build activity in England compared with overall market activity suggests that private housebuilding completions could fall by around a third in the absence of a suitable replacement (Fig 6). In terms of replacements, it is unlikely that First Homes or shared ownership will be able to fill the hole left by the disappearance of Help to Buy equity loan. However, there is more hope offered by the private sector Deposit Unlock scheme, with Nationwide announcing their participation this week. The scheme, developed by Gallagher Re and the HBF, provides mortgage indemnity insurance for lenders on new-build homes. The scheme appears to offer buyers access to higher loan-to-value mortgages at similar terms to the mortgages available for existing homes though the small print suggests that not all property types and locations will be covered. While welcome to housebuilders and buyers, the solution highlights the continued reluctance of lenders to offer higher loan-to-value mortgages on new-build. Hopefully the trends highlighted by this research have been factored into the development of the scheme.

There are of course opportunities for housebuilders to create more sustainable new-build premiums that decay slower and, therefore, present less concern to lenders. This would mean building in features that more permanently advantage new homes in comparison with the existing stock. Here, the environmental agenda should help housebuilders, as much of the existing stock needs substantial investment to bring it closer to net zero. How this pans out will rest very much on public attitudes to improving the environmental performance of their homes, how much pressure is put on them to act, and on the path of household energy bills.

Fig 6: Private Housing Delivery

Source: MHCLG - England



Ultimately, this situation suggests the need for greater understanding of what is driving the under-performance of new-build homes over time. Our analysis has clearly shown substantial variation in terms of location and property type. This suggests there may be opportunities for further analysis of new-build resales to identify what helps preserve their value. This knowledge could then be used to help educate lenders and enable them to take more informed approaches to lending on new-build homes.

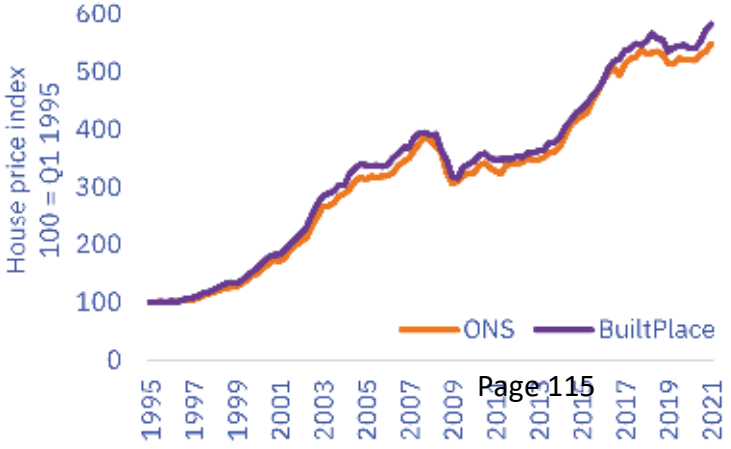
Appendix - Creating a House Price Index

To undertake our analysis of new-build premiums over time, we needed to create our own house price indices. These would provide a benchmark for changes in existing local house prices that we could then cross-reference new-build homes against. We could simply use the ONS indices but, due to differences in methodology, we were not certain that they would be appropriate. To create our own indices, we used HM Land Registry price paid data to create matched pairs of sales and perform a repeat sales regression. This was the approach previously used by HM Land Registry, but the ONS published house price indices now include other data sources that allows them to use a hedonic regression model.

Our repeat sales regression model is simpler and involves identifying properties that have sold two or more times since the data started in 1995. Knowing the initial purchase price, sale price, and holding period, we then filtered the data to exclude any properties that had sold as new-build during the period or been held for very short periods (six months or less). Once we had created a dataset of matched sales for the area in question, we used the modelling software R to perform the actual regression. The results for Milton Keynes are shown opposite compared to the ONS published index. It appears our repeat sales regression closely matches the ONS published data so perhaps we could have saved some effort, but it is a useful test and allows us to create house price indices for bespoke geographies.

Fig 7: Price Index, Milton Keynes

Source: ONS, HM Land Registry, BuiltPlace



Appendix 5: Evidence of Non-Cash Incentives and Extras



Plot 22 – Cork
2 bedroom semi-detached home
Double Detached Shared Garage
£156,995

This home includes carpets and vinyl



Plot 15 – Tyrone
3 bedroom semi-detached home
Driveway
£168,995

This home includes an upgraded kitchen with boiler housing and a shower over the bath



Plot 14 – Fergus
3 bedroom semi-detached home
Single Integral Garage
£183,995

This home includes an upgraded kitchen with boiler housing and a shower over the bath



Plot 20 – Kilkenny
3 bedroom detached home
Single Attached Garage
£199,995



Plot 1 – Kilkenny
3 bedroom detached home
Single Attached Garage
£211,995

Show home - sold as seen with all fixtures and furnishings included

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Appendix 6: Lichfields Insight (August 2021) – Fine Margins: Viability Assessments in Planning and Plan-Making

INSIGHT
AUGUST 2021

Fine Margins

Viability assessments in planning and plan-making



LICHFIELDS

LICHFIELDS

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Executive summary

The financial viability of development is taking on an increasingly important role in the planning and plan-making process. In this Insight, we have sought to provide a comprehensive overview of the way in which viability assessments are conducted and for the purposes of area-wide viability studies to inform local plan preparation.

Changes within recent years to national planning policy and related practice guidance present some potentially significant challenges for developers and plan-makers to overcome. Principally, these changes relate to the 'frontloading' of viability assessments to the plan-making stage and the implications of a widespread usage of an approach to defining land value with referencing to its Existing Use Value (EUV) plus a premium. The importance of these changes cannot be overstated; recent evidence suggests that the soundness of local plans is increasingly being fought on a viability battleground.

We hope that this Insight – drawing upon several years' worth of evidence from local plan and Community Infrastructure Levy (CIL) viability studies from across England and Wales – will be useful to a wide range of users. Potential users might include those wanting:

1. To gain an overview of the concepts, inputs and outputs that underpin viability assessment in a housing development context;
2. To understand in greater detail the links between viability assessment and planning; and
3. To scrutinise local plan (or CIL) viability evidence (or underpin independent evidence) with reference to a robust national dataset.

To this end, it is Lichfields' intention that this Insight helps to bring greater clarity to an area of practice in which there are frequent misunderstandings and to allow more meaningful debate on this important issue.

	Key finding(s)	Lichfields' perspective
Factors with a common methodology		
Build costs	• Building Costs Information Service (BCIS) widely used	• Transparent and easy to apply in area-wide viability assessment • Best approach in the absence of any more robust, standardised alternative (but be wary of additional costs which may not be factored in)
Sales values	• HM Land Registry price data cross-checked against EPC Register	• Reliant on new build sales evidence (for which there is often a lag) and risk of values rapidly becoming out of date • Straightforward and consistent method to apply in area-wide viability assessment
Factors with a narrow range		
Developer profit	• 20% GDV (market housing) • 6% GDV (affordable housing)	• Flexibility should be built in, to account for varying risk profiles across site typologies
Externals	• 10 - 20% of build costs	• Application of a range necessary to reflect different site typologies
Contingency	• 2.5 - 5% of build costs	• Site typologies and their risk profiles should dictate the use of a flat rate or tiered approach
Professional fees	• 8 - 10% of build costs	• Discretion should be used to apply an allowance that reflects specific site circumstances
Development finance	• 6 - 7% debt interest rate	• Should reflect prevailing economic conditions with reference to LIBOR (or its successor)
Sales and marketing	• 2.5 - 3.5% GDV • Legal fees in addition (c.£750/unit)	• Differentiated rates may be appropriate
Land acquisition	• 1.5 - 2.25% of land purchase price (with SDLT on top of this)	• Combined percentage to cover agent and legal fees
Factors with greater variation		
Abnormals	• Common not to apply an allowance • Brownfield only approach common	• If included, clear justification should be provided, with clear differentiation from other cost allowances • Critical to assess within the context of land value (see Benchmark Land Value)
Opening up costs	• Common not to apply an allowance	• Lack of understanding of what these constitute and how they relate to other cost allowances • Clarity of approach required and detailed breakdown of other costs
Viability buffer	• Not commonly applied • More common for CIL than for development plans	• 'Frontloading' directive puts increased emphasis on a need for buffers in both development plan and CIL viability testing • Where not applied, give consideration to if buffers have been applied to other assumptions to avoid planning to the margins of viability
Land Value		
Approach	• EUV plus a premium ('EUV+') to reflect a 'sufficient' landowner incentive	• Pre-Parkhurst Road judgment, EUV+ was widely embedded within the industry • NPPF/PPG changes in 2019 are a response to this
Premium	• Typical indicative ranges include: • Brownfield: EUV+ 20% • Greenfield: 15-20 times EUV	• A 'standard' level of premium does not exist • Landowner premium ought to be adjusted (downwards) to reflect specific infrastructure and abnormal costs and other site fees

01
Why is viability important?



Viability is a critical but often misunderstood concept, and one that is central to the deliverability of housing sites and the successful implementation of local plan strategies. If developments are not viable, they may not come forward and local plans could fail to deliver in terms of meeting their identified housing requirements, creating new jobs, providing community facilities, and delivering regeneration objectives.

At its most basic level, viability relates to the relative balance between the value generated by development (GDV) and the total costs associated with the delivery of that development. Figure 1 indicates the revenue and cost considerations that a typical viability assessment should take into account.

Having a scheme that functions from a financial perspective provides a sound basis for a development scheme to come forward. If the GDV is equal to or greater than the total costs, then the scheme is viable and can go ahead. If not, then the deliverability of that development may be compromised unless additional funding can be achieved or costs can be reduced. To this end, whilst strategic plans set out policy requirements in respect of affordable housing provision and other development contributions, these have often been subject to negotiation at application stage. Taking a reduced profit could also help to boost the viability of a scheme, although this may not be possible due to the need for the developer to balance risk and reward. A reduction in landowner return can be another mechanism to make a scheme viable, although this also needs to be balanced against the requirement for a sufficient financial incentive to release land for development.

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Figure I: Viability assessment components



Source: Lichfields analysis

Front-loading viability

To ensure deliverability it is vitally important that local plans and CIL charging schedules are drawn up with a comprehensive understanding of viability. These documents should be based on sound evidence so that development (whether to be delivered on allocated or non-allocated sites) can proceed in such a way that will satisfy the landowner and developer whilst also meeting the relevant policy obligations such as affordable housing, financial contributions, environmental standards and design requirements (see Figure 2).

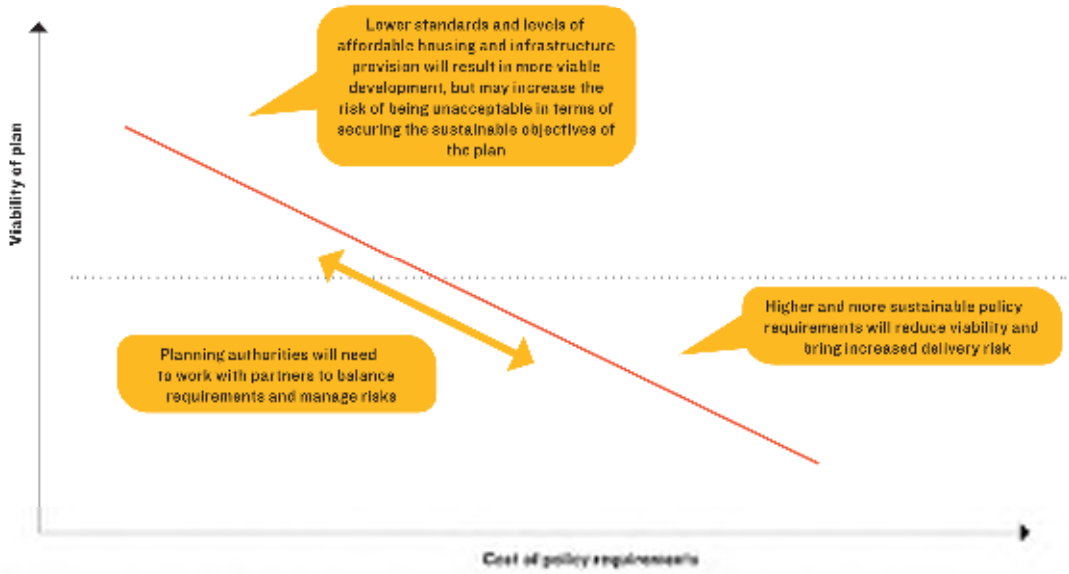
Planning policy in England and Wales now seeks to "front-load" all consideration of development viability so that it is given a much greater emphasis at strategic plan preparation stage. The assumption that flows from this is that developments that accord with the strategic plan will be viable. It will be for an applicant to demonstrate why the viability of their development is compromised because of a change in circumstances since the plan was prepared and adopted.

However, local plans provide a long-term framework for development and it is essential that they are sufficiently flexible to account for changing circumstances, such as rising costs and potential changes in development values over the next 10-15 years. Although some situations – for example, the current Covid-19 pandemic – could not reasonably be anticipated by policymakers, the cyclical nature of the economy brings the need for flexibility into sharp focus. The significance of viability increases at times of economic downturn and this might result in the need for local authorities to be adaptable in their application of planning obligations and policy requirements so that development might continue to come forward in the right places throughout the plan period.

The implication of the new approach to viability is to underline the importance of full engagement in the plan preparation process by those seeking to promote land for development. Attention should be focused on:

1. Demonstration that its site is deliverable from a financial viability and technical perspective;
2. Scrutiny of proposed allocations that are not considered to be viable or deliverable;

Figure 2: Balancing delivery risk and sustainable plan policies



Source: Adapted from the Harman Review (2012) Viability Testing Local Plans - Advice for planning practitioners

3. Ensuring the council's viability assessment takes account of an appropriate range of development typologies and that these are reflective of the local area;
4. Providing robust inputs to the council's viability assessment in respect of costs and development values so that it can inform reasonable policy choices;
5. Ensuring that the viability assessment considers all relevant matters – for example, the viability implications of design standards and environmental requirements – rather than focusing solely on Section 106 and CIL requirements;
6. Ensuring that a balance is struck between the need to satisfy requirements for affordable housing or infrastructure funded by CIL, and the importance of ensuring that the wider deliverability of development is not undermined; and,
7. Setting reasonable expectations in terms of land value for landowners and site promoters.

Is there such a thing as a standardised approach?

The NPPF and PPG both advocate the use of standardised inputs to viability assessments. This was considered by Dove J in *R (Holborn Studios) v London Borough of Hackney* (2020), which revolved around the issue of disclosure of viability assessments. Paragraph 63 of the judgment notes that the PPG "*makes clear the preparation of a viability assessment 'is not usually specific to that developer and thereby need not contain commercially sensitive data'.*"

The standardisation of viability assessments is important in addressing concerns about commercial confidentiality and testing the robustness of assessments put forward by local authorities as part of their strategic plan making process and by developers at application stage. However, neither the NPPF nor the PPG provides much by way of guidance on inputs that should be applied. The PPG merely states that key elements are gross development value, costs, land value, landowner premium and developer return.

In Wales, the Development Plan Manual identifies the viability components that need to be addressed and expressed in the plan's

> The preparation of a viability assessment is not usually specific to that developer and thereby need not contain commercially sensitive data.
>
> Holborn Studios v London Borough of Hackney (2020)



evidence base. It then goes on to set out core modelling considerations which should be taken into account when progressing high level viability testing. The level of detail varies between the various components identified. The most specific level of guidance is provided in relation to developer profit. The Development Plan Manual states at page 145:

"The model will need to include an average profit margin to ensure a realistic developer profit is embedded within the model. The normal range of profit expected by developers and necessary to meet most lenders' requirements is between 15% and 20% of Gross Development Value (GDV) for developments that will be let or sold on the open market. A lower profit margin, based on 6% of cost, is normally applied to the provision of affordable housing. It is important to understand the types of developers operating in an area and how land is brought forward. In rural areas smaller developers work on a different model to large, volume house builders. Larger sites can carry more risk where they take a long time to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not. Developer profit margin is also linked to interest rates charged for finance."

In the absence of any clear guidance regarding all aspects of the standard inputs in England and Wales, this Insight is intended to provide some clarity on the issue. It is based on a review of 93 local plan and CIL viability assessments and Inspector's reports and seeks to:

1. Fill a void in the understanding of the various assumptions and inputs;
2. Identify common themes and approaches in relation to key viability metrics;
3. Prevent continued disagreement in respect of matters for which there is broad alignment and/or to understand why differences arose;
4. Inform scrutiny of local plan viability evidence; and,
5. Underpin independent evidence.

02
Policy overview

Both the English and Welsh planning systems through the National Planning Policy Framework (NPPF) (and Planning Policy Guidance) in England and Planning Policy Wales (and the Development Plans Manual) in Wales have in recent years moved towards a policy of requiring viability assessments for sites at an early stage of the development plan making process.

In England, the Planning Practice Guidance (PPG) (Paragraph 002 Ref ID: 10-002-20190509) states:

"The role for viability assessment is primarily at the plan making stage ... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant."

Similarly, in Wales, planning guidance (PPW) (paragraph 4.2.19) explains that:

"At the 'Candidate Site' stage of development plan preparation land owners/developers must carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites."

The rationale behind this approach is to ensure that all sites that are allocated in development plans are deliverable within the timescales of the plan. For a site to be deliverable it clearly needs to stack up from a financial perspective as well as being free from any unresolvable technical constraints.

Typology Approach

In considering potential allocation sites, local planning authorities need to balance the importance of satisfying the requirements of national policy against the proportionality of testing every site and the reality that some information may not be available at plan-making stage. Therefore, guidance explains that it is appropriate for local planning authorities to use a typology-based approach to understand the viability of local plans and to indicate the likely level of planning obligations that sites can accommodate. The PPG states:

"Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies." (Reference ID 10-003-20180724)

Similarly, the Development Plans Manual (DPM) in Wales explains that site specific viability appraisals should be undertaken for those sites which are key to delivering the plan. For other sites, high level testing based on typologies should be undertaken. A hybrid approach of testing notional sites via a typology approach alongside a more bespoke assessment for strategic sites is therefore advocated by planning policy in both England and Wales.

A typology approach seeks to ensure that the policies are realistic and deliverable based on the type of sites that are likely to come forward for development over the plan period. Sites are grouped by shared characteristics such as location, status (brownfield/greenfield), size and nature. Average costs and values are used to make assumptions about the viability of each typology and plan makers can come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.

Having established broad typologies, the PPG then goes on to state that plan makers should:

"engage with landowners, site promoters and developers and compare data from existing case study sites to help ensure assumptions of costs and values are realistic and broadly accurate." (Reference ID 10-004-20190509).

The DPM in Wales similarly emphasises the good practice of involving key stakeholders in the early stages of plan making to ensure broad consensus on key viability inputs. It suggests the formation of a Viability Steering Group to facilitate this process as well as the use of Statements of Common Ground to establish areas of consensus and narrow down areas of disagreement.

This process of constructive engagement is crucial in ensuring the reasonableness and accuracy of the inputs to viability assessments. Even if a developer is not promoting a site for allocation in an emerging development plan, engagement in respect of development viability is still very important. This is because any non-allocated sites for which planning permission might be sought during the lifetime of a development plan will be assessed against the various typologies that are established at plan preparation stage. As detailed below, the bar has been raised in terms of the basis for deviation from such policies at planning application stage – for both allocated and non-allocated sites.

The implication for developers is therefore to work with local planning authorities to ensure that the assumptions that inform their site typologies and the viability assessments that inform their emerging development plans are robust and reasonable. A failure at this stage could be fatal for the future deliverability of a site.

Revisiting viability at application stage

The PPG explains (Reference ID: 10-006-20190509) that it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. It identifies the following circumstances in which it might be appropriate to revisit viability considerations at the planning application stage:

1. Development is proposed on unallocated sites of a wholly different type to those used in the viability assessment that informed the plan;
2. Further information on infrastructure or site costs is required;
3. Particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or,
4. A recession or similar significant economic changes have occurred since the plan was brought into force.

Where a viability assessment is submitted to accompany a planning application, the PPG states that this should be based upon and refer back to the viability assessment that informed the plan, and that the applicant should provide evidence of what has changed since then. Critically, the weight to be given to the viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including:

1. Whether the plan and viability evidence underpinning the plan is up to date;
2. Site circumstances including any changes since the plan was brought into force; and,
3. Transparency of assumptions behind evidence submitted as part of the viability assessment.

Planning Policy Wales (paragraph 4.2.21) sets out a similar approach and states that it is either for the applicant or the planning authority to demonstrate that particular **exceptional** circumstances exist to justify a viability assessment at application stage. The weight to be given to a viability assessment is again a matter for the decision-maker, having regard to the specific circumstances of the case, including whether the development plan and the viability evidence underpinning it are up to date, and any change in circumstances since the plan was adopted.

As set out above, the expectation is that there will be a much greater level of discussion regarding the need for a reconsideration of viability matters at planning application stage during times of economic stagnation and decline. Local planning authorities should be alive to that reality and should seek to support the industry in bringing forward beneficial development. However, the fact that circumstances can change significantly over time will also have the potential to necessitate a review of viability evidence. This underlines the importance of flexibility – at both policy preparation and implementation stages – and ensuring that development plans are kept up to date.

03
Research and methodology

Lichfields has reviewed 93 Local Plan and Community Infrastructure Levy (CIL) viability assessments and Inspector's Reports from across England and Wales to ascertain what assumptions have been made and deemed appropriate by the Inspector in relation to viability. The research, which gains a firm grasp of what is considered a reasonable assumption and why in some cases a more bespoke approach is required, has been undertaken to provide robust evidence for all involved in the preparation and review of plan-wide viability assessments – whether local planning authorities, developers and landowners. It is also designed to inform application-specific viability assessments.

Methodology

Our methodology is based on a thorough review of the viability assessment prepared to underpin a local plan or a CIL charging schedule as well as any comments that the Inspector may have made in relation to viability matters in their report. The evidence base that we tested comprises a wide geographical spread across England and Wales (see Figure 3).

We identified the approach taken in each viability assessment in respect of key assumptions. Comparisons were made between the assessments in order to identify any trends and understand the variations that emerged.

The key metrics that we considered include:

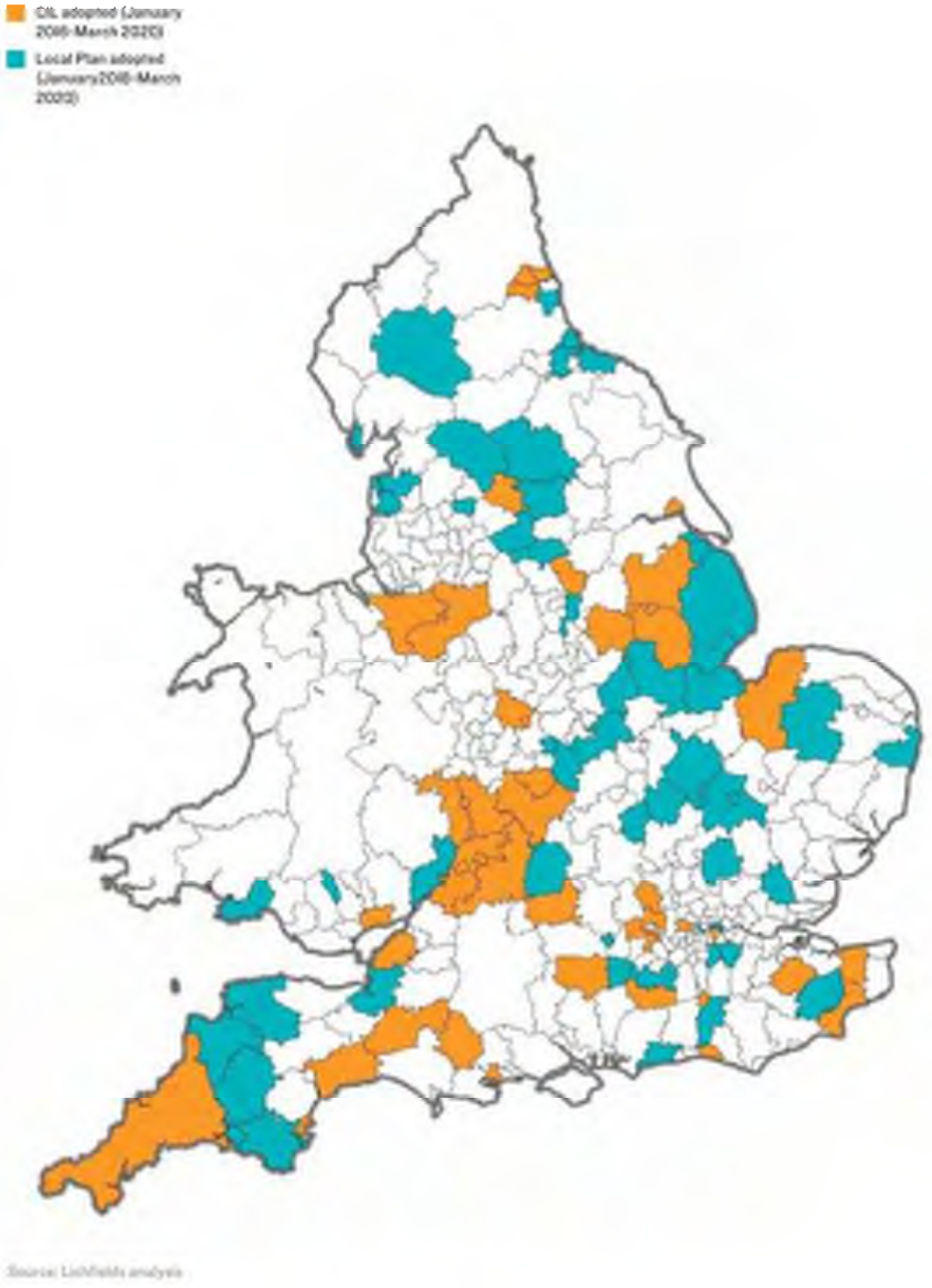
1. Site typologies;
2. Build costs;
3. Externals;
4. Contingencies;
5. Abnormal costs;
6. Opening-up costs;
7. Sales values;
8. Developer profit;
9. Professional fees;
10. Development finance;
11. Sales and marketing costs;
12. Land acquisition fees;
13. Land value; and,
14. Viability buffer.

The research has not sought to assess policy factors, such as Section 106 and affordable housing requirements, CIL charging rates, environmental standards, or enhanced build/design standards. This is because these are the outputs of an iterative testing process in terms of what can be supported by development and will depend on market factors and policy choices. The focus instead is the process of viability testing, and particularly the input factors that go into that process.

The evidence base that we have reviewed is dated between January 2016 and March 2020 for CIL charging schedules and between January 2018 and March 2020 for development plans. This includes all plans and charging schedules adopted prior to the Covid-19pandemic.

We are aware that all of these plans (in England) would have been prepared in accordance with the original (2012) version of the NPPF rather than the revised version. However, we consider that this purely a factor of timings and we will need to wait several years to get a similar sample of revised NPPF examined plans. Although the revised NPPF introduced an important change in the way that viability is dealt with in the planning system, the general approach to viability testing remains largely the same (save for the policy approach to Benchmark Land Value). As set out below, whilst the policy has now been crystallised in terms of EUV+, the evidence that we have looked at demonstrates that the approach is not new.

Figure 3: Geographical spread of viability assessment evidence



Source: Lichfields analysis

04
Viability modelling inputs

Viability appraisals can be undertaken in a variety of ways, with varying degrees of complexity and using different software packages. Common to all approaches, however, is a general modelling framework that considers all the factors that contribute towards the value and cost of delivering a development. It is typical in viability appraisal that a 'residual valuation' approach is used. This approach essentially works on the premise that the costs of a proposed scheme (including developer profit) are netted off against the scheme's total value, with the value remaining – the 'residual' – representing the value of the land. If the land value is too low (or indeed negative) then the scheme is theoretically unviable. This is demonstrated in Figure 4 in which three scenarios that differ in terms of gross development cost are compared to a constant gross development value.

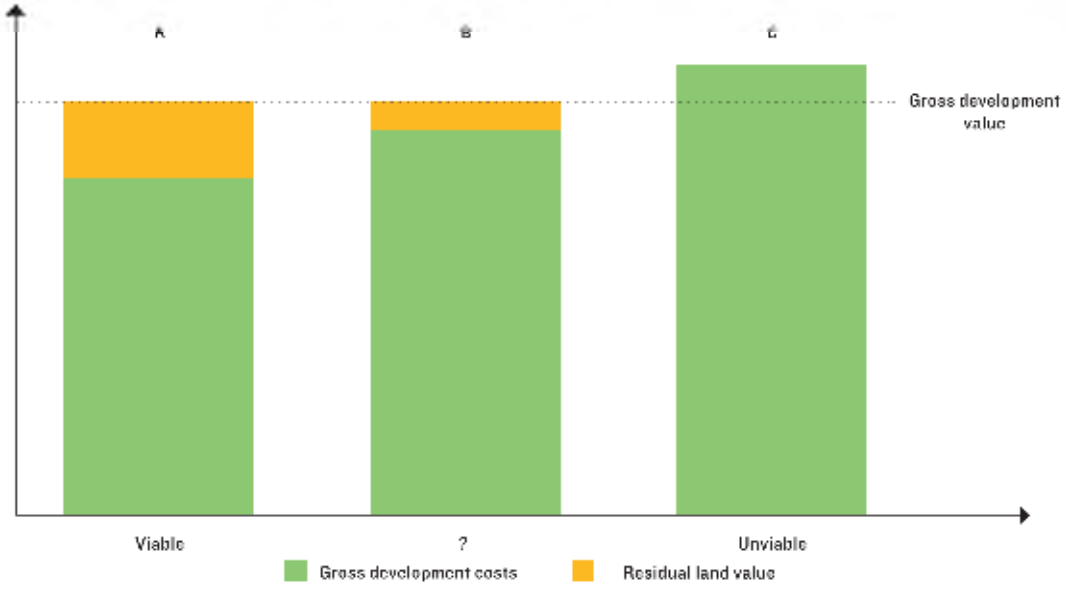
Scenario C is shown to be unviable since the gross costs exceed the gross development value and therefore no residual value remains. Scenarios A and B both yield a residual land value, however, in B it is smaller than in A. The assessment of viability in both instances is determined through comparison of the residual land value (RLV) to an appropriate benchmark land value (BLV). In the case of Scenario A, it is more likely that this higher RLV will result in a viable scheme whereas the lower residual in Scenario B increases the risk that the scheme would be unviable. The BLV is a concept that our analysis explores in Section 6.

In essence, Figure 4 condenses a viability appraisal down to three key questions:

1. How should Gross Development Value (GDV) be determined?
2. What development costs should be accounted for?
3. How should an appropriate Benchmark Land Value (BLV) be defined?

Naturally, this simplified approach masks its complexity. There is firstly a requirement to consider a large number of inputs, all of which can be subject to high variability in any given place and time. Secondly, because of this variability, viability appraisals can often be highly sensitive to change, with small changes in inputs resulting in very different outcomes. As such, sound viability appraisal practice rests heavily on the careful consideration of its inputs but also on undertaking sensitivity analysis to ensure that the impact of anomalies/ variability is minimised.

Figure 4: Simplified residual valuation method of viability appraisal

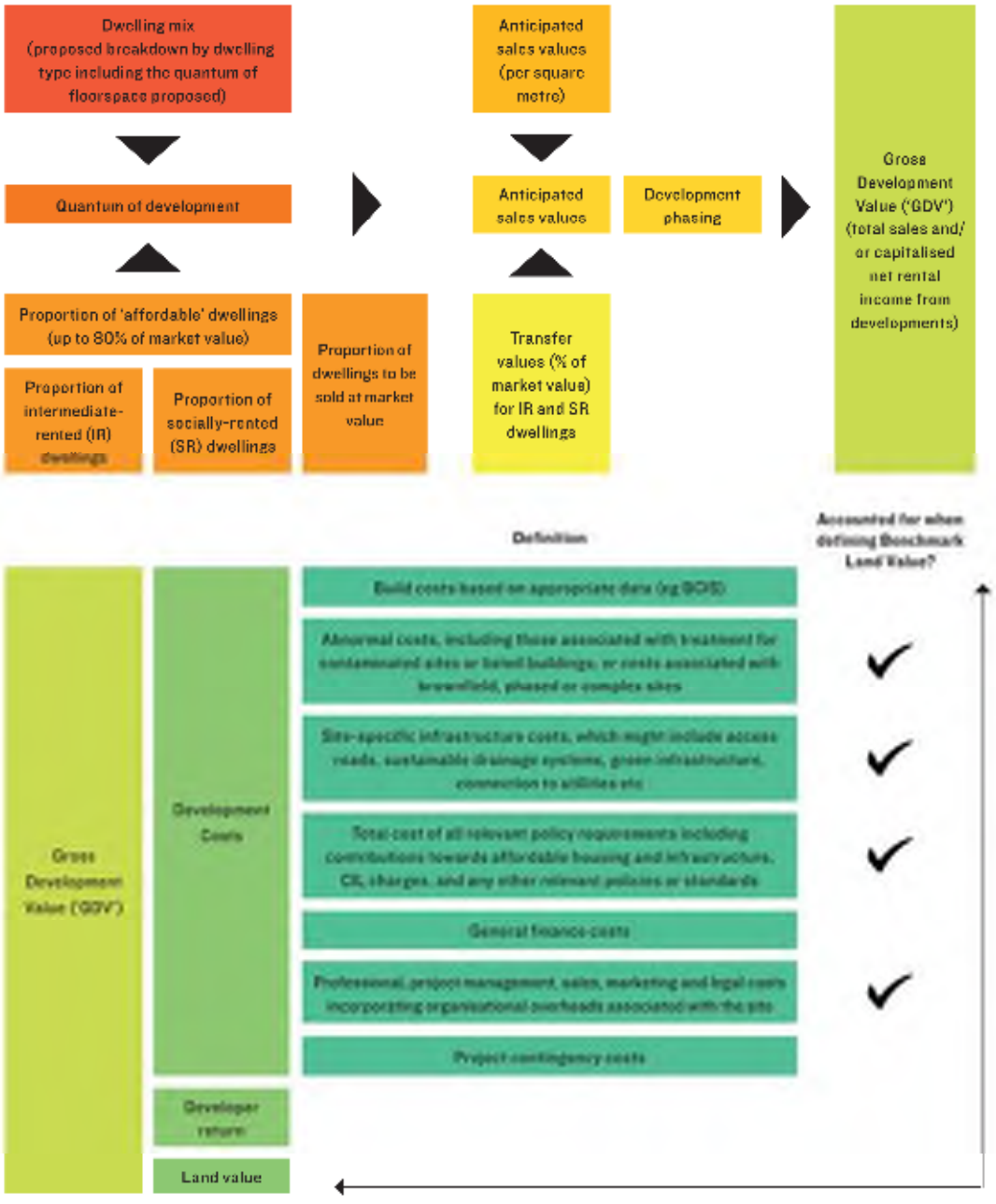


Source: Lichfields analysis

The PPG in England and DPM in Wales set out some of the inputs that viability appraisals should consider, albeit as guidance this is not comprehensive. Based upon our understanding of the inputs, the flow diagram (Figure 5) illustrates these and the interrelationships between them in an idealised viability appraisal. As our research has focused around viability within a residential development context, the flow diagram refers mainly to values/cost inputs that are relevant to residential development rather than commercial development.

Our analysis now focuses on the constituent elements of this flow diagram to explore themes, patterns and commonalities of approach.

Figure 5: A typical viability assessment for a residential scheme



Source: Lichfields analysis, Planning Policy Guidance (England) and Development Plans Manual (Wales).

The typology approach

Definition

Grouping together of sites based on their shared characteristics such as size (either by area or by dwelling numbers), existing use (e.g. brownfield/greenfield) and site context (rural/urban/suburban).

The PPG describes the typology approach to viability as :

"a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period." (Reference ID 10-004-20190509)

Acknowledging that specific site information may not be available at the plan-making stage, the purpose of a typology approach is to test a number of representative sites that could be realistically delivered and then allowing plan makers to assess appropriate policy requirements and benchmark land values according to each typology.

We found that a typology approach to development plan / CIL viability testing appears to be widespread. This is in line with PPG and DPM which both advocate a typology-based approach. We only found one local planning authority (London Borough of Croydon) that took an alternative approach of undertaking a series of site-specific viability appraisals. A number of authorities also tested real allocations alongside notional sites. Often these were subject to bespoke, location specific assumptions which deviate from the wider viability assumptions used for the notional sites. This approach reflects the guidance set out in the PPG and DPM and recognises how strategic sites are critical to the delivery of the strategic priorities of the plan.

Our analysis found that the most common approach was to distinguish between typologies on the basis of site size (or housing capacity). This appears logical given that some of the underlying viability assumptions attributed to smaller sites are likely to be different to that of much larger sites. However, there are clearly other factors besides size which are appropriate considerations in the context of viability: density, previous use classification, site character and housing market value area. Our review has shown that local authorities have generally adopted a bespoke set of typologies (as advocated by the PPG and DPM) that reflect a combination of all these considerations. As such, it is clearly not possible to set out a 'one size fits all' primer for implementing a typology approach since the appropriate way will vary from one authority area to another. The PPG summarises this efficiently at Reference ID 10-004-20190509:

"The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan."

What our review does show is that it is critical to ensure that the final choice of site typologies is an accurate and realistic reflection of the types of sites that could come forward during a plan period in the local authority area. Although there is no certainty that sites will not be delivered if the typologies assessed at the plan-making stage were not representative, there is perhaps a more fundamental risk that the development plan will not be found sound if it fails to adequately reflect the nature of local development in the area.

Lichfields perspective on typologies

The use of representative typologies, using average costs and values is a sensible and pragmatic way of conducting viability appraisals on an area-wide basis and across multiple sites. The potentially onerous information requirements associated with the preparation of multiple site-specific viability appraisals at the plan-making stage would be likely to have significant resourcing implications for many local authorities. Indeed, on the developer side of the equation it would perhaps be unrealistic to expect such detail to be forthcoming for all potential sites vying for a local plan allocation. The need to consider the potential viability implications of as yet unidentified sites that are not being promoted for allocation further increases the logic of this approach. However, for strategic sites that are individually fundamental to the delivery of the plan strategy, there is a greater imperative to consider viability on a site-by-site basis – not least that there may not be any other sites that would fit into the same broad typology.

Whilst this approach addresses the practical challenge of setting appropriate policy requirements and benchmark land values at an area-wide level, there remains the issue that some sites will inevitably fall through the cracks by virtue of their particular characteristics or – perhaps most pertinently – by changing circumstances. Through extrapolation of the typology approach, once a development plan is adopted, planning applications that come forward for sites that sit within the typology framework tested (and that accord with all relevant policy requirements) are deemed to be viable. However, what of sites that do not fit within any of the typologies that were tested and does national policy provide any flexibility in this regard?

Reference in the PPG and DPM to 'particular circumstances' to justify the need for a viability assessment at the application stage suggest that flexibility does exist; however, ultimately it will be for the decision maker to decide on the weight afforded to the applicant's case. It also remains to be seen to what extent the current pandemic-induced economic uncertainty will constitute particular circumstances. Whilst the focus of changes to the guidance has very much been to 'frontload' viability assessments this has the potential to fundamentally undermine the premise of plan-led viability.

05
Unpicking the typologies

In this section we discuss each factor in turn, providing commentary on the general trends found in relation to that factor across the country. We also provide our thoughts on what a reasonable approach should take.

In so doing, we have categorised the metrics into three broad categories:

1. Factors with a common methodology – where there was general conformity in the method that was applied by the majority of local planning authorities, even though specific values may have differed;
2. Factors with a narrow range of values/ figures; and,
3. Factors with a broader range of values/ figures.

Factors with a common methodology

Build costs

Definition

In a residential context, the base build cost is the cost of constructing a dwelling from the ground up but excluding the cost of externalworks.

The build cost is a key input that evidently forms a significant proportion of the gross development cost. It is therefore an important consideration that needs to be included as part of a robust viability assessment. It is also important as we have found that other costs (e.g. externals, abnormals, contingencies, professional fees and finance) can be based on a percentage of build costs. Therefore, higher build costs would result in other costs being higher which will inevitably have an impact on the viability appraisal.

The PPG and DFM both state that build costs should be based on 'appropriate data' and specifically cite the Building Cost Information Service (BCIS). Provided by the Royal Institution of Chartered Surveyors, BCIS is a cost and price information service for the UK construction industry. Our analysis of Local Plan and CIL viability assessments has identified that 95% of the studies relied upon data sourced from BCIS (77 out of a total 81 studies where the source of build costs was made explicit). Only two authorities were found to have used an alternative method.

A number of local authorities sought to adjust BCIS costs to reflect a number of specific variations, including:

1. Geography – i.e. urban/rural and low/high value areas within the authority area;
2. Size of scheme – Higher build costs for smaller schemes with an uplift of up to 10% for smaller schemes and reduction of up to 8% for larger schemes including strategic sites reflecting economies of scale (the use of the BCIS lower quartile is a common approach for large schemes); and,
3. Inclusion of other costs such as environmental standards, building regulations Part M, building regulations enhancements, preliminaries and contractor's profits. It is important that if these costs are considered in the build costs that they are not double counted in other sections of the assessment.

North Devon and Torridge Council used a combination of BCIS costs alongside discussions with developers, valuers, agents and others to inform build costs. This approach sought to use a range of data inputs to result in a base build cost that it considered to be reasonable. Whilst recognising that there are a number of methods for the calculation of build costs, a range of data sources, and a multiplicity of opinions, the Council considered that its multifaceted approach resulted in robust costs being set.

Barrow-in-Furness was the only local planning authority to move away from BCIS completely. Instead, it used a range of build costs based on quantity surveyor assumptions which were presented/costed differently based on different scheme densities, adjustments for quantum and for brownfield and greenfield sites (inclusive ofexternals)

95%

relied on build cost data sourced from BCIS

75%

used a methodology that cross-referenced HM Land Registry price paid data with data sourced from the Energy Performance Certificate (EPC) register

Lichfields perspective on build costs

Although not without its limitations, the use of BCIS – potentially adjusted to take account of various factors – is commonplace in area-wide viability assessment. It is also endorsed explicitly within PPG and DPM. However, this is not to say that alternative approaches cannot be applied with appropriate justification. BCIS, however, has the advantage of being widely accepted as well as its transparency and accessibility.

Sales values

Definition

The market value of a completed development, typically presented on a per unit area basis. When aggregated, net of appropriate reductions for social and affordable rented housing, this forms the basis of the Gross Development Value (GDV).

As is the case with construction costs, the sales values (or revenue) from a completed development are subject to locational variability. For individual districts, the area-wide viability assessment needs to factor in this variability by applying differential revenue assumptions to different locations and/or typologies. This needs to be based upon a robust understanding of the local housing market and sub-markets. Due to the inherent geographical variation, our analysis has focused on the central methodology employed by each authority when determining sales values. It has also focused on the methodology used to define the core market value assumptions since both the level of affordable housing (by definition, up to 80% of market value) requirements and their associated transfer values will differ from one local authority to the next.

Our analysis indicated that approximately only half of the 93 local authorities studied provided information on their adopted methodology for assessing revenue. Of those that did, 75% (33/44) used a methodology that cross-referenced HM Land Registry price paid data with data sourced from the Energy Performance Certificate (EPC) register. This approach is widely-used within the industry and its purpose is to ensure a consistent basis of analysis by allowing the value (price paid data) to be divided by the size of dwelling (EPC) thus presenting the data as a rate per square metre (£/sqm). This approach relies on the use of data for new-build residential development (rather than all house sales) and is therefore subject to data lags in both the availability of Land Registry and EPC data from the completion date.

Despite being widely-used, there are a number of alleged limitations associated with this approach. A review of local plan viability representations in Durham has indicated that developers expressed concerns that the approach can over inflate sales values by understating the role of sales incentives and through undermeasurement of floor areas. Whilst it is true to say that the approach based solely on unit size may represent an over-simplification of the factors that affect value it is however appropriate within a plan making context where exact types of houses may not be known.

In the small number of alternative approaches detailed, these included the use of asking price and dwelling size data from sales particulars reviews of data provided by local authorities or on platforms such as Rightmove and Zoopla, and discussion/consultation with developers.

Lichfields perspective on sales values

The value in the Land Registry/EPC approach is that it provides a straightforward mechanism for assessing sales values on an area-wide basis and one that can be applied consistently (e.g. £/sqm). The use of the method to assess average sales values helps to mitigate anomalies that might otherwise push the bounds of achievability in practice. The absence of clear alternative approaches that can standardise sales values to the same extent is also another important practical consideration.

Whilst the approach is useful in many ways, there are a series of related questions that have the potential to affect local plan viability assessment work going forwards:

1. Since the approach relies on new-build data, what approach should be adopted in areas where only a few (if any) new houses have been built recently? How far back in time should you go?
2. Despite the resilience of house prices during 2020, there is widespread uncertainty about how the UK property market will fare in 2021 and beyond as Coronavirus financial support schemes and Stamp Duty holiday come to an end. What are the implications of potential house price changes associated with Covid-19 for achieving a suitable quantity of new-build comparables and for preparing viability assessments more generally?
3. Against the backdrop of rising build costs (increasing cost of labour and materials, and environmental sustainability requirements etc), to what extent could house price reductions nationally threaten the viability of local plans and individual sites?

82%

assumed 20% of GDV as the target profit margin for housing delivered on the open market

Factors with a narrow range

Developer profit

Definition

The amount by which the estimated income of a development exceeds the total outlay in order to provide a return to the developer.

The PPG states that:

"Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks." (Reference ID: 10-018-20190509)

Developer profit margins are applied as a fixed input to viability appraisals and are, in most cases, applied as a percentage of GDV. This approach appears to be the appropriate basis in the context of residential viability appraisal although alternative means were also observed in a minority of cases, such as profit on cost. A small number of studies included a separate allowance for developer overheads but we have found that generally these costs are wrapped up within the overall profit allowance.

Significantly, our analysis has shown that 82% of studies (76/93) assumed 20% of GDV as the target profit margin for housing delivered on the open market. Only 11% of studies (10/93) adopted a lower target profit margin (typically between 15%-20% - the range identified in the DPM in Wales) whilst one study (North East Lincolnshire) assumed a 25% margin.

57% of studies (53/93) utilised a blended profit approach that typically comprised of a 20% GDV assumption for open market housing and 6% GDV for affordable housing. Where such an approach has been used, it is important to recognise that the 'blended' profit allowance will vary depending on the level of affordable housing sought by the local authority. These findings accord with the PPG which states that in order to establish the viability of plan policies an assumption of 15-20% of GDV may be considered as a suitable return'. It is noted, however, that in Wales the DPM refers to a range of 15%-20% as a suitable profit margin for the open market component of development.

We found that 6% of studies (6/93) applied lower profit levels to smaller sites, on the basis that the delivery of larger sites can inherently carry greater risk (and therefore developers seek a greater return to reflect the added risk). As previous Lichfields research[1] has demonstrated, larger sites take far longer to deliver and thus expose developers to added risk, possibly over the course of multiple economic cycles. This is recognised in the DPM which states that *"larger sites can carry more risk where they take a long time*

Lichfields perspective on developer profit

Area wide viability assessments are required to set profit at a level that reflects developer risk and therefore incentivises housing delivery. This inevitably varies according to economic conditions, delivery timings and site typologies – with larger, more complex sites generally exposed to higher levels of risk. If developer profit is set too low it can act as a deterrent to investment.

Our analysis has shown that the most common approach was to set target profit levels for market housing at 20% of GDV, and typically 6% of GDV for affordable housing. However, the adoption of a single area wide standard/benchmark can be inappropriate, and it is recommended that flexibility is built in to account for the differential levels of risk across site typologies. This is particularly true of larger, strategic sites where significant upfront investment is required and where their delivery could be integral to development plan delivery.

[1] Lichfields Start to Finish (2020) https://lichfields.uk/media/5773/start-to-finish_what-factors-affect-the-build-out-rates-of-large-scale-housing-sites.pdf

to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not." (Page 145).

Given that profit can reflect risk, there is also a likelihood that macro-economic conditions might influence profit margins, with higher levels being sought at times of recession. The DPM identifies a potential link between profit margins and interest rates, and there is also some evidence that some lenders will stipulate a certain profit margin as an additional layer of flexibility to be added into the financial modelling of a scheme.

Externals

Definition

The cost of works surrounding a dwelling including gardens, estate roads, sewers, landscaping, boundary treatments, incidental open space etc.

Our analysis showed that 77% (72/93) of local authorities utilised an allowance for external costs within their viability assessments. We have identified a range of approaches in relation to externals works: from singular, flat rates to tiered systems whereby sites varying in nature or size had differential allowances. The tiered approach acknowledges that the amount of external works that are required will vary between different site typologies. For example, larger, strategic (often greenfield) sites are likely to require proportionately greater levels of external works compared to smaller, urban infill sites.

Of the 72 studies that applied an allowance for externals, 69% (46/72) applied a flat rate, whereas 23% (17/72) applied a range or tiered approach. Flat rates were typically set at 10-15% of base build costs, whereas the tiered approach tended to span a wider range – typically between 10% and 20% of base build costs.

Irrespective of approach, the overwhelming majority of studies (93% of those that made an allowance) employed an externals allowance within the range of 10-20% of base build costs. Very few (less than 10% of studies) used assumptions lower than 10%, with such levels more commonly applied for flatted/high density typologies which typically involve less external works.

93%

employed an externals allowance of between 10-20% of build costs

Contingency

Definition

An allowance for any unexpected cost increases due to unforeseen circumstances, usually reflected as a percentage of build costs.

It is common practice to include a contingency allowance to help mitigate delays and additional unforeseen costs throughout the construction period. Importantly, this allowance can be distinguished from other potentially uncertain costs such as abnormal development costs (see below). The latter, whilst not incorporated into base build costs or externals, can generally be identified at the outset whereas contingencies cater for situations in construction that cannot reasonably be foreseen.

Lichfields perspective on externals

Our analysis suggests that a rate of between 10% and 20% is most commonly used within viability assessments to account for external works. We consider that the use of a range is reasonable to take account of variations in external costs between different sizes of schemes and different forms of development. It must also be noted that if an alternative basis is used for base build costs (i.e. other than BCIS) then externals may or may not be required as a separate element. In such cases, consideration should be given to the scope of what is included in the base build costs.

89%

made a contingency allowance of between 2.5% - 5% of build costs

A contingency allowance is linked to the risk associated with development projects and is therefore also linked to developer profit. This is reflected in both RICS valuation guidance[1] and PPG[2] with the latter stating that "a justification for contingency relative to project risk and developers return" should be provided. The DPM similarly states that:

"Plan makers should not plan to the margin of viability but should allow for a contingency to respond to changing markets and avoid the need for frequent plan updating. Including a contingency within the viability study will de-risk the plan in that there is room to accommodate a change in economic circumstances / site specific issues." (Page 245).

Our analysis shows that over 88% of local authorities (82/93) made a contingency allowance of some sort, the majority of which made an allowance as a percentage of the base build cost. In a small number of cases, an allowance was made as a percentage of the base build cost plus other costs such as external works and professional fees.

Contingency allowances were shown to sit within a relatively narrow range: we have found that of the local authorities that did make a contingency allowance, 89% of the studies made an allowance within the range of 2.5%-5% of build costs, although 5% was by far the most common assumption. Both 5% and 5% have been cited as reflective of industry norms. Very few contingency allowances sat outside this 2.5%-5% range and are therefore not deemed significant for the purposes of this exercise.

Bradford Council utilised a contingency of 6% whilst Cambridge and South Cambridgeshire applied contingency rates of 5% and 7% respectively. Hull Council applied the lowest rate of just 2%.

Of the local authorities that did make a contingency allowance, 24% applied a higher allowance for brownfield sites than for greenfield sites. Brownfield site contingencies tend to sit towards the 5% end of the range. By contrast, the risk in delivering greenfield sites is lower and therefore necessitates a smaller allowance (typically 2.5-3%).

Professional fees

Definition

The cost of professional inputs to planning, design and project management in the development process.

There are a range of professional services that are required in the development process and that need to be accounted for in viability appraisals. The precise composition of services required will vary according to the characteristics of any given development. To simplify this, it is common practice to combine these costs together and factor them into the viability assessment through the application of a percentage of base build costs. The PPG states that the cost of professional fees should be taken into account when defining benchmark landvalue[3].

Lichfields perspective on contingency

The choice of either a flat rate contingency or a tiered system depends heavily on the array of sites needing to be tested, with authorities with a greater mix of greenfield and brownfield sites perhaps being more inclined to adopt the latter approach. In either case, our research has demonstrated that an indicative range of 3-5% of base build costs is reflective of industry norms across England and Wales. In line with the PPG and the DPM, the application of an appropriate contingency allowance should be assessed within the context of the risk profile that is also reflected by developer profit margins.

[1]RICS Professional Guidance Note (2019) Valuation of development property, 1st Edition

[2]Reference ID 10-012-20180724

[3]Reference ID 10-012-20180724

Our analysis found that almost all studies (94%) explicitly included an allowance for professional fees. 83% of these studies (72/87) applied a professional fees assumption within a tight range – 8–10% of build costs considered. Only 17% of studies (15/87) relied upon assumptions that were outside this range with a maximum of 12% and a minimum of 5% of build costs.

The effect of economies of scale is an important consideration in the application of a professional fees allowance. The cost of preparing a planning application, designing and project managing a scheme is likely to be disproportionately higher for smaller schemes. Despite this, our analysis demonstrated that only approximately 20% of studies applied a differentiation on the basis of size of site/total number of units.

Development finance

Definition

The cost of borrowing to finance a development, usually referring to interest rates and arrangement fees

Development appraisals should account for the timing of developer expenditure and revenue during the construction period. At the start of the construction period the balance between expenditure and income is heavily skewed in favour of costs as site preparation works take place and there are no completed units that can be sold. As more units are completed and sold the balance gradually shifts up to a point where a developer's net cash flow is positive (see Figure 6).

It is common practice in conventional development appraisals to assume that all costs incurred by developers are financed by borrowing and therefore subject to an interest rate. This is a reasonable assumption and even if only some of the scheme was to be debt financed, it would be appropriate to make some allowance for the opportunity cost associated with investment in the project.

An interest rate is therefore applied to the net cash flow throughout the development lifespan until the inflection point of a positive net cash flow is reached. At this point, development appraisals may assume that the surplus generated may be re-invested and therefore subject to a credit balance interest rate. The level of sophistication of cash flow models used will, to a degree, dictate whether or not a credit balance interest rate is accounted for. Additionally, the point at which a scheme starts to turn a profit will vary and is therefore more difficult to generalise on an area-wide basis. As a result, our analysis focuses only on the assumptions used around debt financing. In general, we found that very few area-wide

Lichfields perspective on professional fees

Our analysis provides a strong basis for 8–10% of build costs being a typical range for professional fees assumptions in a local plan viability context. However, it should also be noted that there are a range of factors – including site size – that can affect the appropriate rate to apply. A point that is not clear from the analysis is the extent to which professional fees vary between types of sites, e.g. brownfield/greenfield and location. In sensitive areas, or where the site is heavily contaminated etc, there might be a need to do more by way of technical assessment/justification for the development. By comparison, greenfield sites (even when allocated) may also require higher professional fees to support potentially a more controversial and drawn-out planning case. Due to this complexity it is perhaps unrealistic to expect that a professional fees allowance – particularly within an area-wide context – can adequately reflect this granularity.

85%

applied a debt interest rate of between 6%-7%

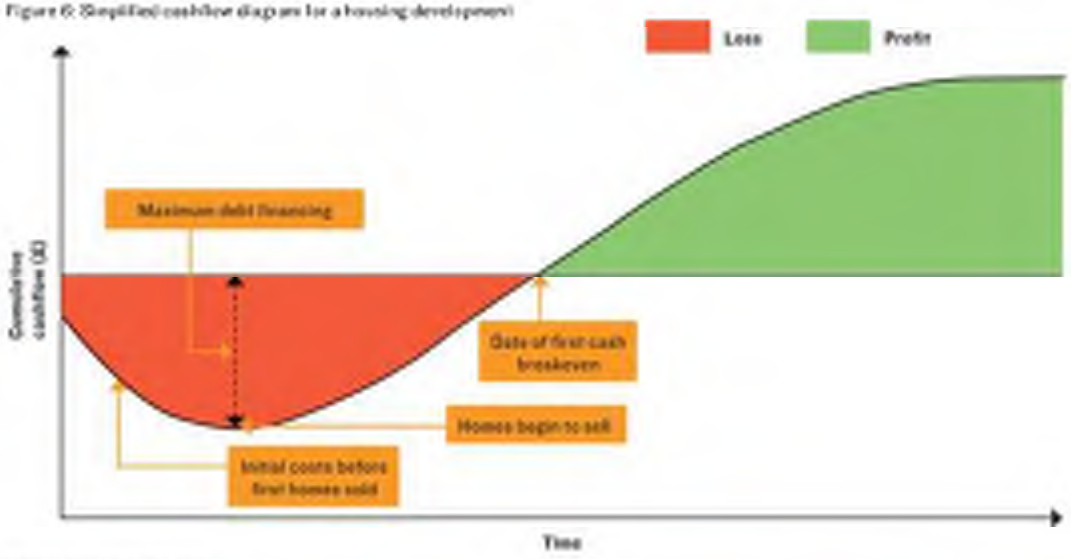
studies made assumptions in respect of a credit balance interest rate.

Within the studies assessed, development finance is illustrated as a percentage and occasionally including a separate percentage on top for an arrangement fee. Our analysis has shown that 85% of studies (79/93) utilised a debt interest rate of between 6% and 7%, incorporating an arrangement fee where relevant. A wider view shows a complete variance of between 5% and 9% with only one study (South Downs National Park) utilising a 9% figure (7% plus arrangement fee of 2%). On the other end of the spectrum the lowest interest rate used in the assessment was 5% - used by three local authorities (Hull, Newark & Sherwood and Newport).

Based on our analysis it appears that a relatively narrow range of values is used in the development appraisals in relation to interest rates (between 6 – 7%) with nine authorities including an arrangement fee of 1 to 2% on top of this. Some authorities did not separate the finance fee from the arrangement fee and provided a single percentage.

The narrow range of values used for development finance appears to be based on standard assumptions of what interest rates banks are willing to lend on which are based

Figure 6: [illegible] cashflow diagram for a housing development



Source: Lichfields analysis



Figure 7: 1 Year LIBOR Rate (1986-2020)



Source: www.macrotrends.net

on the LIBOR (London InterBank Offered Rate). Although currently much lower now than it has been in the recent past (see Figure 7), at the time when several of the studies were prepared LIBOR would have been far higher in comparison to the Bank of England base rate which is currently extremely low. This explains why the interest rates applied appear high within the present context but also the variance in rate may be explained due to the fact the studies reviewed have been prepared across a broad timespan. In seeking to understand the fluctuating LIBOR rates, consideration should also be given to the economic climate and willingness of banks to lend. As set out above, this will have a direct impact on any consideration of whether the assumptions that have been made by individual local planning authorities in respect of finance rates arereasonable.

It is also important to consider the period of time that the money is borrowed for. This is of course influenced by the amount of time that it takes for a development site to go through the planning process and deliver completions and sales on site. Lichfields' Start to Finish research sets out assumptions on development timescales and delivery rates.



Lichfields perspective on finance

Our analysis reveals that debt interest rates applied sit within a relatively narrow range (between 6 – 7%). Within the current context the upper end of this range may seem high, and future applications need to have regard to the prevailing economic conditions and LIBOR rate (or its successor - the Secured Overnight Financing Rate).

91%

adopted a sales and marketing assumption of 2.5-3.5% of GDV

Sales and marketing

Definition

The costs associated with selling completed homes including the costs of setting up show homes, employing marketing staff and advertising as well as associated legal fees.

The costs associated with selling completed homes will vary based upon the scale of development. For larger schemes, most developers incur the costs of opening show homes, operating marketing suites and employing dedicated sales staff. This may not be the case for smaller schemes which might opt for the utilisation of an estate agent to market the properties. Irrespective of scheme size, it is typical that developers incur the cost of digital marketing through online platforms.

Our analysis shows that 96% of assessments (89/93) included an assumption for sales and marketing. Of the assessments that did provide a figure 91% of local authorities (81/89) adopted a figure for sales and marketing between 2.5% and 3.5% of GDV. A wider view shows that the total range was between 2% and 6%. All percentages were based on GDV, with 11 local authorities basing the percentage on open market GDV only. Such an approach is not unreasonable as the transfer of affordable homes to Registered Providers would not necessitate marketing expenses, although there will be some legal costs involved in the process which should be taken into consideration.

The London Borough of Bromley utilised a range of between 3% and 6% with 6% being the highest percentage used by any authority in our study, by a considerable distance. There is no explanation for the higher end of the range, although we might speculate that the use of a range reflects a need to differentiate between larger schemes which may incur far higher marketing overheads compared to smaller schemes.

15 local authorities allowed an extra cost for legal fees (represented as a price per unit) in addition to the percentage figure summarised above. The range of figures applied was between £400 and £750 per unit, with 11 authorities applying a figure of £750 per unit. The authorities that included a separate fixed cost for legal fees tended not to apply a lower percentage figure for sales and marketing costs compared to the authorities that did not include an additional fixed cost for legal work.

Lichfields perspective on sales and marketing

Sales and marketing costs are standard metrics that need to be included within a viability assessment. Our research points towards a general consensus that 2.5%-3.5% of GDV is a typical range, with individual circumstances dictating where within this range a local authority sits. For local authorities with a broad range of typologies, it may be appropriate to apply a differential rate, but within this identified range.

Whilst not common throughout the evidence base, it is not unusual for local authorities to include a cost for legal fees on top of the percentage. The evidence suggests that a figure of £750 per unit is reasonable in this instance.



77%

applied a land acquisition allowance of 1.5-2.25% of the purchase price (excluding SDLT)

Land acquisition

Definition

The agency and legal fees, and stamp duty land tax, associated with the acquisition of land by a developer.

Land acquisition costs generally cover both agents and legal fees. This relates to the cost incurred by developers in the acquisition of land. It is separate to the sales, marketing and legal fees that are associated with the disposal of completed homes to purchasers.

Our analysis has shown that the viability assessments have exclusively expressed land acquisition costs as a percentage of the land purchase price. Stamp Duty Land Tax (SDLT) is typically applied as a separate, additional component of the land acquisition fees and is based on the land value at the prevailing rate.

81% of assessments (75/93) provided a figure for agent and legal fees or a combined fee for both elements. For those authorities that provided separate figures for agents and legal fees:

1. The agency fee typically ranged from 0.75% to 2%; and,
2. Legal fees typically ranged from 0.25% to 1%.

Combined, the percentage ranged from 1% to 6.8% of purchase price. It is noted, however, that the upper end of this range represents studies that included an 'all in' land acquisition percentage, comprising agents and legal fees as well as SDLT. Stripping out those local authorities who factored in a SDLT component, it appears that the upper limit of the range was 3.5% (Arun).

Considering the data in the round, 84% of studies (63/75) sat between 1% and 3% of purchase price. A significant majority (77%), however, sat within an even tighter range of 1.5% - 2.25%.

Lichfields perspective on land acquisition

Similar to the sales and marketing costs, the land acquisition costs are fairly standard metrics that need to be included within a viability assessment and there appears to be a general consensus that a combined percentage of between 1.5% and 2.25% of the land purchase price is an appropriate allowance for land acquisition costs (agent and legal fees) with SDLT to be added on top of this.

61%

did not apply an allowance for abnormal costs

Factors with greater variation

Abnormals

Definition

Costs generally that are considered out with the standard construction requirements of a scheme. This can include a variety costs, including (but not exclusively) site clearance/demolition/ remediation, decontamination, enhanced foundations, service diversions, flood mitigation etc.

As the above definition hints at, a precise and all encompassing definition of what constitutes an 'abnormal' development cost can be hotly contested and different parties involved in viability appraisal will have different definitions. As abnormals are not standard construction costs, often preliminary site investigation work is required to determine their nature and extent. This in of itself can be a time-consuming and costly process and does not necessarily lend itself well to the levels of standardisation that are generally required to input to high level, area-wide viability models.

Perhaps as a result of this inherent uncertainty, 61% of studies (57/93) did not apply an allowance for abnormal costs. We found that there were a variety of reasons for not doing so, although in general terms the authors of many viability assessments suggested that it can be inappropriate to be building in what can be – by their nature – highly variable and site-specific cost assumptions to a high level, area-wide study. Other justifications for non-inclusion were due to abnormal costs being factored into other input assumptions, such as the land value and within a viability 'buffer' (although to a far lesser extent).

Two thirds of the studies that did apply an allowance for abnormals adopted a brownfield-only approach (with no allowance applied to greenfield sites). A minority of studies 34% (12/35) applied a blanket abnormals cost allowance to all sites, and in some cases this was supported by a narrative to articulate why this was necessary. Reasons included the presence of abnormal ground conditions, such as sloping sites or a legacy of coal mining activity, across a range of (brownfield and greenfield) typologies.

Reflecting the inherent complexities associated with modelling abnormal development costs as part of an area-wide viability model, a broad spread of approaches was observed, including:

1. % of build costs allowance - 49% (17/35);
2. Cost per hectare (or acre) allowance - 31% (11/35); and,
3. Cost per unit allowance - 14% (5/35).

A percentage of build costs approach was most commonly observed although there was significant variability in the actual percentage applied – and it is therefore not possible to draw any transferable generalisations from this.

Lichfields perspective on abnormals

Abnormal development costs are inherently difficult to standardise for the purposes of area-wide viability modelling. Despite our analysis revealing that the majority of studies did not apply an allowance for abnormals, the potential impact on viability that such costs can exert cannot be ignored, especially in former industrial areas. Local knowledge of site typologies is therefore important to make a balanced judgment on whether it is appropriate to apply an allowance. If applied, assessment authors should set out clear justification for inclusion, ensuring that these would not overlap with other site costs that are already accounted for. In addition, careful consideration needs to be given to the interface between abnormal costs and land value (see Section 6).

Opening up costs

Definition

Initial costs associated with the provision of infrastructure required to open a site up for development.

In discussing costs that need to be considered in a viability assessment, the PPG does not specifically reference opening up costs. However, it does recognise that costs include:

"Site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy." (Reference ID 10-012-20180724).

Some of these will be opening up costs such as the cost of creating a site access whilst others would fall under the umbrella of externals, perhaps due to the lack of clear guidance in the PPG. The DPM in Wales is more specific and recognises that greenfield sites may have 'opening up' costs.

Within our analysis we found that 'opening up costs' is not a term that is in widespread use and there is quite a lot of crossover between costs being incorporated within different cost assumptions such as externals and other general terms. Where this is the case it is difficult to quantify the basis of the opening up costs. For example, one consultant who has prepared a number of assessments uses a term called 'other normal development costs' which includes costs for roads, drainage and services within the site, parking, footpaths, landscaping and other external costs. Due to this and the wide range of costs identified we have concentrated on the method of calculating the cost assumption as opposed to the actual cost. However, we note that for all sites there was an obvious correlation between the costs applied and the number of dwellings on site. However, flatted schemes are generally afforded a smaller sum or percentage compared to houses due to the reduced need for 'opening up' costs for a higher density scheme on a smaller site area.

58% of assessments (54/93) did not include a specific reference to 'opening up' costs although as explained above, this is not to say that the costs have not been provided as part of another cost input such as externals or a broader definition.

Of the 39 local authorities that specifically referenced 'opening up' costs as an assumption in their viability assessment, 28% (11/39) presented this as a cost per hectare allowance, 53% (21/39) presented this as a cost per unit allowance and 19% (7/39) used a different approach.

Of the authorities that specifically referenced opening up costs 67% (26/39) used a differential allowance, i.e. a range of different costs depending on various factors such as size of site, houses/flats and whether it is greenfield or brownfield.

Lichfields perspective on opening up costs

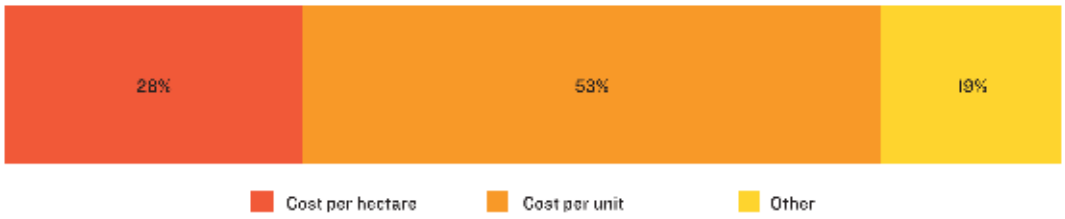
The issues seen in respect of opening-up costs raise an important issue regarding the way in which costs are apportioned to different categories. Local planning authorities should be very clear about their approach to construction costs, externals, abnormals, contingencies and opening-up costs, including a detailed breakdown of the components of each and the assumptions that have informed their identified rates for each. This will allow proper review at plan preparation stage.

It is sensible for local planning authorities to provide a range of different sums/percentages as it is clear that opening up costs will vary from site to site, based on the nature of the location and the extent of work that is required to facilitate the development of the site. A brownfield site is likely to already have provision for access and utilities, albeit they may need to be upgraded. An approaches based on a per hectare basis or a per unit basis can both be considered appropriate as long as they are justified by evidence.

26%

applied a viability buffer of some form

Figure 8: Opening up costs



Source: Litchfields analysis

Viability buffer

Definition

An allowance that is built into a viability assessment in order to allow flexibility for varying circumstances such as increased costs, reduced values or site-specific costs.

It is important that development plans do not plan to the margin of viability. The concept of a viability buffer is one that seeks to ensure that developments can remain viable should circumstances change in the future. To avoid any risk of development becoming unviable and therefore not being delivered, it is appropriate to proactively plan for a viability 'headroom' which can help to mitigate adverse economic conditions.

The PPG advocates the application of a buffer in relation to CIL*:

"A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust." (Reference ID 25-020-20190901)

There is no direct equivalent reference in the viability section of the PPG and this is reflected by our analysis which reveals that only 26% of studies (24/93) applied a viability buffer of some form, and that the majority of these (20) were applied within the context of preparing CIL charging schedules. Just over half of all CIL studies analysed included a viability buffer whereas this was the case for less than 5% of all development plan viability assessments. Furthermore, most of the development plan viability assessments that included a buffer were carried out in conjunction with emerging CIL charging schedules or by referring back to CIL charging schedules adopted in relation to the previous local plan.

Where applied, our analysis has indicated that buffers were typically applied as a percentage (ranging quite dramatically from 20%-50%). The application of a 20% buffer essentially means that proposed CIL rates are 20% less than the maximum level of CIL that could be viably supported. Our analysis also found a more nuanced application of a buffer in a small number of cases, with three studies choosing to apply a higher buffer for larger and strategic sites.

The finding that development plan viability studies have not typically applied a buffer might well be a function of structural differences. It is easier to see why appropriate flexibility margins need to be built into headline CIL charging rates from the outset, as once adopted, CIL rates are non-negotiable. By comparison, studies that aim to assess the viability of local plan policy requirements have been prepared in the knowledge that policy requirements can be subject to negotiation on viability grounds – although the new emphasis on frontloading and an assumption of viability

*CIL regulations apply both to England and Wales and therefore PPG applies to Wales in this matter

at the decision-taking stage reduces the scope for this in the future. In addition, it is easier to see how a buffer can be applied to a financial contribution such as CIL than to the types of requirement that might be sought through a Section 106 agreement or environmental/ design requirements.

Another possible reason for not including a viability buffer is where flexibility margins are built into other areas of the modelling. One CIL study (North Somerset) did not deem it necessary to set an additional amount as a buffer, *"since buffering had been built into the whole approach"*. There are several possible viability assumptions where this is theoretically possible, through the use of average values and the necessary adjustments to contingencies and developer profit to reflect risk in the process. In Wales, the DPM identifies an allowance for contingencies as a means by which it will be possible to avoid planning to the margin of viability, whilst the viability section of the PPG suggests that assumptions on risk in viability assessments are the primary vehicles by which flexibility is ensured over time:

"As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project." (Reference ID 10-009-20190509).

Lichfields perspective on viability buffer

Flexibility to account for changing circumstances is a fundamental issue in viability, and particularly so in the current economic climate. Whether or not a 'buffer' is directly referred to, that the approach of individual local authorities to addressing flexibility is going to be critical in the success (or otherwise) of the policy approach of frontloading viability considerations to the development plan process. Given the narrowed scope to reconsider viability issues at the decision-taking stage, the inclusion of a buffer provides one way in which flexibility might be achieved in assessing the viability of development plans. However, this involves considerable practical challenges. For instance, to which elements of policy requirements should the buffer be applied? And how could it apply to design/sustainability requirements that are built into the development? Where flexibility is built into other components of the viability assessment, this should be made explicit.

The existing 'decision-maker decides' approach to application stage viability assessment may not provide the required flexibility in the current circumstances, and there is a risk of inconsistency between authorities regarding their willingness to adopt a flexible approach in respect of viability considerations. A better way to achieve flexibility may be through the reinstatement of application-specific viability assessments.

06
It all comes down to land value

An undeveloped parcel of land that is granted planning permission for residential use – or indeed most forms of development – will experience an uplift in value. In many cases, this uplift will be fairly significant. This economic phenomenon is central to an age-old question in planning and development: to whom should the lion's share of the value uplift accrue? Should it benefit the developer, the landowner, or the public in the form of planning obligations? This question continues to represent one of the most challenging issues for practitioners engaged in area-wide viability assessments as they attempt to strike the fine balance between demonstrating that a local authority's pipeline of sites can be delivered viably whilst also complying with planning policy expectations.

The concept of a Benchmark Land Value (BLV) refers to the middle ground that needs to be found to satisfy both local authority and landowner. The PPG reinforces the need for this balance to be struck through stating that the BLV 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...while allowing a sufficient contribution to fully comply with policy requirements." (Reference ID 10-013-20190509)

By its nature, a middle ground position is a relative one that is sensitive to both area-wide and site-specific concerns. It is therefore difficult to measure in absolute terms or indeed compare easily between different local authorities. Notwithstanding the obvious complexities associated with this key issue, our analysis focuses on what we have interpreted to be the two areas in which some generalisations may be made:

1. The approach used in determining the BLV; and,
2. The concept of a landowner premium.

Approach

In a previous Lichfields' blog[1] we discussed the implications of the Parkhurst Road High Court judgment from April 2018[2]. This landmark case dismissed the approach used by the appellant to determine the BLV as it focused solely on the



[1] 'Reassessing land values' https://lichfields.uk/blog/2018/june/20/reassessing-land-values/

[2] Parkhurst Road Ltd (PRL) and Secretary of State for Communities and Local Government and the Council of the London Borough of Islington [2018] EWHC 966

use of comparable market evidence – evidence which is intrinsically more difficult to compare due to limitations with transaction numbers and also due to lack of transparency regarding how land values are affected by policy requirements. The latter, the judge argued, causes issues of 'circularity' whereby policy non-compliant land values may be used to artificially inflate BLVs over time. To avoid such an issue, the case endorsed an approach which centres around the existing use value (EUV) with the application of an appropriate uplift or premium – the so-called 'EUV+' approach – and denoting the use of market evidence to a supporting or 'sense checking' role. In considering comparable market evidence, it is important to ensure that it is truly comparable in terms of their location, use, and compliance with policy requirements. Taking account of a site that is not actually comparable would undermine its ability to serve any meaningful purpose and could weaken the robustness of a viability assessment and the credibility of its results.

A key element of 2019 NPPF/PPG was the introduction of a requirement to apply the EUV+ approach[8], but our research shows that this was being commonly applied prior to the Parkhurst Road judgement and the publication of the 2019 NPPF. Indeed, our analysis shows that 63% of studies (59/93) used the EUV+ approach as the central method for determining BLV. In several instances, this approach was complemented by other strands of evidence such as market evidence and developer consultation. 23% were found to use alternative approaches which in the main focused around analyses of comparable land transactions. Only 14% of studies failed to include any detail regarding the approach to determining BLVs.

Although this finding might be interpreted as a direct response to the Parkhurst Road judgment (with many of the studies analysed as part of this research post-dating it), the underpinning evidence bases are likely to have been developed over a period of time stretching back several years prior. This suggests that practitioners have been employing the EUV+ approach for some time, and that the Parkhurst Road judgement and subsequent modifications to 2019 NPPF/PPG could in fact be reflections of what was already taking place in practice.

63%

Used the EUV+ approach to determine Benchmark Land Values



[8] It should be noted that the GPM similarly adopts a BLV approach and states on page 143 that 'the evidence should be clear as to what financial return (or benchmark land value) would realistically entice a land owner to sell for the proposed use'.

Based upon our analysis, it is also interesting to note that EUV+ was being applied widely in spite of the RICS guidance that applied at the time[7] which appeared to distance itself from this approach (however, it is important to note that the latest RICS guidance[8], effective from July 2021, now aligns itself with this approach). The 2012 guidance highlighted the approach's arbitrary notion of a premium; how this can lead to inconsistent practical applications, and also how it can lead to instances of both over- and under-valuation.

Premium

As referenced above, there is no explicit policy guidance on the scale of land value uplift to apply in assessing the BLV. It is perhaps unsurprising that the PPG and DPM both stop short of doing so given the complexity involved in establishing the somewhat arbitrary concept of a 'minimum return' for a 'reasonable landowner'. Practitioners charged with the task of setting area-wide BLVs have been faced with the challenge of reconciling an array of quantitative and qualitative data (including market information and developer representations) whilst also attempting to reconcile site-specific interests with factors relevant at a local authority level. Within the framework of EUV+, we recognise that this is a challenging and contentious exercise which has the potential to leave interested parties feeling aggrieved if BLVs are set too low (risking the non-release of sites to the market) or too high (risking the viability of sites and/or potentially failing to comply with policy expectations).

It is also difficult to undertake a comprehensive analysis of the level of premium applied in each study that we reviewed for a variety of reasons:

1. The assessment of a reasonable premium is sensitive to location (it is not the case that one level of premium should be applicable across multiple sites);
2. EUV+ lends itself to a variety of approaches which cannot always be readily compared. For example, some employed an EUV+ %/multiplier whereas others employed an 'uplift split' approach whereby the increase in land value is shared between the landowner and the public (in line with the approach adopted in the Shinfield Road appeal decision [9]); and,
3. The way in which information is laid out within underlying reports places limitations on our analysis. For example, the issue of premium (over EUV) is not always reported directly and our analysis is therefore contingent on there being the relevant information provided which would allow us to impute the practitioner's approach to the premium. In respect of this point, we note that the judgment of Dove J in *R (Holborn Studios Limited) v London Borough of Hackney*[10] found that the ability of the public to engage on the issue of viability in an informed basis was compromised by the fact that "*no explanation was provided as to how the benchmark land value had been arrived at in terms of establishing an existing use value and identify a premium as was asserted to have been the case.*" (Paragraph 71). Whether prepared for a planning application or a development plan, the point is that viability assessments must be very clear in explaining how the BLV was derived.

Although the majority of practitioners used the EUV+ method, our analysis shows that the way in which it is applied varies considerably. The most obvious difference – and one that would be expected – is linked to the existing use of individual sites. For brownfield sites, we found that studies favoured a simple percentage uplift over EUV, whereas for greenfield sites a EUV multiplier was typically preferred. Although this subtle difference may not seem significant, the use of an EUV multiplier is reflective of the fact that, typically, the value of undeveloped agricultural and paddock land (vis à vis greenfield land) is lower and therefore the difference between the EUV and the BLV should be considerably higher in order to incentivise a landowner to release their land for residential development (and one for which a % uplift approach would be cumbersome mathematically).

[7] RICS Professional Guidance Note: Financial Viability in Planning, 1st Edition (2012)

[8] RICS Professional Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition (2021)

[9] Land at The Manor, Shinfield, Reading (PINS Reference APP/X0360/A/12/2179140) 9 January 2013

[10] R (Holborn Studios Limited) v London Borough of Hackney and BFL (Eagle Wharf Road) Limited [2020] EWHC 1638

Many studies reported ready-reckoners for agricultural land values. Despite being simplifications of the market for commercial agricultural land, these provide helpful benchmarks that provide a starting point for determining an appropriate EUV multiplier for greenfield sites. As one would expect, there was some variation across the country in the value of base agricultural land, although where reported there was a broad coalescing of values in the region of £20,000/hectare (c.£8,000/acre). Accordingly, a site with a BLV assessed as £400,000/hectare would represent a multiplier of 20 times EUV (20 × £20,000/hectare). Clearly the same generalisations could not be determined for brownfield sites due to the inherent variation in EUVs. In the absence of reported evidence on EUVs, we note that the use of area-specific land value estimates for industrial and agricultural land published annually by MHCLG may be of use for this purpose[5].

Notwithstanding the caution that should be exercised in doing so, a quantitative summary of the premiums applied to brownfield and greenfield sites is set out below:

1. **Brownfield** – generally a more consistent approach was applied for brownfield sites with the majority of studies using percentage uplift over EUV. Of the 26 studies where we were able to discern the brownfield premium, we found that 69% of these (18/26) assessed a reasonable premium as being EUV+ 20%. We found that the maximum percentage uplift over EUV ranged between 10% and 45%, but the most common uplift was 20%.
1. **Greenfield** – of the 29 studies in which a premium was discernible, 52% sat within a range of 15 to 20 times EUV. The maximum level of premium observed was close to 40 times EUV but we found that the premium tended not to be set any lower than 10 times EUV.

It should be stressed, however, that in line with the conclusions of Holgate J in the Parkhurst Road High Court Judgment, a 'standard' uplift/premium is not appropriate when assessing an appropriate BLV and that consideration should be given to local and site-specific factors. Cognisant of this Judgment, we emphasise that the analysis above serves to provide benchmark for the scale of premium – on an area-wide rather than site-specific basis – that has been found sound by planning inspectors at recent development plan and CIL examinations.

Application in practice

Whilst the analysis above intends to set some broad quantitative parameters to the notion of a 'reasonable incentive', there are other factors that need to be considered when defining a BLV on a site-specific basis.

Principally, this relates to how the BLV (and more specifically the premium applied to define it) should be adjusted to make allowance for the level of costs associated in bringing the site forward for development. The PPG[6] states that the following costs should be taken into account when defining BLVs:

1. **Abnormal costs** including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites;
2. **Site-specific infrastructure costs** which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy;
3. **The total cost of all relevant policy requirements** including contributions towards affordable housing and infrastructure, CIL charges, and any other relevant policies or standards; and,
4. **Any professional site fees** including project management, sales, marketing and legal costs incorporating organisational overheads associated with the site.

One might be forgiven for thinking that this list essentially comprises the majority of the costs that any site may incur, with the exception of base construction costs and externals, and that this feels a rather exhaustive list to factor in. However, what this wording attempts to ensure is that developers and other parties have regard

69%

Reasonable premium: EUV+20% (Brownfield)

52%

Reasonable premium: 15-20 times EUV (Greenfield)

[5] Ministry of Housing, Communities & Local Government: Land Value Estimates for Policy Appraisal (2020)

to the total cumulative cost of development when negotiating land prices. Within a EUV+ context, this means that landowners whose sites are not inherently straightforward to develop (by virtue of their specific remediation, infrastructure, policy-related factors that need to be addressed) should be prepared to accept a land value that reflects a reduced premium above EUV.

This rather important amendment is reinforced with a statement in PPG (on five separate occasions), that:

"Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan." (Reference ID 10-014-20190509)

How all of this plays out in practice is complicated, but we consider the following points represent the main practical considerations:

1. The absolute scale of reduction in premium that should be applied for a site with high abnormals, infrastructure and policy costs is no clearer from this guidance and still leaves a lot of room for subjective interpretation;
2. Notwithstanding the complexities of making the premium adjustments at a site-specific level, it is perhaps even less clear how can this issue can be dealt with equitably on an area-wide basis across a range of sites with different characteristics;
3. It is evident, however, that there is no such thing as a 'one size fits all' uplift to existing use value;
4. Bid prices for land need to be considered even more carefully, and potentially having regard to detailed site investigation work which ordinarily might have been expected at a much later stage of the development process. This cost 'frontloading' will need to be undertaken by developers/ landowners/site promoters at risk which could potentially prove to be a significant obstacle for SME developers;
5. The requirement for price paid not to be taken into account in viability assessments reflects now-established practice but may still take some more time to filter through the system: there may be some more disappointment before this is fully accepted by all; and,
6. For strategic land promoters and developers that have secured option agreements with a pre-agreed purchase price the implications of the updated guidance is potentially a significant problem and one that could severely undermine site viability and deliverability.

Going forwards, the issue of BLV – and more specifically the application of an uplift to EUV – is likely to be a key argument during local plan examinations and inspectors will be called upon to adjudicate between a range of assumptions. But the one thing that cannot be up for debate is that the price paid cannot be factored into any viability assessment or used as a basis for seeking flexibility in respect of the application of policy requirements.

07
The viability challenge of garden communities

Whilst the PPG and DPM both advocate a typology approach to viability assessments in place of individual testing of every site, they recognise the importance of considering the specific circumstances of strategic sites that are significant to delivery of the strategic priorities of the plan. Whilst many development plans will incorporate strategic sites, the scale of these and their contribution to the strategic priorities of the plan will vary considerably. The challenge associated with assessing the viability of the very largest of strategic sites – garden communities – has been brought into sharp focus by the recent experiences of Hart, Uttlesford and the North Essex authorities.

1. In North Essex two of the three proposed garden communities were found to be neither justified nor deliverable. As a result, the spatial strategy and plan itself were found to be unsound;
2. The Uttlesford inspectors recommended that one of the three garden communities that were proposed should be deleted but considered the scale of changes that would be required meant that withdrawal was the most appropriate option; and,
3. The Hart local plan was only found sound after the proposed garden community had been removed.

A number of key themes can be drawn from these three cases. Whilst these ultimately revolve around the scale and complexity of garden communities and point to the importance of ensuring that robust and justifiable assumptions are made about costs and revenues, they are transferable to all viability assessments as they are essential in order to fully understand whether the scheme would be viable and, ultimately, if it could bedelivered.

1. In each case, the inspectors expressed concern about the treatment of costs in the viability assessment. Infrastructure costs are likely to be significant and, despite potential uncertainties, need to be robust and justified, and take account of evidence of funding that has been secured. In North Essex, HIF funding was shown to be available for two of the three proposed garden communities, but in Uttlesford the inspectors were not convinced about the scale of funding necessary or whether the garden communities could support such costs. As such, they did not feel that it had been adequately demonstrated that the garden communities were viable or deliverable. Other sources of funding including from Homes England – may continue to be critical to the delivery of garden communities in the future.
2. Reflecting on the complexity of delivering new garden community, the Uttlesford inspectors drew on the 2012 RICS guidance in suggesting that professional fees should be set at a commensurate level (20%). They also expressed surprise that the viability assessment had not included any allowance for contingencies. In respect of this, the North Essex inspectors noted that the level of risk and uncertainty associated with planning for garden communities at the plan making stage means that an appropriately high level of contingency should be provided. In this case, they considered 40% to beappropriate.
3. The amount of land that is required for the development of garden communities creates difficulties in estimating a minimum land price that would constitute a competitive return. It is important to avoid basing the viability assessment on a land price which is too far below such expectations, if landowners are to be persuaded to sell. However, the EUV+ approach applies to garden communities as well as all other development typologies and basing land values on comparable evidence without adjustment to reflect policy requirements can lead to developers overpaying for land. This may then compromise the achievement of policy requirements if the developer seeks to recover overpayment through a reduction in planning obligations. This is the "circularity" point that was identified by Holgate J in the Parkhurst Road Judgment. A phased approach to the delivery of

such large-scale developments affects the approach to land purchase with individual tranches typically being purchased two years prior to development. The impact of this is that land payments are staged through the development process, significantly (and beneficially) impacting on cash flow.

4. The viability assessment should be based on an appropriate build rate. Basing it on an unrealistically high average rate would not provide an accurate indication of viability as this would assume that revenue would be generated more quickly and interest payments would be reduced. It should also be acknowledged that build and sales rates will be slower in early years and that infrastructure costs to be disproportionately high. This should be reflected in the cost of borrowing and the level of peak debt.

5. The PPG advises that current costs and values should be considered when assessing viability of plan policy. Policies should be deliverable and not based on exception of future rises in values for at least the first five years of the plan period. This ensures realism and avoids complicating the assessment with uncertain judgments about the future. The Harman Review recognised that forecasting house prices or costs is notoriously difficult over shorter term, and subject to wider inaccuracies over medium and longer term. There is no guarantee that a specified growth rate will be sustained throughout the decades it would take to build the proposed garden communities. Similar uncertainty also exists in respect of building and infrastructure costs. Application of inflation assumptions can result in dramatic (and unrealistic) increases of residual land value and need to be considered very carefully.

To some extent, the approach to modelling viability for garden communities is no different than in respect of any other form of development. However, the scale and timescales create challenges that are unique to garden communities and the recent examples of North Essex, Uttlesford and Hart provide a cautionary tale for all those involved in the promotion of similar schemes.



08
Conclusions and implications

In what the Government itself has branded an opaque area of practice, viability assessment is becoming increasingly intertwined with planning and plan making. This lack of transparency has been cast into sharper focus by the judgment of Dove J in the Holborn Studios case which highlighted the need for a better understanding of what the PPG describes as 'standardised inputs'.

This Insight provides a means by which we can begin to move towards a true standardisation of viability assessments. It is hoped that it helps to overcome concerns about the publication of commercially sensitive data and thereby allows for a more meaningful debate about development viability, at both the plan-making stage but also at the decision-taking stage, where circumstances permit. By its nature, it is acknowledged that standardisation will not account for all eventualities, and there will inevitably be specific circumstances that justify the application of alternative inputs. Given the array of challenges facing housing developers in the midst of a pandemic, we would expect application stage viability assessments to become increasingly common in the short to medium term. Within a climate of continued uncertainty, there is a risk that standardised inputs can rapidly become out-of-date, and we would therefore urge decision-takers to consider more closely the need for flexibility as circumstances change.

Of course, there are financial implications associated with the standardisation and front-loading of viability assessment. Rather than limiting engagement to application stage negotiations, the new system requires more protracted engagement across the entire development plan-making process, necessitating far greater work and expense for developers. Both English and Welsh Governments have recently made clear their desire to promote competition amongst developers and to assist SMEs and new entrants to sector, but it is not clear to what extent the time and cost investment of extensive engagement will militate against this ambition. What is clear, however, is that this system requires developers to engage heavily in the process of development plan making on viability issues and within the framework of standardisation. As such, we would expect – and are already seeing evidence of – viability issues to play more of a determining role in the success or failure of development plans in the future.

It is unclear yet what the implications of the Government's White Paper proposals will have on viability in planning and plan-making. This is principally due to the fact that the White Paper is, to all intents and purposes, silent on key viability issues that this Insight has highlighted. What does clearly have the potential to have profound implications is the proposal to reform the current system of developer contributions from CIL and Section 106 towards a national flat-rate 'Infrastructure Levy'. More recent (February 2021) messaging, however, from the Chief Planner Joanna Averley among others, would suggest that the proposal could be tempered to allow for 'regional differences' and to develop a more nuanced and localised approach"[1]. In this context, it seems likely that the White Paper proposals will not signal the end of the current system of Section 106 and that the viability considerations we have assessed as part of this Insight will continue to apply.

[1] https://www.planningresource.co.uk/article/1720805/key-white-paper-proposals-likely-evolve-inclusion-planning-bill

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Appendix 7: Anonymised Abnormal Costs Schedule – Example Sites

Abnormal / Extra Over Costs Tracker - Anonymised

Local Authority	Greenfield / Brownfield	Units	Abnormals / Extra Over Costs Per Net Acre	Abnormals / Extra Over Costs Per Plot	Date
0 - 99 Units					
Halton	Greenfield	43	£482,000	£36,000	Aug-19
Blackburn	Greenfield	47	£293,000	£21,000	May-21
Wyre	Greenfield	57	£252,000	£20,000	Jul-21
Preston	Greenfield	66	£380,000	£30,000	May-20
Preston	Greenfield	75	£131,000	£14,000	Apr-18
Cheshire West and Chester	Brownfield	98	£462,000	£30,000	Aug-20
Preston	Greenfield	98	£132,000	£11,000	Nov-19
	Average	**69**	**£304,571**	**£23,143**	
100 - 249 Units					
Liverpool	Greenfield	100	£315,000	£52,000	Jan-19
Burnley	Greenfield	101	£483,000	£28,000	Apr-21
Wirral	Brownfield	101	£389,000	£27,000	May-21
Poulton	Greenfield	102	£453,000	£35,000	Aug-19
Wirral	Brownfield	109	£317,000	£21,000	May-21
Wirral	Brownfield	119	£476,000	£29,000	May-21
Cheshire East	Greenfield	120	£120,000	£8,000	Mar-18
Wirral	Brownfield	121	£415,000	£25,000	May-21
Blackburn	Brownfield	140	£122,000	£7,000	Nov-17
Cheshire East	Greenfield	146	£223,000	£17,000	Feb-19
Carlisle	Part Greenfield, Part Brownfield	148	£349,000	£13,000	Nov-20
Knowsley	Brownfield and Greenfield	162	£256,000	£15,000	Jan-21
Carlisle	Part Greenfield, Part Brownfield	164	£313,000	£19,000	Nov-20
Cheshire West and Chester	Brownfield	184	£287,000	£15,000	Jul-20
South Ribble	Brownfield	197	-	£31,000	Sep-18
South Ribble	Brownfield	199	£368,000	£12,000	Apr-18
Chorley	Greenfield	201	£392,000	£31,000	Jul-21
Cheshire West and Chester	Brownfield	205	£406,000	£19,000	Sep-19
Knowsley	Brownfield	227	£267,000	£19,000	Aug-20
Manchester	Brownfield	236	£410,000	£26,000	Nov-20
Halton	Greenfield	245	£300,000	£24,000	Dec-18
	Average	**158**	**£313,050**	**£22,524**	
251 - 550 Units					
St Helens	Brownfield	260	£451,000	£28,000	Jun-20
Halton	Greenfield	271	£276,000	£19,000	Dec-18
Cheshire West and Chester	Greenfield	272	£458,000	£36,000	Jan-19
Knowsley	Greenfield	328	-	£29,000	Mar-20
Halton	Greenfield	334	£251,000	£12,000	Dec-18
Ribble Valley	Greenfield	426	£347,000	£24,000	Feb-20
South Ribble	Greenfield	493	£218,000	£16,000	Jun-19
South Ribble	Greenfield	501	£255,000	£18,000	Jun-19
South Ribble	Greenfield	528	£276,000	£19,000	Jun-19
	Average	**379**	**£316,500**	**£22,333**	
551+ Units					
Cheshire East	Greenfield	784	£223,000	£15,000	Oct-20
	Average	**784**	**£223,000**	**£15,000**	
	Overall Average	**211**	**£309,667**	**£22,395**	

Source: C&W Internal Database based on Housebuilder and Cost Consultant Data

Appendix 8: BCIS Five Year Forecast (October 2021)

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BCIS five-year forecast - OCT 21

Tender prices are expected to rise steeply over the next year with sharp rises in materials costs and site labour rates, together with strong demand. Tender prices continue to rise faster than costs over the remainder of the forecast period, with prices rising by 27% over the whole of the forecast period (3Q2021 to 3Q2026).

Materials prices rose by 6.3% in 3rd quarter 2021 on a quarterly basis and by 16.9% compared with a year earlier. The materials supply difficulties are expected to stabilise by 3rd quarter 2022 and prices will rise by 15% over the forecast period (3Q2021 to 3Q2026).

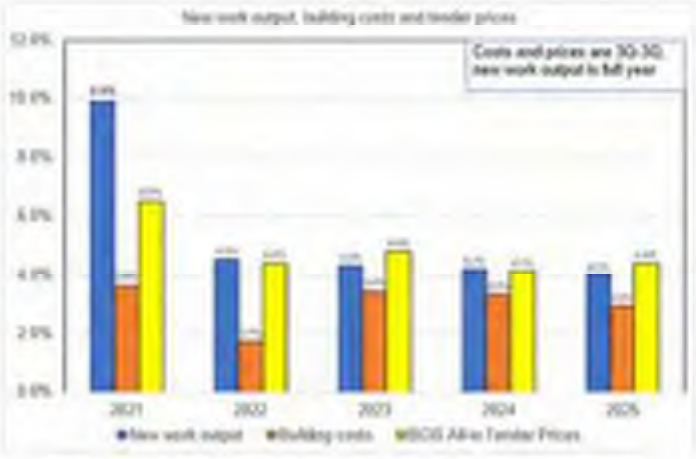
Although promulgated labour rate increases have been in the order of 2% to 3% in 2021, site rates have risen sharply, rising by 10% in 3rd quarter 2021 compared with a year earlier, according to the Hays/BCIS All-in Site Wage Cost Index. This will be reflected in the BCIS Market Conditions Index, putting upward pressure on tender prices. These shortages may take over from materials shortages as the major factor affecting costs.

The BCIS General Building Cost Index rose by 4.2% in 3rd quarter 2021 compared with the previous quarter, and by 9.1% compared with a year earlier. Costs will rise by 16% over the forecast period (3Q2021 to 3Q2026).

Total new work output increased by 4% in 2nd quarter 2021 compared with the previous quarter and by 56% compared with a year earlier. New construction output will rise by 30% over the forecast period (2025 compared with 2020). This increase is exaggerated by the pandemic induced 16% fall in 2020.

The full forecast and commentary are published in the Briefing section of the BCIS Online service.

Figure 1. New work output, building costs and tender prices



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Appendix 9: Land off Holts Lane, Poulton-le-Fylde (ref: APP/U2370/W/19/3241233) – Appeal Decision and Keppie Massie Viability Report

The Planning Inspectorate

Appeal Decision

Site visit made on 3 February 2020

by Diane Cragg DipTP MRTPI

an Inspector appointed by the Secretary of State

Decision date: 01 April 2020

Appeal Ref: APP/U2370/W/19/3241233
Land off Holts Lane, Poulton-le-Fylde.

- The appeal is made under section 78 of the Town and Country Planning Act 1990 against a refusal to grant planning permission under section 73 of the Town and Country Planning Act 1990 for the development of land without complying with conditions subject to which a previous planning permission was granted.
- The appeal is made by Hollins Strategic Land LLP and Tim Claxton Property Ltd against the decision of Wyre Borough Council.
- The application Ref 18/00680/OULMAJ , dated 11 July 2018, was refused by notice dated 3 October 2019.
- The application sought planning permission for outline application for the erection of up to 130 dwellings with means of access off Holts Lane (layout, landscaping, scale and appearance reserved), following demolition of existing buildings (re-submission of 16/00233/OULMAJ) without complying with a condition attached to planning permission Ref 16/01043/OULMAJ, dated 12 April 2017.
- The condition in dispute is No 3 which states that: Prior to commencement of development hereby approved, a scheme for the provision and retention of affordable housing as part of the development shall be submitted to and approved in writing by the Local Planning Authority. The affordable housing shall be provided and thereafter retained in accordance with the approved scheme and shall meet the definition of affordable housing in Annex 2 of the National Planning Policy Framework or any future guidance that replaces it. The scheme shall include:
  a) the numbers, type, tenure and location on the site of the affordable housing provision to be made which shall consist of not less than 30% of housing units/bed spaces;
  b) the timing of the construction of the affordable housing and its phasing in relation to the occupancy of the market housing;
  c) the arrangements for the transfer of the affordable housing to an affordable housing provider [or the management of the affordable housing];
  d) the arrangements to ensure that such provision is affordable for both first and subsequent occupiers of the affordable housing;
  e) the occupancy criteria to be used for determining the identity of occupiers of the affordable housing and the means by which such occupancy criteria shall be enforced.
- The reason given for the condition is: To ensure the adequate provision and delivery of affordable housing in accordance with the National Planning Policy Framework (March 2012).

Decision

The appeal is allowed and planning permission is granted for outline application for the erection of up to 130 dwellings with means of access off Holts Lane (layout, landscaping, scale and appearance reserved), following demolition of existing buildings (re-submission of 16/00233/OULMAJ), Land off Holts Lane, Poulton-le-Fylde in accordance with application Ref 18/00680/OULMAJ, dated 11 July 2018,

without complying with condition number 3 previously imposed on planning permission Ref 16/01043/OULMAJ dated 12 April 2017, but subject to the conditions in the attached schedule.

Procedural Matters

1. The Council's 5-year housing land supply has been confirmed through the publication of an Annual Position Statement (APS). Consequently, the Council can demonstrate a 5-year housing land supply of deliverable housing sites until 31 October 2020. The housing land supply figure includes the appeal site.

2. Outline planning permission has been granted at the appeal site for the erection of up to 130 dwellings subject to a section 106 agreement. Matters relating to layout, landscaping, scale and appearance were reserved. The planning permission was subject to a condition which requires the provision of affordable housing in accordance with the definition and requirements of the National Planning Policy Framework as at March 2012.

3. Since the approval of the planning permission the Wyre Local Plan (2011-2031) adopted 28 February 2019 (Local Plan) has been adopted. Further, an amended version of the National Planning Policy Framework (2019) (the Framework) has come into force.

4. The Framework states that where a need for affordable housing is identified planning policies should specify the type of affordable housing required and generally expect it to be met on site. Policies in the adopted Local Plan require the provision of 30% affordable housing. The appellant asserts that the scheme would not be viable with an affordable requirement of 30% and seeks to vary the condition to allow for a reduced affordable housing provision.

5. I have been provided with a copy of a signed Unilateral Undertaking (UU) dated 4th February 2020. The obligation varies the section 106 agreement related to the original outline planning permission Ref 16/01043/OULMAJ dated 12 April 2017. The UU requires financial contributions towards education, traffic management and a travel plan. The Council consider that the UU is enforceable and secures the necessary provisions as per the original Section 106 Planning Obligation. I am satisfied that the provisions of the UU are directly related to the development and fairly and reasonably related in scale and kind to it.

Main Issue

6. The main issue is whether the variation of the condition would provide adequately for the provision and delivery of affordable housing within the site.

Reasons

7. The appeal site comprises predominantly green field land on the edge of Poulton-le-Fylde. There is open agricultural land to the south, an industrial estate beyond the railway line which forms the eastern site boundary, and residential development on the northern side, from where access to the development is proposed. The site is allocated for residential development in the Local Plan.

8. The Framework states that in preparing and reviewing local plans, contributions expected from developments, including levels and types of affordable housing, should be set out. Such policies should not undermine the deliverability of the

plan. 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. 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.

9. Policy HP3 of the Local Plan requires that new residential developments of 10 dwellings or more contribute towards meeting the identified need for affordable housing. For sites in Poulton-le-Fylde the policy requires 30% affordable housing provision. Policy SP6 of the Local Plan states that the Council's overarching objective is to ensure that development is viable.

10. Based on the evidence before me it seems that, although the approved outline permission is for up to 130 units, it has been discovered that adverse ground conditions would limit the numbers of houses that can be accommodated on the site. It is considered that the site could deliver a scheme for 102 houses. Based on the requirements of Policy HP3 a development consisting of 102 dwellings would equate to a need for 31 affordable houses. However, the appellant contends that an affordable housing requirement in line with Policy HP3 would render the scheme unviable.

11. The indicative site layout submitted with the appeal for the 102 dwelling units would comprise 12 no.1-2 bed units, 66 no. 3 bed units and 24 no. 4 bed units. This housing mix forms the basis of the viability assessment submitted with the appeal.

12. Officers from the Council recommended that the application be approved, based on the assessment of viability carried out on their behalf by Keppie Massie. It appears to me that the approach in the viability document is consistent with the guidance set out in the viability section of the Planning Practice Guidance (PPG). The Council's consultant indicates that based on the housing mix proposed 9 affordable housing units is the maximum that could be provided to ensure the scheme's viability. The viability is based on a developer profit margin of close to 20%. The Council's consultant considers that the site has a relatively high-risk profile and that the level of profit is reasonable in this case.

13. However, the Council in coming to their decision considered that the ground conditions at the site should not have come as a surprise to land promoters and therefore it should not be necessary to seek to review the affordable housing requirements at this stage. Indeed, the Council say part of the original support for the development of the site was based on the site bringing forwarded much needed affordable housing.

14. Taking into account local and national policy I have some sympathy for the Council's view that affordable housing is needed within the district and that schemes should be required to deliver it. Particularly on sites allocated for development which have been assessed as viable and deliverable. However, based on the information put to me I cannot conclude that the scheme in question would be capable of delivering 30% affordable housing whilst providing sufficient incentive for the developer to carry out the development. On this basis, persisting with the existing condition would prejudice the delivery of any housing on site.

15. Further, the appeal site is allocated for housing and is part of the Council's 5-year housing land supply. The affordable housing provision would be lower than

the Local Plan policy requirement, but this has been justified and the nine dwellings proposed to be affordable would contribute to meeting an identified need.

16. Given that the delivery of housing is a central aim of the Framework, this is a matter to which I attribute significant weight. As well as securing the delivery of housing on an allocated site, the Council acknowledge that the proposed housing mix would accord with the latest housing market assessment and that additional green infrastructure secured by the reduced density of the scheme would be a visual benefit. These considerable benefits of the scheme would outweigh the harm in not achieving greater affordable housing. In this respect the development would be consistent with the approach in SP6 of the Local Plan.

17. The Council propose two conditions to replace the original condition 3 to secure the amended affordable housing provision. Condition 3 would be framed as per the original condition with point (a) reworded to replace the requirement for 30% affordable housing with a requirement to provide 9 housing units, 4 of which would be for affordable rent and 5 to be shared ownership. A second condition is proposed to secure the number and mix of dwellings to accord with the assessed viable housing mix which is based on a total of 102 units.

18. The Council propose amendments to a number of the other conditions attached to the original permission including those affecting drainage and public open space. However, these other conditions are not before me and I have limited evidence that the variation to affordable housing provision would require the reconsideration of these other elements of the planning conditions. Including condition 18 in relation to open space.

19. The UU acts as a deed of variation, it secures the traffic management and a travel plan required as part of the section 106 agreement related to the original outline planning permission. It also provides for an education contribution for primary school places and, where required, secondary school places. The UU also provides for the recalculation of the education contribution in the event that the required number of primary and secondary school places changes. The UU proposes to divert any surplus monies that may accrue through reduced education contributions towards a contribution to off-site affordable housing. The appellant and the Council agree that, although Policy HP3 seeks on site provision of affordable housing in the first instance, it would not be practical or reasonable to expect any reserved matters scheme to be amended to enable available surplus education contribution to provide on-site affordable housing. Thus, an off-site affordable housing contribution is seen as an exceptional circumstance in relation to Policy HP3 and I see no reason to disagree.

20. I invited the parties comments on the need to reappraise the scheme in the event of a delay in the commencement of construction or a change in types or mix of dwellings. A possibility suggested in the Council's viability assessment. The proposed variation of the planning conditions would prevent a re-appraisal of the numbers and mix of dwellings without further application. Further, as the outline planning permission is near to expiry it is likely that there would be a shorter than normal delay from the grant of outline permission to the commencement of construction, consequently, I am satisfied that no specific requirement for reappraisal is necessary in this specific case.

21. Overall, I consider that the variation of condition 3 would provide adequately for the provision and delivery of affordable housing within the site and would accord with Policy HP3 of the local plan. In this respect it would also accord with the Framework.

Other Matters

22. I appreciate that there are third-party concerns including about additional traffic, the amount of development, new housing in the area not selling and objections to social housing. However, the original extant planning permission establishes the principle of the development to which most of the objections relate. My role is not to reconsider the established principle of the development but to consider the variation of condition 3 in so far as it relates to the amount of affordable housing to be provided as part of the development.

Conditions

23. The guidance in the Planning Practice Guidance makes clear that decision notices for the grant of planning permission under Section 73 of the Town and Country Planning Act 1990 should also repeat the relevant conditions from the original planning permission, unless they have already been discharged.

24. I have amended the condition relating to the time to implement the permission to accord with the original planning permission. I have amended condition 3 and added condition 25 as set out above. These conditions are necessary to ensure a suitable mix and number of dwellings and provide for affordable housing in accordance with the Council's viability appraisal.

25. I have considered the comments made by the parties with regard to conditions. However, for the reasons set out I have not found it necessary to amend the other conditions of the permission. I have therefore reapplied the conditions attached to the original permission for clarity.

Conclusion

26. For the reasons given above the appeal is allowed.

Diane Cragg

INSPECTOR

Schedule of Conditions

1. (a) In the case of any reserved matter, namely appearance, landscaping, layout and scale of the buildings, application for approval must be made not later than the expiration of three years beginning on the 12 April 2017;

   (b) the development to which the permission relates must be begun not later than the expiration of two years from the final approval of the reserved matters or, in the case of approval on different dates, the final approval of the last matter to be approved.

2. The development hereby permitted shall be carried out in accordance with the following approved plan: - 1409/01B Proposed site access arrangements.

3. Prior to commencement of development hereby approved, a scheme for the provision and retention of affordable housing as part of the development shall be submitted to and approved in writing by the Local Planning Authority. The affordable housing shall be provided and thereafter retained in accordance with the approved scheme and shall meet the definition of affordable housing in Annex 2 of the National Planning Policy Framework or any future guidance that replaces it. Unless otherwise agreed in writing by the Local Planning Authority the scheme shall include:
   a) the numbers, type, tenure and location on the site of the affordable housing provision to be made which shall consist of the location on the site of the affordable housing provision to be made which shall consist of not less than 9 dwelling units, 4 of which shall be for affordable rent and 5 of which shall be shared ownership;
   b) the timing of the construction of the affordable housing and its phasing in relation to the occupancy of the market housing;
   c) the arrangements for the transfer of the affordable housing to an affordable housing provider [or the management of the affordable housing];
   d) the arrangements to ensure that such provision is affordable for both first and subsequent occupiers of the affordable housing;
   e)the occupancy criteria to be used for determining the identity of occupiers of the affordable housing and the means by which such occupancy criteria shall be enforced.

4. The development permitted by this planning permission shall be carried out in accordance with the approved Flood Risk Assessment (FRA) February 2016, Ref: HYD055_HOLTS.LANE_FRA&SDA by Betts Hydro Consulting Engineers and the following mitigation measures detailed within the FRA:

   - Limiting the surface water run-off generated by the development to greenfield runoff rate so that it will not increase the risk of flooding off-site.
   - Identification and provision of safe route(s) into and out of the site to an appropriate safe haven.

- Finished floor levels are set no lower than 150mm following any re-grade above Ordnance Datum (AOD).

The mitigation measures shall be fully implemented prior to first occupation and subsequently in accordance with the timing / phasing arrangements embodied within the scheme, or within any other period as may subsequently be agreed, in writing, by the local planning authority in consultation with the lead local flood authority.

5. Prior to the commencement of any development, full details of a surface water drainage scheme shall be submitted to and agreed in writing by the Local Planning Authority. For the purpose of this condition, the drainage scheme shall include;
   a) information about the lifetime of the development design storm period and intensity (1 in 30 & 1 in 100 year +30% allowance for climate change), discharge rates and volumes (both pre and post development), temporary storage facilities, means of access for maintenance and easements where applicable, the methods employed to delay and control surface water discharged from the site, and the measures taken to prevent flooding and pollution of the receiving groundwater and/or surface waters, including watercourses, and details of flood levels in AOD;
   b) any works required off-site to ensure adequate discharge of surface water without causing flooding or pollution (which should include refurbishment of any existing culverts and headwalls or removal of unused culverts where relevant);
   c) flood water exceedance routes, both on and off site;
   d) a timetable for implementation, including phasing where applicable;
   e) site investigation and test results to confirm infiltrations rates;
   f) details of water quality controls, where applicable.

   The scheme shall be fully implemented and subsequently maintained in accordance with the approved details and the details to be agreed by condition 6 and in accordance with the timing / phasing arrangements embodied within the scheme, or within any other period as may subsequently be agreed, in writing, by the local planning authority.

6. (i) Prior to the commencement of development, a management and maintenance plan for the sustainable drainage system for the lifetime of the development shall be submitted to and agreed in writing by the Local Planning Authority. For the purpose of this condition, this plan shall include:
   a) The arrangements for adoption by an appropriate public body or statutory undertaker, management and maintenance by a Residents' Management Company;
   b) Arrangements concerning appropriate funding mechanisms for its on-going maintenance of all elements of the sustainable drainage system (including mechanical components and designed biodiversity features) and will include elements such as on-going inspections relating to performance and asset condition assessments, operation costs for regular maintenance, remedial works and irregular maintenance caused by less sustainable limited life assets or any other

arrangements to secure the operation of the surface water drainage scheme throughout its lifetime;

c) Means of access for maintenance and easements where applicable;

d) The maintenance and management of any designed biodiversity features.

(ii) The plan shall be implemented in accordance with the approved details prior to first occupation of any of the approved dwellings, or completion of the development, whichever is the sooner. Thereafter the sustainable drainage system shall be managed and maintained in accordance with the approved details.

7. No development hereby permitted shall be first occupied until the sustainable drainage scheme for the site has been completed in accordance with the submitted details. The sustainable drainage scheme shall be managed and maintained thereafter in accordance with the agreed management and maintenance plan approved under condition 6.

8. Prior to the commencement of development, a scheme for the disposal of foul waters within the site shall be submitted to and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the approved scheme.

9. Vegetation shall only be removed / cleared outside of the optimum period for bird nesting (March to July inclusive) unless, before the removal / clearance commences, a report has been submitted to and approved in writing by the Local Planning Authority demonstrating that the nesting / breeding birds have been shown to be absent.

10. Prior to the commencement of development hereby approved, including any vegetation clearance or ground works, and notwithstanding any information submitted with the application, a Comprehensive Great Crested Newt Reasonable Avoidance Measures Method Statement shall be submitted to and approved in writing by the Local Planning Authority. The Method Statement shall give full details of how any possible harm to great crested newts is to be avoided during the course of the development. The development shall be carried out in accordance with the approved Method Statement.

11. Prior to the commencement of development hereby approved, including any vegetation clearance or ground works, a Barn Owl Mitigation Method Statement, in line with section 5.5 of the submitted Ecological Survey And Assessment reference (ERAP Ltd ref: 2015_069 and amended April 2016) shall be submitted to and approved in writing by the Local Planning Authority. The Method Statement shall give full details of the type, location, management and maintenance of the barn owl tower. The development shall be carried out in accordance with the approved Method Statement.

12. Prior to the commencement of development hereby approved, including any vegetation clearance or ground works, a Landscape and Ecology

Management Plan (LEcoMP) shall be submitted to and approved in writing by the Local Planning Authority. The approved Plan shall identify the opportunities for biodiversity enhancement on site including (but not limited to):
a) Species rich hedgerow planting;
b) Bolstering of hedgerows;
c) Creation of ponds;
d) Bat bricks and/or tubes within the new development;
e) Bat boxes;
f) Bird boxes;
g) Native tree and shrub planting.

The approved scheme shall be implemented in accordance with the approved scheme details.

13. Prior to commencement of development hereby approved, a scheme which provides for the assessment, retention and protection of trees, shrubs and hedges within (or overhanging) the site, which may be affected by the construction process (apart from those whose removal is approved through the reserved matters application(s)), shall be submitted to and approved in writing by the Local Planning Authority in the form of a Tree Protection Plan and Arboricultural Impact Assessment. The agreed tree protection measures shall remain until all development is completed and no work, including any form of drainage or storage of materials, earth or topsoil shall take place within the perimeter of such protective fencing.

14. Prior to the commencement of the development hereby approved, a Construction Environmental Management Plan (CEMP) shall be submitted to and approved in writing by the Local Planning Authority to include details of the measures proposed during construction to manage and mitigate the main environmental effects. The following matters shall be addressed:
a) the times of construction activities on site;
b) the parking of vehicles of site operatives and visitors;
c) loading and unloading of plant and materials;
d) storage of plant and materials used in constructing the development; e) the erection and maintenance of security hoarding including decorative displays and facilities for public viewing, where appropriate;
f) wheel washing facilities;
g) measures to control the emission of dust and dirt during construction;
h) a scheme for recycling/disposing of waste resulting from demolition and construction works;
i) measures to prevent disturbance to adjacent dwellings from noise and vibration, including any piling activity;
j) measures to prevent the pollution of watercourses;
k) measures to avoid light pollution;
l) routes to be used by vehicles carrying plant and materials to and from the site and measures to be taken to ensure that drivers use these routes as far as is practicable;
m)management of silt and run-off during the build out of the development.

The development hereby approved shall be carried out in accordance with the approved CEMP.

15. Prior to commencement of development hereby approved, a desk study shall be undertaken and agreed in writing by the Local Planning Authority to investigate and produce an assessment of the risk of the potential for on-site contamination. If the desk study identifies potential contamination, a detailed site investigation shall be carried out in accordance with a written methodology, which shall be submitted to and agreed in writing by the Local Planning Authority. If remediation measures are then considered necessary, a scheme for decontamination of the site shall be submitted to, and, approved in writing by the Local Planning Authority and the scheme implemented in accordance with the approved details prior to the development of the site. Any changes to the agreed scheme must be approved in writing by the Local Planning Authority prior to any works being undertaken.

16. (a) The residential development hereby permitted shall be designed so that cumulative noise (from industrial, commercial and transportation sources) does not exceed: -

- 50dB LAeq 16 hours (07.00 to 23.00) in gardens and outside living areas, daytime
- 35dB LAeq 16 hours (07.00 to 23.00) - indoors, daytime
- 30dB LAeq 8 hours (23.00-07.00) - indoors, night-time
- 45dB LAFmax (23.00-07.00) - indoors, night-time
- 60 dB LAFmax 8 hours-(23.00-07.00) façade level night time
- 60 dB LAFmax 4 hours-(19.00-23.00) façade level night time

(b) Any mechanical ventilation system shall meet or exceed the specifications set out in clause 6, schedule 1 of the Noise Insulation Regulations 1975 with regard to acoustic performance and airflow rates.
(c) Where noise mitigation measures are required to ensure compliance with the agreed noise levels e.g. acoustic glazing, noise barrier fencing and ventilation, such mitigation details shall be submitted to and approved in writing by the Local Planning Authority prior to commencement of development demonstrating how they would mitigate noise to the approved levels together with a timetable for implementation. The approved noise mitigation measures shall be implemented in accordance with the approved timescale and shall thereafter be maintained and retained.

17. Prior to the commencement of the development hereby approve, an assessment and a scheme for the mitigation of intrusive lighting effects from the railway shall be submitted to and approved in writing by the Local Planning Authority. The assessment and the mitigation measures shall demonstrate that the lighting will be in accordance with the institution of Lighting Professionals.' "Guidance Notes for the Reduction of Obtrusive Light GN01:2011" and shall be oriented and screened to mitigate light spillage from the railway onto the development.

The light intrusion into the windows of any residential premises shall not exceed 10 Lux before 23.00, and 2 lux after 23.00 (Environmental Zone E3). The mitigation measures shall be installed prior to the first occupation of any of the dwellings or the completion of the development whichever is the earliest and shall be maintained thereafter.

18. As part of any reserved matters application where layout is applied for, public open space shall be provided on site in accordance with the requirements of saved Policy H13 of the adopted Wyre Borough Local Plan (1999), or any equivalent policy in an adopted Local Plan that replicates the existing Local Plan, and such area or areas of open space shall be provided and made available for use, and shall thereafter be retained and maintained for use by the public in accordance with a scheme which shall be submitted to and approved in writing by the Local Planning Authority prior to the first occupation of any dwelling on the site.

19. No development shall take place within the area indicated until the applicant, or their agents or successors in title, has secured the implementation of a programme of archaeological work in accordance with a written scheme of investigation (which shall include the timetable for the investigation) which has been submitted by the applicant and approved in writing by the Local Planning Authority.

20. The land indicated on drawing SAF(001) submitted with the planning application shall be safeguarded for use in connection with the construction of a railway footbridge and ramped access required by Network Rail in connection with the electrification of the Blackpool-Preston-Manchester line, unless written confirmation is provided by Network Rail to the Local Planning Authority that this safeguarded land is no longer required for such purpose. Prior to construction work on the railway footbridge and ramped access, the land shall be used in connection with no other development hereby approved other than in accordance with landscaping details to be approved at the reserved matters stage.

21. No part of the development hereby approved shall commence until a timescale for the construction of the site accesses and the agreed scheme of off-site works of highway improvement has been submitted to, and approved in writing by, the Local Planning Authority in consultation with the Highway Authority. The highway improvements shall thereinafter be constructed in accordance with the agreed timescale. The agreed scheme of highway improvements/works are as shown on drawings 1409/01/ B, 1409/05/B, 1409/07, 1409/08/A and 1409/09/A and include:

    - Resurfacing of footway on both sides of Site Access 1 including dropped kerbs and tactile paving.
    - Resurfacing of footway on both sides of Site Access 2 including dropped kerbs and tactile paving.
    - Resurfacing of footway the south side of Holts Lane between Site Access 1 and Brockholes Crescent.

- Repatch and repair existing footway on east side of Holts Lane between Brockholes Crescent and proposed pedestrian refuge on Garstang Road East.
- Introduce tactile paving at the junction of Holts Lane with Brockholes Crescent.
- Introduce tactile paving at the junction of Edenfield Avenue with Holts Lane.
- Introduce dropped kerbs and tactile paving at the junction of Broadfield Avenue with Holts Lane.
- Revise layout of Main Drive/Brockholes Crescent junction to reduce bell mouth and introduce dropped kerbs and tactile paving to provide a safer environment for pedestrians.
- Introduce tactile paving and junction treatment at the junction of Holts Lane with Garstang Road East.
- Introduce tactile paving and junction treatment at the junction of Argyle Road with Garstang Road East.
- Introduce pedestrian/cycle refuge on Garstang Road East in the vicinity of the junction with Holts Lane. Pedestrian/cycle refuge to be sited on the desire line of residents of the proposed development undertaking trips to Tesco, Hodgson Academy and Poulton town centre.
- Widen footway on the north side of Garstang Road East between Lower Green to a point beyond Argyle Road. With surface treatment at the Tesco access and egress.
- Introduce tactile paving and junction treatment at the junction of Carr Head Lane with Garstang Road East.
- Revise existing pelican crossing facilities at Garstang Road East/Lower Green junction to 'Toucan' type.
- Revise existing pelican crossing facilities at Garstang Road East/Garstang Road West/Hardhorn Road junction to 'Puffin' type. Introduce 3.0m wide shared footway/cycleway along the north side of Garstang Road East between Lower Green and Argyle Road (distance of circa 200m), with pedestrian/cycle refuge on Garstang Road East in the vicinity of the junction with Holts Lane.
- Introduce 'Toucan' format crossing facilities at Lower Green/Garstang Road East junction. Upgrade 2no bus stops (with shelters) on Garstang Road East. These are located at (iii) Westbound services: 90m east of Holts Lane; (iv) Eastbound services: 120m west of Holts Lane.
- Introduce a new stop on Carr Head Lane. Details to be agreed. Garstang Road East / Holts Lane junction - introduce right turn lane waiting areas on Garstang Road East to cater for movements into Holts Lane and Argyle Road (Drg No 1409/09/A).
- Garstang Road East / Carr Head Lane junction - increase width of right turn lane on Garstang Road East to assist right turn movements out of Carr Head Lane (Drg No 1409/07).
- Hardhorn Road / Highcross Road / Beech Drive junction - introduce 'KEEP CLEAR' markings on Hardhorn Road at the Beech Drive and

Highcross Road junctions with supporting surface treatment (Drg No 1409/08/A).

22. The approved Travel Plan (Ashley Helme, November 2016, Report Reference 1409/3/C) must be implemented in full in accordance with the timetable contained within it unless otherwise agreed in writing with the Local Planning Authority. All elements shall continue to be implemented at all times thereafter for as long as any part of the development is occupied or used/for a minimum period of at least 5 years.

23. As part of any reserved matters application where layout is applied for, a footpath link / links shall be provided on site between the application site and the land to the west. The approved footpath link(s) is only to be provided in the event that development on the land to the west is permitted. In which case, the footpath link shall be constructed in accordance with the approved details prior to development on land to the west being first occupied.

24. No dwellings shall be first occupied until the provision of electric vehicle charging points are provided for the dwelling to which they relate, and such provision shall be permanently retained for that purpose thereafter.

25. The development hereby permitted is for 102 dwelling units only which shall comprise of the following housing mix schedule:

- 4 x 1 bed dwelling units
- 8 x 2 bed dwelling units
- 66 x 3 bed dwelling units
- 24 x 4 bed dwelling units

VIABILITY REPORT

Land off Holts Lane
Poulton-Le-Fylde
Lancashire

Prepared on Behalf of

Wyre Council
Civic Centre
Breck Road
Poulton-Le-Fylde
Lancashire
FY6 7PU

AUGUST| 2019

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LAND OFF HOLTS LANE, POULTON-LE-FYLDE, LANCASHIRE

1.0 INTRODUCTION

1.1 The application site has outline planning consent for the erection of up to 130 dwellings with means of access off Holts Lane (layout, landscaping, scale and appearance reserved), following demolition of existing buildings. The outline consent is subject to a S106 Agreement dated 12 April 2017, which provides for the following planning contributions:

Primary Education Contribution – based on a cost per place of £13,474.53
Secondary Education Contribution – based on a cost per place of £20,303.59
Traffic Management Contribution - £50,000
Travel Plan Contribution - £6,000
Affordable Housing Provision – no less than 30% of the housing units/bedspaces are to be affordable

1.2 The applicant has subsequently submitted an application (Ref: 18/00680/OULMAJ) seeking the removal of condition 03 (affordable housing) on application 16/01043/OULMAJ. The supporting statement submitted with the application dated July 2018 refers to the fact that the applicant (Hollins Strategic Land) has attempted to bring the site forward for housing but as part of the process, it has been discovered that the extent of peat across the site renders the approved development unviable.

1.3 The statement refers to Viability Appraisals that have been prepared for the application site which take into account the impact of peat. It is stated that the appraisal with 30% affordable housing results in a developers profit of 10.45% of GDV, whilst that which excludes affordable housing results in a profit of 19.44% of GDV. These profits are then compared to the 20% profit benchmark that was adopted in the Local Plan Viability Assessment, to determine viability.

1.4 By way of an email dated 8 October 2018 we were instructed to undertake a review of the applicant's viability assessment and provide advice to the Council regarding the viability position to assist in the assessment of the application.

2.0 HISTORY OF DISCUSSIONS

2.1 The initial review of the plans and costs raised a number of questions in relation to the proposed scheme and the associated abnormal development costs. A meeting was therefore arranged with the applicant and their advisors Brownfield Solutions to discuss the points that we had identified and obtain further explanation of the approach to dealing with peat and other associated abnormal items and their respective costs.

2.2 Following this meeting the applicant contacted us to advise that a potential sale of the site had been agreed and that pre-application discussions were progressing with the Council and [redacted] regarding a revised scheme for 102 dwellings. A copy of the draft scheme and accommodation schedule are contained at **Appendix 1**.

2.3 As a result of the change in circumstances we obtained further instructions from the Council regarding the approach to the viability assessment. We were advised that the Council were happy for us to continue with the review based on the proposed layout for 102 dwellings. The applicant's agent issued a revised financial appraisal (dated 27 February 2019) based on the proposed scheme for 102 dwellings. A copy of the financial appraisal together with supporting note is contained at **Appendix 2**.

2.4 This revised appraisal is based on a scheme of market housing and does not include any other S106 contributions. The appraisal adopts a residual approach so that the costs of undertaking the development, including land and finance costs are deducted from the value of the completed development to leave a residual sum which is the developer's profit. The appraisal in this case resulted in a residual profit equivalent to 10.91% of GDV, which was compared to the applicant's benchmark profit return of 20% of GDV. As the residual profit was just over half of the applicant's benchmark figure, the appraisal showed that even if all planning obligations were waived the development was not viable and therefore was unlikely to be delivered.

2.5 Discussions progressed with the applicant regarding a number of elements of this revised appraisal, most notably the abnormal development costs and the approach to dealing with the impacts of peat on the site.

2.6 On the 28 May we wrote to the applicant with the conclusions based on our initial assessment of the appraisal at Appendix 2. Table 2.1 contains a summary of our comments. The sales price information and QS construction cost assessment referred to in the table have been provided at **Appendix 3**.

Item	Applicant Assumption	Comments
GDV	£25,918,164 Affordable Housing	Net price of 4 bed units and apartments agreed. Net price of 2 and 3 bed units appear to be low. Figures increased slightly to reflect JA prices on attached sheet. None included assume affordable rent at 45% MV and LCHO at 70% MV.
Agents Fee	1.5%	This is high, reduce to 1%.
Legal Fee	0.8%	Agreed.
Town Planning	£100,000	Excluded. Reflected in QS assessment of professional fees.
Survey	£50,000	Excluded. Reflected in QS assessment of professional fees.
Marketing	3.5%	Agreed. Assume transfer fee of £600 per unit for affordables.
Interest Rate	7%	Agreed.
Programme	2.5 sales per month	Agreed as per Argus Appraisal sent 7 April 19.
Profit	20% GDV	Not agreed. Assume 20% market housing and 8% affordable units.
Benchmark Land Value	£2,376,000 (£300,000 per net acre)	Not agreed, this is high. Redrow paid £260,000 per net acre for a better site. Applicant's total abnormals equate to £550,000 per net acre. In accordance with PPG how have these costs been taken into account in assessing the benchmark land value? The gross greenfield value is £850,000 per net acre, this is not sustainable in this location hence the reason why the scheme is unviable based on the applicant's assessment even with no planning obligations.
Construction Costs inc all Professional Fees, Surveys, Abnormals and Contingency	£18,511,511	Not agreed see attached QS summary assessment at £16,798,599.

Table 2.1: Initial Conclusions relating to February 2019 Appraisal

2.7 Based on these conclusions we prepared a revised financial appraisal inclusive of 30% affordable housing. This appraisal included a blended profit of 18.37% of GDV, and resulted in a residual land value of £1,759,808 (£222,200 per net acre). We concluded that the appraisal demonstrated that the development could support 30% affordable housing provision. For completeness a copy of this appraisal is also contained at Appendix 3.

2.8 On 9 June the applicant provided their comments in relation to our initial assessment, and a copy of this response is contained at **Appendix 4.** The S106 contributions had not been included in their February appraisal or the appraisal that we have prepared based on our initial conclusions. This point was noted and the applicant confirmed that allowances needed to be made for the following contributions:

Highways - £56,000
Education - £563,000

2.9 A further appraisal dated 17 June was then submitted by the applicant for discussion. A copy of the appraisal is contained at **Appendix 5.** The appraisal is based on a scheme of market housing and is inclusive of the S106 contributions detailed in paragraph 2.8. The appraisal includes a developer's profit of 20% of GDV and results in a residual land value of £1,322,706 (£167,008 per net developable acre).

2.10 A further meeting took place with the applicant on 18 June to discuss this financial appraisal.

3.0 CURRENT POSITION

3.1 On 27 June the applicant submitted their most recent appraisal together with an email explaining their approach to the various appraisal assumptions. A copy of this appraisal and supporting email are contained at **Appendix 6**.

3.2 Again the appraisal is based on a development of market housing however is inclusive of the S106 contributions noted at paragraph 2.8. The appraisal includes a fixed land value of £1,980,000 or £250,000 per net developable acre. The outcome of the appraisal is a residual developer's profit, which equates to 7.33% of GDV. Table 3.1 contains a summary of the appraisal.

Element	Total
GDV	**£26,609,407**
Less	
Fixed Land Price	£1,980,000
Associated Acquisition Costs (2.3%)	£45,540
SDLT	£0
Dwelling Construction Costs	£9,581,800
Demolition and Asbestos Removal	£45,000
External Works	£3,282,324
Abnormal Costs	£4,631,573
Contingencies	£680,658
Professional Fees	£856,847
S106 Education	£563,000
S106 Highways	£56,000
S278 Works	£200,000
Sales and Marketing (3.5%)	£931,329
Finance Costs (7%)	£1,805,884
Total Costs	**£24,659,955**
Residual Profit	£1,949,452
Profit % GDV	7.33%

Table 3.1: Summary of Applicant Appraisal (27 June 2019)

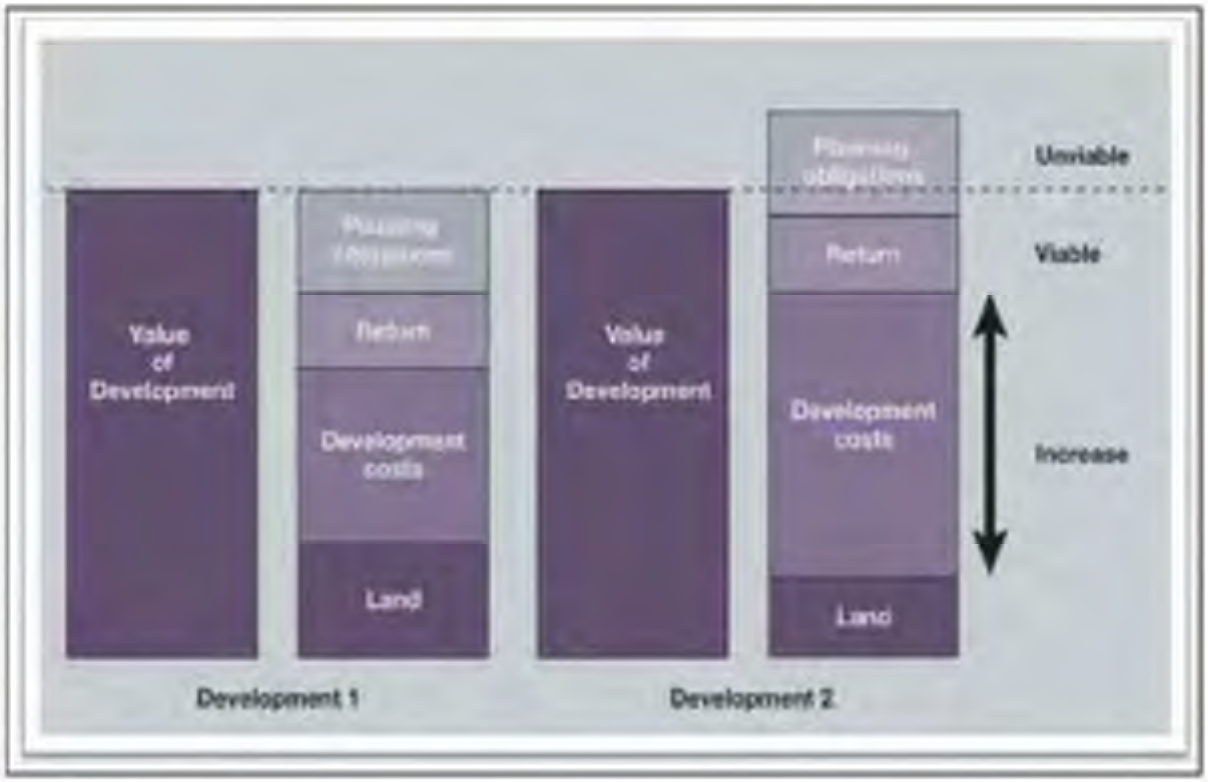
3.3 This most recent appraisal shows that even if the affordable housing requirement is waived the development is unviable. To make the development viable a reduction in the S106 contributions would also be required. The applicant has adopted a developer's profit benchmark of 20% of GDV. Based on the appraisal at table 3.1 this equates to £5,321,881. The total S106 contributions are £619,000 so even if these particular contributions were waived by the Council, the saving would still not be sufficient to generate a residual profit at the applicant's benchmark figure.

3.4 If the methodology behind this appraisal was reversed to include a profit at 20% of GDV with the land value being the residual sum, then even assuming a development of market housing we estimate that the applicant's appraisal would generate a residual land value that is a negative figure of -£308,850. Based on the applicant's current appraisal then both the developer and the land owner would in any event need to accept less than the benchmark land value figures that had been adopted for the development to proceed.

3.5 Financial Viability in Planning is a guidance note prepared by the Royal Institution of Chartered Surveyors (RICS) which was issued following the publication of the 2012 version of the NPPF. It is intended to represent best practice i.e. recommendations which in the opinion of the RICS meet a high standard of professional competence. The guidance note defines financial viability as:

"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate Site Value to the landowner and a market risk adjusted return to the developer in delivering that project."

3.6 This guidance will shortly be updated following publication of the new NPPF and PPG however it usefully identifies the fundamental issue as being whether an otherwise viable development is made unviable and thereby frustrated by the extent of planning obligations. This is illustrated by the diagram below taken from the guidance.



3.7 Where planning obligation liabilities reduce the Site Value to the landowner and return to the developer below an appropriate level as illustrated by Development 2, land will not be released and/or development will not take place. In this context the old NPPF introduced the concept of "competitive returns" to a landowner and developer however the new document no longer makes reference to these concepts and simply refers to the fact that contributions expected from development should not undermine the deliverability of the plan.

3.8 The Viability Guidance to accompany the NPPF is now contained in the updated PPG. This document 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."

3.9 It goes on to say that:

"In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission."

3.10 In the context of the updated PPG we have prepared an objective assessment of this most recent financial appraisal (27 June 2019) that has been submitted by the applicant. In particular we have considered whether the appraisal assumptions that have been adopted are reasonable and based on this the extent to which the development is viable and can support the required planning contributions.

3.11 In conjunction with our Quantity Surveyor we have considered in detail the submitted viability appraisal to determine whether when viewed objectively this provides a reasonable assessment of the costs and revenues that would be appropriate to this development. Our views in relation to the key variables of the appraisal are summarised in Section 4.

4.0 APPRAISAL COMMENTARY

Form of Development Assumed

4.1 The application site has a gross site area of 4.16ha (10.28 acres) and is predominantly open fields. It is situated to the south of a residential area comprising a mix of former Local Authority Housing and 1960's bungalow development. To the east of the site is the railway line and to the south and west open field. Access to the site from Garstang Road East (A585) is via Holts Lane through the Local Authority Housing Estate.

4.2 The application site has outline consent for up to 130 dwellings. The current viability assessment is based on the proposed reserved matters application for 102 dwellings. A copy of the layout plan for this scheme is contained in Appendix 1. Table 4.1 contains a summary of the proposed housing mix and dwelling sizes. The viability assessment is based on the information contained in table 4.1. In addition the applicant has assumed a net developable area of 3.21 ha (7.92 acres) and we have adopted this for the purpose of our assessment.

Ref	No	Type	No Beds	Size (sq.ft)
Type A	2	Semi	3	798
Type B	4	Semi	2	724
Type C	14	Semi	3	911
Type D	5	Det	3	1,166
Type E	19	Det	3	1,139
Type F	26	Det	3	1,366
Type G	12	Det	4	1,288
Type H	11	Det	4	1,445
Type I	1	Det	4	1,494
Type 1	4	Apt	1	540
Type 2	4	Apt	2	650
	102			**117,838**

Table 4.1: Summary of Dwellings and Sizes

4.3 The current viability assessment is based on the form of development proposed in the reserved matters application that is to be submitted. It should be noted however that the outline consent is for 130 dwellings. The proposed reserved matters application may not proceed or there may be amendments to the number and size of dwellings identified in table 4.1. In theory based on the outline application the site could be developed for up to 130 dwellings and the Council needs to be mindful of this in reaching conclusions regarding the S73 application. We would recommend that any revised S106 Agreement entered into contains provision for a review of viability in the event of changes to the type or number of dwellings identified in table 4.1 as part of any reserved matters consent. In addition the Council may wish to consider including provision for re-appraisal in the event of any delay to the commencement of construction.

Gross Development Value

4.4 In preparing an assessment of the likely selling prices for the application scheme we have considered the selling and asking prices for new houses in Poulton. At the present time there are 4 new developments being constructed within a mile radius of the application site namely:

Oldfield Park – Redrow
Moorfield Park – Jones Homes
Moorfield Park – Persimmon Homes
St Johns Walk – Wainhomes

4.5 In preparing our assessment we have had regard to both sales and asking prices from these new developments.

4.6 Compared to these new schemes the application site occupies an inferior location. It is situated to the south of a former local authority housing estate, and access to the site from the main road (Garstang Road East) is directly through this housing estate. As a result the approach to the site is inferior to the comparable schemes, and this will have a depressing effect on values. Similarly the Moorfield Park schemes have main road frontage which improves their marketability, whilst St Johns Walk in situated closer to the town centre with ready access to the shopping area and railway station. The Oldfield Park development is located a similar distance from the town centre in comparison with the application site and is one field to the west. It benefits however from being situated just off Carr Head Lane, which is a superior residential location close to Hardhorn Lane and Hardhorn itself one of the highest value locations in Poulton.

4.7 Due to these differences we would generally expect new dwellings on the application site to sell for less than the prices achieved for these other new developments. Given the characteristics of the application site, then of the four new schemes the most comparable is likely to be that part of Moorfield Park being developed by Persimmon Homes. This is principally as a result of the type of product being developed by Persimmon which is typically smaller than in the other schemes and of a lower quality/specification, which means that it can be afforded by lower income households. Jones Homes and Redrow and to a lesser degree Wainhomes provide a higher specification/quality product and as a result the selling/asking prices are higher pro-rata than for the Persimmon development and the market for their product is very different.

4.8 The selling prices for the application scheme are likely to be below the asking and achieved prices for the Redrow, Jones Homes and Wainhomes developments. The construction costs that have been assumed for the purpose of the assessment assume however a slightly higher quality of development than a typical Persimmon Homes development, and as such we would expect higher selling prices.

4.9 Persimmon have provided us with information about the selling prices on Moorfield Park and we understand that these have been in the range of £238 per sq.ft, for the 2 bed Alnwick house type, to £192 per sq.ft for a number of the 4 bed Chedworth house types. The overall average price before incentives is £218 per sq.ft with incentives averaging 3.8%. Persimmon advise that the overall average price once incentives are taken into account is in the order of £210 per sq.ft.

4.10 We have also reviewed availability and pricing of houses on the other 3 developments. Based on the exercise that we have undertaken previously, we have increased slightly the prices of the smaller 2 and 3 bed dwellings from those in the applicant's earlier assessment and they have been included in their current 27 June 2019 appraisal. Subsequent to this we consider that recent evidence in relation to the larger house types shows that the prices for the 4 bed and large 3 bed house in the applicant's appraisal are slightly high. We have therefore adjusted these accordingly.

4.11 Based on the changes that we have made table 4.2 contains details of the average net selling prices that we have assumed for the purpose of our assessment. These are the net prices that we have adopted once all sales incentives are taken into account.

Ref	Type	No Beds	Size (sq.ft)	Price	Price (per sq.ft)
Type A	Semi	3	798	£179,550	£225
Type B	Semi	2	724	£162,900	£225
Type C	Semi	3	911	£204,975	£225
Type D	Det	3	1,166	£268,000	£230
Type E	Det	3	1,139	£261,900	£230
Type F	Det	3	1,366	£286,860	£210
Type G	Det	4	1,288	£276,920	£215
Type H	Det	4	1,445	£303,450	£210
Type I	Det	4	1,494	£313,740	£210
Type 1	Apt	1	540	£123,120	£228
Type 2	Apt	2	650	£146,200	£228
				Ave	**£218**

Table 4.2: Average Net Sales Prices assumed

Construction Costs

4.12 Our QS has prepared an assessment of the construction costs (including abnormals, fees and contingencies) associated with the reserved matters application proposals based on the information that has been made available to us. A number of meetings have taken place with the applicant and their advisors to obtain supporting explanation and information relating to their cost assessment. Notwithstanding the discussions that have taken place, it has not been possible to reach an agreed position in relation to construction costs.

4.13 With reference to table 3.1, the applicant has adopted the following construction costs.

Item	Cost
Dwelling Construction Costs	£9,581,800
Demolition and Asbestos Removal	£45,000
External Works	£3,282,324
Abnormal Costs	£4,631,573
Contingencies	£680,658
Professional Fees	£771,847
S278 Works	£200,000
Total	**£19,193,202**

4.14 A further sum of £85,000 is included for town planning fees giving an overall total for construction costs including professional fees, contingency, abnormal costs and S278 works of £19,278,202. In comparison our QS has assessed the total costs associated with this development to be £17,080,711. A summary of the cost assessments are contained at **Appendix 7**. The applicant's costs are over £2m greater than our QS assessment largely due to a difference in approach to assessing the abnormal costs, particularly those associated with dealing with peat on the site. For the purpose of undertaking this assessment we have therefore adopted the total construction costs assessed by our QS in the amount of **£17,080,711**.

Land Acquisition Costs and Benchmark Land Value

4.15 The applicant has adopted a fixed land value of £1,980,000 (£250,000 per net acre) together with associated legal and agent's fees on acquisition based on 0.8% and 1.5% respectively of the purchase price. No allowance has been made for stamp duty land tax.

4.16 Our view in relation to the associated acquisition costs is that the allowance for legal fees is reasonable however that for agents fees is high and we have reduced this to 1%. SDLT will be payable on the land acquisition and we have made an allowance for this based on current HMRC rates.

4.17 In assessing an appropriate benchmark land value we have considered the guidance relating to viability assessments contained in the Planning Practice Guidance (PPG) May 2019. The guidance states that the starting point for establishing the benchmark land value is existing use. 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 comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)."

4.18 The PPG at para: 14 states that the benchmark land value should:

- Be based on existing use value;
- Allow a premium for land owners;
- Reflect the implications of abnormal costs; site specific infrastructure costs; and professional site fees.

4.19 The land value contained in the applicant's assessment is based on the benchmark land value that was adopted in the Local Plan Viability Assessment for greenfield sites in Poulton, namely £250,000 per net developable acre. However the assessment of a benchmark land value in the Local Plan Viability assessment, assumed a greenfield site free from abnormal costs. This is not the case here.

4.20 A number of the items contained in the applicant's abnormal cost total such as NHBC fees and landscaping are not technically abnormal costs. Excluding the relevant items the applicant's assessment includes a total of £4,594,948 or £580,170 per net developable acre in abnormal costs. Based on our QS assessment the abnormals total excluding landscaping is £3,491,861 or £440,890 per net developable acre. The PPG is very clear that abnormal costs need to be taken into consideration in arriving at an assessment of benchmark land value.

4.21 In this case we have considered an EUV of £8,000 per acre based on agricultural land values. The total site area is around 10.28 acres and applying a value of £8,000 per acre would give an EUV of £82,240. Typically an uplift of 15-25 times EUV is applied for greenfield sites. Given the extent of abnormal costs here we would expect an uplift for the application site of no more than 15 times EUV. This would give a benchmark land value of £1,233,600 which we have rounded to £1.2m for the purpose of this assessment.

4.22 Adopting a benchmark land value of £1.2m provides the landowner with a sum equivalent to 14.6 times EUV which given the circumstances of the site would in our view be sufficient to incentivise the landowner to sell.

Marketing Costs

4.23 The applicant has assumed marketing, sales and legal costs on the disposal of the market housing at 3.5% of GDV which is reasonable. We have also included transfer fees on the affordable units at £600 per unit.

Finance Costs and Programme

4.24 The applicant has assumed a finance rate of 7% and an overall programme based on 1.5 sales per month. The total finance cost arising from this is £1,805,884. The finance rate at 7% is reasonable, however in our view the pace of sales is too pessimistic. Land Registry data shows that Redrow have sold 17 houses at Oldfield Park over the 11 month period from 19 March 2018 to 22 February 2019 at 1.55 per month. We understand from Persimmon that they have sold 44 units since November 2018, although marketing commenced in August 2018. This included the first phase of affordable units together with 19 market units. This suggests sales at around 2.4 per month for the market units. There is only one sale to date recorded at Land Registry in relation to the Jones Homes development, whilst Wainhomes have not yet completed any dwellings at St Johns Walk.

4.25 In undertaking the current assessment we have adopted a sales rate based on 2 market sales per month. This acknowledges the extent of competition at the present time and that fact that Redrow and Jones Homes both appear to be experiencing a relatively slow sales rate at the moment. We have assumed that the first sale occurs 6 months from commencement of construction.

Section 106 Contributions

4.26 The applicant has included S106 contributions as follows:

S106 Education	£563,000
S106 Highways	£56,000.

4.27 The later comprises a Traffic Management Contribution (£50,000) and a Travel Plan Contribution (£6,000). The applicant's appraisal assumes that all S106 contributions are payable on commencement. Having checked the S106 Agreement this doesn't appear to be the case. 50% of the education contribution is payable prior to the occupation of the 65th dwelling and the balance prior to occupation of the 120th. The traffic management scheme contribution is payable prior to occupation of the 50th dwelling and the travel plan contribution on first occupation. Within our assessment we have therefore adjusted the timing of these payments to broadly reflect the payment profile in the S106 Agreement albeit there are fewer dwellings.

4.28 In preparing our assessment we have also retained the contribution amounts based on the figures contained in the applicant's appraisal as detailed above. In the event that there are changes to the amount of contribution being sought then this will alter the viability position and should be referred back to us for further assessment.

Developers Profit

4.29 The applicant's appraisal does not include any affordable housing. The developers profit that has been adopted is 20% however this is applied to a scheme of market housing. The updated PPG identifies a profit of 15-20% of gross development value (GDV) as a suitable return to developers in order to establish the viability of plan policies in relation to residential development. It suggests that lower figures may be more appropriate in consideration of delivery of affordable housing where there is reduced risk.

4.30 The level of profit appropriate to a site will depend on the level of risk associated with developing that site. This risk may be market risk associated with the demand for dwellings or supply based on the level of competition, or it may be physical risk associated with constructing the development for example abnormal costs.

4.31 In the case of the application site we consider that it has a relatively high risk profile. This is due not only to the physical risks associated with developing the site as a result of the presence of peat but also the market risks given the comparatively poor location of the site and the level of competition in the area. Reflecting these risks we have adopted a profit on the market housing at 20% of GDV together with a lower return of 8% of GDV for the affordable units.

5.0 CONCLUSIONS

5.1 Based on the commentary contained in Section 4, we have prepared a revised financial appraisal for the development. This appraisal is based on 102 units (as detailed in table 4.1) and adopts our assessment of appropriate appraisal assumptions as outlined in the preceding section.

5.2 The appraisal has been prepared so that the cost of undertaking the development including a developers profit are deducted from the value of the development to leave a residual land value. On this basis a viable scheme would result in a residual land value at or close to the benchmark figure of £1.2m.

5.3 We have prepared a number of appraisals to assess the level of affordable housing that could be supported. In each case we have assumed a full package of other S106 contributions as noted in paragraph 4.26. On this basis the appraisal inclusive of 4 affordable dwellings results in a residual land value of £1,182,564 which is close to the benchmark figure of £1.2m. A copy of the summary appraisal is contained at **Appendix 8**.

5.4 The finance costs in the appraisal are a function of the interest rate and development programme and it should be noted that based on the assumptions that we have made as to programme and the timing of S106 payments, the total interest has reduced from £1,805,884 to £545,032. The reduction in finance costs also reflects the reduced residual land value that that is generated by our appraisal.

5.5 We have included what we understand to be the total S106 contributions being sought for highways and education. Obviously some of the monies identified here could instead be used to fund further affordable housing provision. At this stage we have not sought to model the impact on the level of affordable housing that could be achieved by any reduction to these contributions.

5.6 The applicant has confirmed that they are willing to accept the outcome of our assessment based on the appraisal contained at Appendix 8. As noted at paragraph 4.3, the site has outline consent for 130 dwellings. The assessment that has been undertaken is based on the 102 dwellings contained in the proposed reserved matters application. The Council will need to ensure that safeguards are contained in the revised S106 Agreement to ensure that if the reserved matters application does not proceed in its present form, there will be an opportunity to undertake a further viability assessment based on any alternative scheme.

Keppie Massie

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KEPPIE MASSIE
Date: 12 August 2019
Ref: AGM/JA/RC

APPENDIX 1

DRAFT RESERVED MATTERS SCHEME & ACCOMMODATION SCHEDULE

Lower Density Scheme - 102 units

1 Bed apartment (540ft2) x 4

2 Bed apartment (650ft2) x 4

3 Bed Semi / mid (798 ft2) x 2

2 Bed Semi / mid (724 ft2) x 4

3 Bed Semi (911ft2) x 14

3 Bed detached (1,166ft2) x 5

3 Bed detached (1,139ft2) x 19

3 Bed detached (1,366ft2) x 25

4 Bed detached (1,288ft2) x 12

4 Bed detached (1,445ft2) x 12

4 Bed detached (1,494ft2) x 1

APPENDIX 2

APPLICANT'S FINANCIAL APPRAISAL &
SUPPORTING NOTE – 102 DWELLINGS (27 FEBRUARY 19)

Land South of Holts Lane

Notes to Accompany Viability Appraisals

These notes are to clarify where necessary the various inputs contained within the viability appraisal dated 23 February 2019 which has been submitted in support of a Section 73 application to vary the conditions on permission ref 16/01043/OULMAJ to remove the requirement for affordable housing on the grounds of viability.

Gross Development Value

A gross development value of £25.918 million has been determined based on headline prices reduced by 5% to reflect average incentive packages.

Values correspond to build rate in terms of specification (ie, does not assume enhanced Redrow specification).

Overall these values are considered bullish and therefore represent a robust appraisal.

Benchmark Land Value

This has been based on £300,000 per net developable acre (ie, £300,000 x 7.92 acres = £2.376 million). The net acreage is as is understood as present. Ongoing pre-application discussions may result in a small reduction in the net acreage.

Abnormal Costs

The main abnormal costs that have been identified are as follows:

Item	Amount	Comment
Demolition/Asbestos Removal	£45,000	Demolition of existing structures and assumed spread asbestos in locality.
Earthwork/Piling	£3,088,681	Mid-way between contractor quotes for peat removal and piling solutions.
Drainage and SW Attenuation	£788,000	e/o cost – FW and SW pump stations, rising mains etc
Acoustic Glazing	£30,000	To train line
Acoustic Fence	£88,000	To train line
Landscaping	£19,000	POS set out
Gas Measures	£35,000	
Ecology Works	£25,268	
Section 278 works	£200,000	Estimate of cost of half works required. Assumed that half will be carried-out by adjacent Key Worker Homes scheme who have same items listed in their S.278.

Pace of Sales

This has been assumed at 2.5 dwellings per month. However, it is notable that Redrow have averaged only 1.5 sales per month and so this assumption is bullish.

Post Occupation Remedial Costs

Assumed at £1,000 per unit.

NHBC Certification

Assumed at £1,000 per unit.

Results of the Appraisal

The appraisal generates a profit which equates to 10.91% of the total GDV of the scheme. When compared to an acceptable level of profit at 20% of GDV it is clear that the scheme is 'unviable' and therefore cannot afford any planning obligations. This extends to not only affordable housing but also other contributions which are contained within the Section 106 Agreement.

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

Holts Lane
Poulton-Le-Fylde
Lancashire
FY6

Development Appraisal
Prepared by TDC
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February 27, 2019

APPRAISAL SUMMARY LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

Appraisal Summary for Phase 1 Holts Lane NO AH

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
Type A - 3 bed SD (788 sq.ft)	2	1,586	234.00	186,732	373,464	(18,673)	354,791
Type B - 2 bed SD (724 sq.ft)	4	2,896	234.00	169,416	677,664	(33,883)	643,781
Type C - 3 bed SD (911 sq.ft)	14	12,754	225.00	204,975	2,869,650	(143,483)	2,726,168
Type D - 3 bed det (1,166 sq.ft)	5	5,830	225.00	262,350	1,311,750	(65,588)	1,246,163
Type E - 3 bed detached (1,139 sq.ft)	19	21,641	225.00	258,275	4,906,225	(243,461)	4,625,764
Type F - 3 bed detched (1,368 sq.ft)	25	35,516	225.00	307,550	7,991,100	(399,555)	7,591,545
Type G - 4 bed detached (1,288 sq.ft)	12	15,456	245.00	315,560	3,786,720	(189,336)	3,597,384
Type H - 4 bed detmec (1,445 sq.ft)	11	15,895	245.00	354,025	3,894,275	(194,714)	3,699,561
Type I - 4 bed detached (1,494 sq.ft)	1	1,494	245.00	366,030	366,030	(18,302)	347,729
Type 1 APT - 1 bed (540 sq.ft)	4	2,160	240.00	129,600	518,400	(25,920)	492,480
Type 2 APT - 2 bed (650 sq.ft)	4	2,600	240.00	156,000	624,000	(31,200)	592,800
Totals	102	117,838			27,282,278	(1,364,114)	25,918,164

NET REALISATION 25,918,164

OUTLAY

ACQUISITION COSTS

Fixed Price	2,376,000		
Fixed Price (7.92 Acres @ 300,000.00 /Acre)		2,376,000	
			2,376,000
Stamp Duty (Land cost includes VAT)		132,060	
Effective Stamp Duty Rate	5.56%		
Agent Fee	1.50%	35,640	
Legal Fee	0.80%	19,008	
Town Planning		100,000	
Survey		50,000	
			336,708

APPRAISAL SUMMARY LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

CONSTRUCTION COSTS				
Construction	**ft²**	**Build Rate ft²**	**Cost**	
Type A - 3 bed SD (798 sq.ft)	1,596	88.00	140,448	
Type B - 2 bed SD (724 sq.ft)	2,896	88.00	254,848	
Type C - 3 bed SD (911 sq.ft)	12,754	88.00	1,122,352	
Type D - 3 bed det (1,136 sq.ft)	5,830	88.00	513,040	
Type E - 3 bed detached (1,139 sq.ft)	21,641	88.00	1,904,408	
Type F - 3 bed detched (1,566 sq.ft)	35,518	88.00	3,125,436	
Type G - 4 bed detached (1,288 sq.ft)	15,456	88.00	1,360,128	
Type H - 4 bed detached (1,445 sq.ft)	15,895	88.00	1,398,760	
Type I - 4 bed detached (1,494 sq.ft)	1,494	88.00	131,472	
Type 1 APT - 1 bed (540 sq.ft)	2,700	115.00	310,500	
Type 2 APT - 2 bed (650 sq.ft)	3,250	115.00	373,750	
Totals	**119,028 ft²**		**10,635,114**	
Residential Contingency		3.00%	366,911	
Abnormal Contingency		5.00%	204,997	
Demolition & Asbestos Removal			45,000	
S 278 works			200,000	
				11,452,023
Other Construction				
External Works		15.00%	1,595,267	
NHBC	102 un	1,000.00 /un	102,000	
Earthworks - Peat Backfill Piling			3,088,681	
Drainage and SW Attenuation			788,000	
Gas Measures			35,000	
Accustic Glazing			30,000	
Accustic Fence			88,000	
Ecology Works			25,268	
Landscaping			45,000	
Post Occupation Remedial Costs	102 un	1,000.00 /un	102,000	
				5,869,216
PROFESSIONAL FEES				
Other Professionals		7.00%	1,160,273	

APPRAISAL SUMMARY LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

			1,163,273
MARKETING & LETTING			
Marketing	3.50%	907,136	
			907,136
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		621,552	
Construction		337,830	
Total Finance Cost			959,383
TOTAL COSTS			23,090,718
PROFIT			
			2,827,445
Performance Measures			
Profit on Cost%	12.24%		
Profit on GDV%	10.91%		
Profit on NDV%	10.91%		
IRR	19.38%		
Profit Erosion (finance rate 7.000)	1 yr 8 mths		

APPENDIX 3

TABLE 2.1 – ASSOCIATED SALES PRICES,
QS CONSTRUCTION COST SUMMARY & APPRAISAL

	No	Size	TC					JA	
			Rate (per sq.ft)	Gross	Deduction	Net Price	Net Price (psf)	Net Price (psf)	Unit Price
Type A - 3 bed SD (798 sq.ft)	2	798	£234	£186,732	5%	£177,395	£222	£225	£179,550
Type B - 2 bed SD (724 sq.ft)	4	724	£234	£169,416	5%	£160,945	£222	£225	£162,900
Type C - 3 bed SD (911 sq.ft)	14	911	£225	£204,975	5%	£194,726	£214	£225	£204,975
Type D - 3 bed det (1,166 sq.ft)	5	1,166	£225	£262,350	5%	£249,233	£214	£230	£268,000
Type E - 3 bed detached (1,139 sq.ft)	19	1,139	£225	£256,275	5%	£243,461	£214	£230	£261,900
Type F - 3 bed detched (1,366 sq.ft)	26	1,366	£225	£307,350	5%	£291,983	£214	£216	£295,500
Type G - 4 bed detached (1,288 sq.ft)	12	1,288	£245	£315,560	5%	£299,782	£233		
Type H - 4 bed detched (1,445 sq.ft)	11	1,445	£245	£354,025	5%	£336,324	£233		
Type I - 4 bed detached (1,494 sq.ft)	1	1,494	£245	£366,030	5%	£347,729	£233		
Type 1 APT - 1 bed (540 sq.ft)	4	540	£240	£129,600	5%	£123,120	£228		
Type 2 APT - 2 bed (650 sq.ft)	4	650	£240	£156,000	5%	£148,200	£228		

Holts Lane, Poulton-le-Fylde

Summary Of Estimated Costs (Estimate No 1) **15 May 2019**

	Total Costs	Cost per Unit (102 no)	Cost per ft2 (117838 ft2)	Cost per m2 (10947 m2)	Developers costs	Difference
Substructures (Normal)	£973,796	£9,547	£8.26 /ft2	£ 88.95 /m2	£0	£ 973,796
Superstructures	£7,275,667	£71,330	£61.74 /ft2	£ 664.60 /m2	£0	£ 7,275,667
Dwelling construction cost	**£8,249,463**	**£80,877**	**£70.01 /ft2**	**£ 753.55 /m2**	**£10,635,114**	**-£ 2,385,651**
Preliminaries for a Construction Period of 195 weeks	£1,264,003	£12,392	£10.73 /ft2	£ 115.46 /m2	inc	£ 1,264,003
Garages (13 No)	£122,246	£1,198	£1.04 /ft2	£ 11.17 /m2	inc	£ 122,246
External works within curtilage	£736,885	£7,224	£6.25 /ft2	£ 67.31 /m2		
External works beyond curtilage	£597,414	£5,857	£5.07 /ft2	£ 54.57 /m2	£1,595,267	£ 512,415
Drainage	£407,662	£3,997	£3.46 /ft2	£ 37.24 /m2		
Incoming Services	£365,721	£3,586	£3.10 /ft2	£ 33.41 /m2		
Abnormal works (see attached)	£3,589,486	£35,191	£30.46 /ft2	£ 327.88 /m2	£4,548,949	-£ 959,463
All design, planning, NHBC and other fees	£976,439	£9,573	£8.29 /ft2	£ 89.19 /m2	£1,160,273	-£ 183,834
Contingencies - 3%	£489,280	£4,797	£4.15 /ft2	£ 44.69 /m2	£571,908	-£ 82,628
TOTAL	**£ 16,798,599**	**£ 164,692**	**£142.56 /ft2**	**£ 1,534.48 /m2**	**£ 18,511,511**	**-£ 1,712,912**
			Difference -10.20%		**£ 1,690.95 /m2**	

Holts Lane, Poulton-le-Fylde **15 May 2019**

ABNORMAL WORKS (Estimate No 1)

DESCRIPTION	Qty	Rate	KM Costs	Developer costs	KM COMMENTS
Demolition & Asbestos Removal			£45,000	£45,000	Accepted as reasnable
Section 278 works			£137,500	£200,000	KM assessed from drawings provided and halved as Tim Claxton email 27/3/19
NHBC			£0	£102,000	Inc in KM fees
Earthworks - Peat Backfill Piling			£2,434,713	£3,088,681	As Brownfield Solutions letter 21.2.19 (Small zones cos)
Vibro compaction	98 Nr	£1,650	£161,700		As Brownfield Solutions letter 21.2.19
Drainage and SW Attenuation			£577,145	£788,000	KM assessed cost based on schematic drainage design
Gas Measures	5474 m2	£ 12 /m2	£65,685	£35,000	KM cost assumed to all dwellings (see p3 of E3P SI)
Acoustic Glazing	20 Nr	£1,000	£20,400	£30,000	Keppie Massie assumed to 20% of dwellings nearest railway line
Acoustic Fence	163 m	£150/m	£24,450	£88,000	KM length assumed to railway boundary of site; assumed also to be additional fence 2m high
Ecology Works			£25,268	£25,268	No details but accepted
Landscaping	8135 m2	£ 12.00 /m2	£97,625	£45,000	KM costs are POS inc maintenance but using existing top soil
Post Occupation Remedial Costs			£0	£102,000	Never seen costed before; KM consider that this would be a prelims cost and not an abnormal
TOTAL ABNORMAL COSTS			**£3,589,486**	**£4,548,949**	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales

Summary Appraisal for Phase 1 (Holts Lane,PC,2,H)

Currency (£)

REVENUE

Sales Valuation	Units	ft²	Rate £/ft²	Unit Price	Gross Sales	Adjustment	Net Sales
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Totals	103	117,838			21,308,110	(2,170,082)	21,138,028

NET REALISATION 21,138,028

OUTLAY

ACQUISITION COSTS

[illegible]			[illegible]
[illegible]			[illegible]
Agent's Fees		1.00%	[illegible]
Legal Fees		0.50%	[illegible]
			[illegible]

CONSTRUCTION COSTS

Construction	ft²	Rate £/ft²	Cost	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	[illegible]	[illegible]	[illegible]	
Totals	119,024 ft²		8,630,310	8,630,310
[illegible]		0.00%	[illegible]	
[illegible]			[illegible]	
[illegible]			[illegible]	
				[illegible]

Other Construction

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
	[illegible]

PROFESSIONAL FEES

[illegible]	[illegible]	[illegible]
		[illegible]

MARKETING & LETTING

[illegible]	[illegible]	[illegible]	[illegible]
			[illegible]

DISPOSAL FEES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
				[illegible]

FINANCE

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

TOTAL COSTS 19,916,416

PROFIT

1,189,468

Performance Measures

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]

APPENDIX 4

APPLICANT'S RESPONSE TO INITIAL ASSESSMENT (9 JUNE 2019)

ABNORMAL COSTS

DESCRIPTION	Qty	Rate	KM Costs	Developer costs
Demolition & Asbestos Removal			£45,000	£45,000
Section 278 works			£137,500	£200,000
NHBC			£0	£102,000
Earthworks - Peat Backfill Piling			£2,434,713	£3,088,681
Vibro compaction	98 Nr	£1,650	£161,700	
Earthworks Total			£ 2,596,413.00	£3,088,681
Drainage and SW Attenuation			£577,345	£788,000
Gas Measures	5474 m2	£ 12 /m2	£65,685	£35,000
Acoustic Glazing	20 Nr	£1,000	£20,400	£30,000
Acoustic Fence	163 m	£150/m	£24,450	£88,000
Ecology Works			£25,268	£25,268
Landscaping	8135 m2	£ 12.00 /m2	£97,625	£45,000
Post Occupation Remedial Costs			£0	£102,000
TOTAL ABNORMAL COSTS			**£3,589,486**	**£4,548,949**

KM COMMENTS	TCP Comments
Accepted as reasnable	No comment
KM assessed from drawings provided and halved as Tim Claxton email 27/3/19	Need further detail as KM costs seem light.
Inc in KM fees	Need breakdown of fees generally
As Brownfield Solutions letter 21.2.19 (Small zones cos)	Almost £500,000 differential. Original appraisal took mid-point of quotes received which has to be the reasonable approach given the current status of the project. Also some costs not included in original estimates namely a) additional GF2 import to raise site levels to above peat level b)top soil strip, holding and replacement c) subsoil import to gardens d) piling to garages.
As Brownfield Solutions letter 21.2.19	
KM assessed cost based on schematic drainage design	Need further detail as KM costs seem light.
KM cost assumed to all dwellings (see p3 of E3P SI)	No comment
Keppie Massie assumed to 20% of dwellings nearest railway line	No comment
KM length assumed to railway boundary of site; assumed also to be additional fence	No significant comment but seems light
No details but accepted	No comment
KM costs are POS inc maintenance but using existing top soil	No comment
Never seen costed before; KM consider that this would be a prelims cost and not an abnormal	New to me too but is an actual cost to developers - not a preliminary cost.

HOLTS LANE, POULTON LE FYLDE – APPRAISAL ASSUMPTIONS

Item	Assumption	KM Comments	TCP Comments
GDV	£25,918,164 Affordable Housing	Net price of 4 bed units and apartments agreed Net price of 2 and 3 bed units appear to be low. Figures increased slightly to reflect JA prices on attached sheet. None included assume affordable rent at 45% MV and LCHO at 70% MV.	Evidence from other schemes has emerged in recent months. Persimmon's scheme is most comparable to subject owing to poor access and quality of build anticipated. This arguably suggests lower values overall.
Agents Fee	1.5%	This is high, reduce to 1%	1.5% is typical for a site of this nature and the role undertaken by agent (ie, promo deal work and agency work). Especially given value of this specific site.
Legal Fee	0.8%	Agreed	-
Town Planning	£100,000	Excluded. Reflected in QS assessment of professional fees	Need breakdown of professional fees @ £976,439.
Survey	£50,000	Excluded. Reflected in QS assessment of professional fees	
Marketing	3.5%	Agreed. Assume transfer fee of £600 per unit for affordables	-
Interest Rate	7%	Agreed	Although agreed at 7% there is a significant difference in the finance costs (£524,850 vs £959,363). Partly explained by forward selling of AH (see comment under Profit above) but not all?
Programme	2.5 sales per month	Agreed as per Argus Appraisal sent 7 April 19	This has always been considered ambitious given the evidence emerging from other schemes - 1.5 units pcm may be more appropriate.
Profit	20% GDV	Not agreed. Assume 20% market housing and 8% affordable units	20% on open market agreed. 8% on AH not agreed. Intermediate units are sold at developer's

			risk and at lower profit in cash terms. Lower rate for RP units only valid if pre-sold before construction. Therefore 15% on AH overall proposed as compromise.
Benchmark Land Value	£2,376,000 (£300,000 per net acre)	Not agreed, this is high. Redrow paid £260,000 per net acre for a better site. Applicant's total abnormals equate to £550,000 per net acre. In accordance with PPG how have these costs been taken into account in assessing the benchmark land value? The gross greenfield value is £850,000 per net acre, this is not sustainable in this location hence the reason why the scheme is unviable based on the applicant's assessment even with no planning obligations.	Redrow paid £3,393,750 on an option within 11% discount. Therefore £3,813,202 at full OMV. Net acreage 8.84 acres (Source: Redrow). So, £431,000 pnda (inc 30% AH). Possibly more if abnormal purchase of house for access @ say £400,000 taken into account (additional £45k pnda). Wain Homes site supports similar land value position. In terms of an appropriate BLV the 'landowners reasonable expectation of value' is key. Requires further discussion.
Construction costs inc all professional fees, surveys, abnormals and contingency	£18,511,511	Not agreed see attached QS summary assessment at £16,798,599	Areas of difference are in respect of a) Abnormals (-£959,463) – see separate comments. Also no apparent abnormals contingency which is usually justified at 5% b) Fees (-£183,834) – need breakdown of £976,439 (see below) c) General Construction (-£486,987) – primarily in relation to base build + prelims + externals (£92.06 vs £101.20). Also no differential for apartments which is not justified. Suggested compromise add c. £3.00 psf to base cost (sub+super structure). d) Contingency (-£82,628) – agreed at 3% and cost is function of overall build cost
Section 106 Costs			Costs other than those related to affordable housing are not included within the appraisal. These are:

			Traffic - £56k Education - £563k (indexed to May 19) – will require further indexation at RM stage.
Professional Fees			Stated that NHBC, outline planning fees and e/o site investigation costs are within fee budget. These should separate items outside of professional fees. Breakdown required.

APPENDIX 5

APPLICANT'S FURTHER APPRAISAL (17 JUNE 2019)

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Holts Lane
Poulton-Le-Fylde
Lancashire
FY6

Development Appraisal
Licensed Copy
June 17, 2019

APPRAISAL SUMMARY

LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Appraisal Summary for Phase 1 Holts Lane 0% AH

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Type A - 3 bed SD (788 sq.ft)	2	1,596	225.00	179,550	359,100
Type B - 2 bed SD (724 sq.ft)	3	2,172	225.00	162,900	488,700
Type C - 3 bed SD (911 sq.ft)	10	9,110	225.00	204,975	2,049,750
Type D - 3 bed det (1,158 sq.ft)	5	5,830	229.85	268,000	1,340,000
Type E - 3 bed detached (1,139 sq.ft)	17	19,365	229.94	261,900	4,452,300
Type F - 3 bed detched (1,566 sq.ft)	26	35,616	216.33	295,500	7,683,000
Type G - 4 bed detached (1,288 sq.ft)	12	15,456	232.75	299,792	3,597,384
Type H - 4 bed detached (1,445 sq.ft)	11	15,896	232.75	336,324	3,699,564
Type I - 4 bed detached (1,494 sq.ft)	1	1,494	232.75	347,729	347,729
Type 1 APT - 1 bed (540 sq.ft)	4	2,160	228.00	123,120	492,480
Type 2 APT - 2 bed (650 sq.ft)	1	650	228.00	148,200	148,200
Type B - 2 bed SD (724 sq.ft) AR	1	724	225.00	162,900	162,900
Type C - 3 bed SD (911 sq.ft) LCHO	4	3,644	225.00	204,975	819,900
Type E - 3 bed detached (1,139 sq.ft) LCHO	2	2,278	229.94	261,900	523,800
Type 2 APT - 2 bed (650 sq.ft) AR	3	1,950	228.00	148,200	444,600
Totals	102	117,838			26,609,407

NET REALISATION 26,609,407

OUTLAY

ACQUISITION COSTS

Residualised Price (7.92 Acres @ 167,008.32 /Acre)		1,322,706	
			1,322,706
Stamp Duty		55,635	
Effective Stamp Duty Rate	4.21%		
Agent Fee	1.50%	19,841	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Legal Fee		0.60%	10,582	
				86,057

CONSTRUCTION COSTS

Construction	**ft²**	**Build Rate ft²**	**Cost**	
Type A - 3 bed SD (788 sq.ft)	1,586	83.95	133,664	
Type B - 2 bed SD (724 sq.ft)	2,172	83.95	182,339	
Type C - 3 bed SD (911 sq.ft)	9,110	83.95	764,784	
Type D - 3 bed det (1,156 sq.ft)	5,830	83.95	489,428	
Type E - 3 bed detached (1,139 sq.ft)	19,363	83.95	1,625,524	
Type F - 3 bed detched (1,568 sq.ft)	35,516	83.95	2,981,568	
Type G - 4 bed detached (1,298 sq.ft)	15,456	83.95	1,297,531	
Type H - 4 bed detched (1,445 sq.ft)	15,895	83.95	1,334,385	
Type I - 4 bed detached (1,494 sq.ft)	1,494	83.95	125,421	
Type 1 APT - 1 bed (540 sq.ft)	2,700	115.00	310,500	
Type 2 APT - 2 bed (650 sq.ft)	813	115.00	93,437	
Type B - 2 bed SD (724 sq.ft) AR	724	83.95	60,760	
Type C - 3 bed SD (911 sq.ft) LCHO	3,644	83.95	305,914	
Type E - 3 bed detached (1,139 sq.ft) LCHO	2,278	83.95	191,298	
Type 2 APT - 2 bed (650 sq.ft) AR	2,436	115.00	280,312	
Totals	**118,028 ft²**		**10,177,148**	
Abnormals Contingency		5.00%	196,679	
Residential Contingency		5.00%	401,963	
Demolition & Asbestos Removal			45,000	
S.106 Education			563,000	
S.106 Highways			58,000	
S 278 works			137,500	
				11,577,290

Other Construction

External Works	2,107,682	
Earthworks - Overall Cost	3,078,000	
Drainage and SW Attenuation	577,145	
Gas Measures	65,665	
Acoustic Glazing	20,400	

APPRAISAL SUMMARY LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Accustic Fence		24,460	
Ecology Works		25,268	
Landscaping		97,625	
			5,396,255
PROFESSIONAL FEES			
Other Professionals		976,439	
			976,439
MARKETING & LETTING			
Marketing	3.50%	739,199	
			739,199
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		279,920	
Construction		509,650	
Total Finance Cost			589,570
TOTAL COSTS			21,287,516
PROFIT			5,321,891

Performance Measures	
Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	35.38%
Profit Erosion (finance rate 7.000)	3 yrs 3 mths

APPENDIX 6

SUPPORTING EMAIL & APPLICANT'S FURTHER APPRAISAL (27 JUNE 2019)

Appendix 6

27 June 2019 email from Tim Claxton

Hi Jenny

Thanks for your time last week to go through matters.

I attach a reworked appraisal on a 0% affordable housing basis which updates matters and would comment on the various inputs as they appear on the appraisal as follows:

1) GDV - as we mentioned when we met there is increasing evidence of relevance to the subject scheme which is compromised in several ways and although close to the Redrow scheme is inferior. In particular we have considered the Persimmon scheme on the Garstang Road which we believe to be more akin to the subject in terms of accessibility and specification. Their pricing ranges from £180 per sq.ft for the 2.5 storey product, £200 per sq.ft for the larger product and £220 per sq.ft for the smaller product (all assuming a 5% incentive discount). You will see that in adopting these sorts of prices (in the range £200 to £220 per sq.ft) reduces the GDV by around 10%. The attached appraisal however keeps revenues as per your most recent appraisal.

2) Pace of Sales - This was originally at 2.5 pcm. Persimmon are reporting very slow sales at around 1 pcm. We are also hearing from Redrow that their sales pace is poor at 0.9 pcm which has led to a re-plan to improve their mix. Keyworker Homes developing between the Redrow site and the subject will not improve matters in this regard. We have now adopted 1.5 sales pcm.

3) Land Price - As we discussed when we met a BLV of around £300,000 pnda is justified. You confirmed that in the local plan you had worked from a value of £250,000 pnda. For the purposes of this exercise I think it is reasonable to adopt £250,000 per acre suggesting a BLV of £1.98 million.

4) Construction Costs - Roger has kindly sent a breakdown of these so that matters are clearer in terms of rates used for the houses and the flats. I am no QS but I have been involved in various expert witness cases (acting for landowners) and am privy to detailed data provided by housebuilder clients. For the time being I have adopted Roger's figures but they are arguably a bit low based on what I have seen. This is something we can pick up on later if necessary. We have changed our gross to net on the flats to 10% to cover off the stair wells etc.

5) Contingencies - we have adopted a 3% contingency on the main build and 5% on the abnormals. As we have outlined previously it is normal to show a contingency on abnormal costs and we have shown this expressly stated for clarity.

6) Section 278 works - there is a difference opinion here and we have in this instance continued to adopt the figure of £200,000 (which represents 50% of the total anticipated cost on the assumption that the cost will be shared with Key Worker Homes - an assumption that carries some risk!)

7) Other Construction - This is a major area and one where we are still awaiting some advice but I attach the latest advice from Brownfield Solutions that introduces some additional elements. These are self explanatory but I would highlight the issue of raising the site above existing peat level. The plan is to pump surface water negating the need to raise levels for drainage purposes however owing to the potential of compaction of the ground below the peat it is wise to include an allowance for some import of additional material and we believe that 100mm is a justified amount. Pro-rating this from BS's figures suggests a cost of between £81,000 and £97,000.
Again we are strongly of the opinion that the lowest of the quotes received should not be adopted and a mid-point is appropriate at this stage. On this basis we have adopted a figure of £3,282,324 for ground works within the appraisal. We are adopting your other costs for the time being but will be reverting in due course in respect of the drainage costs.

8) We have reinstated the post-completion remedial costs figure.

9) Professional Fees - We have argued for the planning and survey costs to be outside of the professional fees headings (as is usual). These have now been confirmed as a total £85,000 (including legal fees) and so this figure has been applied.

10) Profit - Given that this a 0% affordable housing appraisal 20% on GDV is carried across the full GDV.

The end result of the changes confirmed above is to generate a profit of around 7% on GDV.

It would be good to get to a position where we can agree as many of these points as possible and if after this it is necessary to go through some of the outstanding issues around costs then we can do so – again we are keen to get this resolved as soon as possible for very real commercial reasons.

Please feel free to give me a call if you need to discuss.

Tim

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RICS
Regulated by RICS

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Holts Lane
Poulton-Le-Fylde
Lancashire
FY6

Development Appraisal
Licensed Copy
June 27, 2019

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Appraisal Summary for Phase 1 Holts Lane 0% AH

Currency in £

REVENUE Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Type A - 3 bed SD (788 sq.ft)	2	1,596	225.00	179,550	359,100
Type B - 2 bed SD (724 sq.ft)	3	2,172	225.00	162,900	488,700
Type C - 3 bed SD (911 sq.ft)	10	9,110	225.00	204,975	2,049,750
Type D - 3 bed det (1,168 sq.ft)	5	5,840	229.65	268,000	1,340,000
Type E - 3 bed detached (1,139 sq.ft)	17	19,363	229.94	261,900	4,452,300
Type F - 3 bec detched (1,566 sq.ft)	26	35,516	215.33	295,500	7,683,000
Type G - 4 bed detached (1,288 sq.ft)	12	15,456	232.75	299,782	3,597,384
Type H - 4 bed detchec (1,445 sq.ft)	11	15,895	232.75	336,324	3,699,564
Type J - 4 bed detached (1,494 sq.ft)	1	1,494	232.75	347,729	347,729
Type 1 APT - 1 bec (540 sq.ft)	4	2,160	228.00	123,120	492,480
Type 2 APT - 2 bec (650 sq.ft)	1	650	228.00	148,200	148,200
Type B - 2 bed SD (724 sq.ft)	1	724	225.00	162,900	162,900
Type C - 3 bed SD (911 sq.ft)	4	3,644	225.00	204,975	819,900
Type E - 3 bed detached (1,139 sq.ft)	2	2,278	229.94	261,900	523,800
Type 2 APT - 2 bec (650 sq.ft)	3	1,950	228.00	148,200	444,600
Totals	102	117,838			26,509,407

NET REALISATION				26,509,407

OUTLAY				
ACQUISITION COSTS				
Fixec Price		1,980,000		
Fixec Price (7.92 Acres @ 250,000.00 /Acre)			1,980,000	
				1,980,000
Agent Fee		1.50%	29,700	
Legal Fee		0.80%	15,840	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Town Planning Survey etc			95 000	
				130,640

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Type A - 3 bed SD (798 sq.ft)	1,596	80.95	129,166	
Type B - 2 bed SD (724 sq.ft)	2,172	80.95	175,823	
Type C - 3 bed SD (911 sq.ft)	9,110	80.95	737,454	
Type D - 3 bed det (1,156 sq.ft)	5,830	80.95	471,938	
Type E - 3 bed detached (1,139 sq.ft)	19,363	80.95	1,567,435	
Type F - 3 bec detched (1,566 sq.ft)	35,516	80.95	2,875,020	
Type G - 4 bed detached (1,298 sq.ft)	15,456	80.95	1,251,163	
Type H - 4 bed detcrec (1,445 sq.ft)	15,895	80.95	1,286,700	
Type I - 4 bed detached (1,494 sq.ft)	1,494	80.95	120,939	
Type 1 APT - 1 bec (540 sc.ft)	2,400	80.95	194,280	
Type 2 APT - 2 bec (650 sc.ft)	722	80.95	58,464	
Type B - 2 bed SD (724 sc.ft)	724	80.95	58,608	
Type C - 3 bed SD (911 sq.ft)	3,644	80.95	294,982	
Type E - 3 bed detached (1,139 sq.ft)	2,278	80.95	184,404	
Type 2 APT - 2 bec (650 sc.ft)	2,167	80.95	175,392	
Totals	**118,367 ft²**		**9,581,800**	
Residential Contingency		5.00%	415,079	
Abnormal Contingency		5.00%	265,579	
Demolition & Asbestos Removal			45 000	
S.106 Educaton			563,000	
S.106 Highways			58 000	
S.278 works			200,000	
				11,126,457

Other Construction

External Works			3,282,324	
NHBC	92 Un	1,000.00 Un	92 000	
Earthworks - Overall Cost			3,837 000	
Drainage and SW Atteruation			577 145	
Gas Measures			65,665	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Acoustic Glazing			20,400	
Acoustic Fence			24,460	
Ecology Works			25,268	
Landscaping			97,625	
Post Occupation Remedial Costs	82 un	1,000.00 /un	82,000	
				7,815,897
PROFESSIONAL FEES				
Other Professionals		8.00%	771,847	
				771,847
MARKETING & LETTING				
Marketing		3.50%	931,329	
				931,329
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			907,936	
Construction			887,828	
Other			10,120	
Total Finance Cost				1,805,884
TOTAL COSTS				24,659,055
PROFIT				1,949,452
Performance Measures				
Profit on Cost%		7.91%		
Profit on GDV%		7.33%		
Profit on NDV%		7.33%		
IRR		11.65%		
Profit Erosion (finance rate 7.000)		1 yr 1 mth		

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

APPENDIX 7

SUMMARY OF COST ASSESSMENTS

Holts Lane, Poulton-le-Fylde

Summary Of Estimated Costs (Estimate No 3) — **11 August 2019**

	Total Costs	Cost per Unit (102 no)	Cost per ft2 (117838 ft2)	Cost per m2 (10947 m2)	Developers costs	Difference
Substructures (Normal)	£973,796	£9,547	£8.26 /ft2	£ 88.95 /m2	£0	£ 973,796
Superstructures	£7,275,667	£71,330	£61.74 /ft2	£ 664.60 /m2	£0	£ 7,275,667
Dwelling construction cost	**£8,249,463**	**£80,877**	**£70.01 /ft2**	**£ 753.55 /m2**	**£9,581,800**	**-£ 1,332,337**
Preliminaries for a Construction Period of 247 weeks	£1,464,476	£14,358	£4.00 /ft2	£ 133.77 /m2	inc	£ 1,464,476
Garages (13 No)	£122,246	£1,198	£1.04 /ft2	£ 11.17 /m2	inc	£ 122,246
External works within curtilage	£736,885	£7,224	£6.25 /ft2	£ 67.31 /m2		
External works beyond curtilage	£597,414	£5,857	£5.07 /ft2	£ 54.57 /m2	£3,282,324	-£ 1,174,642
Drainage	£407,662	£3,997	£3.46 /ft2	£ 37.24 /m2		
Incoming Services	£365,721	£3,586	£3.10 /ft2	£ 33.41 /m2		
Abnormal works (see attached)	£3,589,486	£35,191	£30.46 /ft2	£ 327.88 /m2	£4,876,573	-£ 1,287,087
All design, planning, NHBC and other fees	£1,049,861	£10,293	£8.91 /ft2	£ 95.90 /m2	£771,847	£ 278,014
Contingencies - 3%	£497,496	£4,877	£4.22 /ft2	£ 45.44 /m2	£680,658	-£ 183,162
TOTAL	**£ 17,080,711**	**£ 167,458**	**£136.52 /ft2**	**£ 1,560.25 /m2**	**£ 19,193,202**	**-£ 2,112,491**
			Difference -12.37%		**£ 1,753.22 /m2**	

Holts Lane, Poulton-le-Fylde **11 August 2019**

ABNORMAL WORKS (Estimate No 3)

DESCRIPTION	Qty	Rate	KM Costs	Developer costs	KM COMMENTS
Demolition & Asbestos Removal			£45,000	£45,000	Accepted as reasnable
Section 278 works			£137,500	£200,000	KM assessed from drawings provided and halved as Tim Claxton email 27/3/19
NHBC			£0	£92,000	Inc in KM fees
Earthworks - Peat Backfill Piling			£2,434,713	£3,637,000	As Brownfield Solutions letter 21.2.19 (Small zones cos)
Vibro compaction	98 Nr	£1,650	£161,700		As Brownfield Solutions letter 21.2.19
Drainage and SW Attenuation			£577,145	£577,145	KM assessed cost based on schematic drainage design
Gas Measures	5474 m2	£ 12 /m2	£65,685	£65,685	KM cost assumed to all dwellings (see p3 of E3P SI)
Acoustic Glazing	20 Nr	£1,000	£20,400	£20,400	Keppie Massie assumed to 20% of dwellinns nearest railway line
Acoustic Fence	163 m	£150/m	£24,450	£24,450	KM length assumed to railway boundary of site; assumed also to be additional fence 2m high
Ecology Works			£25,268	£25,268	No details but accepted
Landscaping	8135 m2	£ 12.00 /m2	£97,625	£97,625	KM costs are POS inc maintenance but using existing top soil
Post Occupation Remedial Costs			£0	£92,000	Never seen costed before; KM consider that this would be a prelims cost and not an abnormal
TOTAL ABNORMAL COSTS			**£3,589,486**	**£4,876,573**	

APPENDIX 8

KM SUMMARY APPRAISAL

Holts Lane, Poulton le Fylde
Appendix 8

Summary Appraisal for Phase 1 Holts Lane NO 2.1.1

Currency in £

REVENUE							
Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
1 Bed Flat - Shared Space (484 sq ft)	2	968	£200.00	£96,800	£193,600	0	£193,600
2 Bed Flat - Shared Space (721 sq ft)	2	1,442	£200.00	£144,100	£288,200	0	£288,200
2 Bed House - Shared Space (807 sq ft)	24	19,368	£200.00	£161,500	£3,876,000	0	£3,876,000
3 Bed House - Shared Space (1,076 sq ft)	44	47,344	£200.00	£215,200	£9,468,800	0	£9,468,800
3 Bed House - Shared Space (1,184 sq ft)	24	28,416	£200.00	£236,800	£5,683,200	0	£5,683,200
4 Bed House - Shared Space (1,292 sq ft)	24	31,008	£200.00	£258,400	£6,201,600	0	£6,201,600
4 Bed House - Shared Space (1,453 sq ft)	4	5,812	£200.00	£290,600	£1,162,400	£116,240	£1,046,160
Totals	102	134,388			£27,211,800	£116,240	£27,095,560

NET REALISATIONS £27,095,560

OUTLAY

ACQUISITION COSTS

Residual Site Value (Gross Area 4.70 ac)		£5,250,000	
			£5,250,000
Stamp Duty		£198,625	
Agent Fee	1.00%	£52,500	
Legal Fee	0.50%	£26,250	
			£277,375

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost	
1 Bed Flat - Shared Space (484 sq ft)	1,936 ft²	£95.00 psf	£183,920	
2 Bed Flat - Shared Space (721 sq ft)	2,884 ft²	£95.00 psf	£273,980	
2 Bed House - Shared Space (807 sq ft)	19,368 ft²	£95.00 psf	£1,839,960	
3 Bed House - Shared Space (1,076 sq ft)	47,344 ft²	£95.00 psf	£4,497,680	
3 Bed House - Shared Space (1,184 sq ft)	28,416 ft²	£95.00 psf	£2,699,520	
4 Bed House - Shared Space (1,292 sq ft)	31,008 ft²	£95.00 psf	£2,945,760	
4 Bed House - Shared Space (1,453 sq ft)	5,812 ft²	£95.00 psf	£552,140	
Totals	136,908 ft²		£13,993,040	£13,993,040

Residual Section 106 Costs		£1,000,000	
Stamp Duty		£50,000	
Agent Fee	1.00%	£10,000	
Legal Fee	0.50%	£5,000	
Planning Fee		£300,000	
Building Control Fee		£30,000	
			£1,395,000

Other Construction

Residual POS Costs	£1,000,000	
Stamp Duty	£50,000	
Agent Fee	£10,000	
Legal Fee	£5,000	
Planning Fee	£300,000	
Building Control Fee	£30,000	
Residual Section 106 Costs	£1,000,000	
Stamp Duty	£50,000	
Agent Fee	£10,000	
Legal Fee	£5,000	
		£2,460,000

PROFESSIONAL FEES

Professional Fees	£1,049,851	
		£1,049,851

DISPOSAL FEES

Sales Agent Marketing	3.00%	£816,947	
Purchaser's Costs	1.00%	£272,316	
			£1,089,263

FINANCE

Debit Rate 7.000% (Annual Rate 7.000%)		
Land	£2,625,000	
Construction	£1,259,429	
Total Finance Cost		£3,884,429

TOTAL COSTS £28,080,611

PROFIT

£1,014,949

Performance Measures

Profit on Cost%	3.61%
Profit on Sales%	3.61%
IRR% (without Interest)	4.81%

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APPRAISAL SUMMARY — KEPPIE MASSIE

Holts Lane, Poulton le Fylde
Appendix 8 - 1 October 2019 Update

Summary Appraisal for Phase 1 Holts Lane NO AH

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
Type A - 3 bed SD (758 sq.ft)	2	1,516	225.00	170,550	339,100	0	339,100
Type C - 3 bed SD (911 sq.ft)	9	8,199	225.00	204,975	1,844,775	0	1,844,775
Type D - 3 bed det (1,168 sq.ft)	5	5,840	229.85	268,000	1,340,000	0	1,340,000
Type E - 3 bed detached (1,139 sq.ft)	19	21,641	229.84	261,950	4,977,105	0	4,976,150
Type F - 3 bed detached (1,366 sq.ft)	28	38,516	210.00	286,860	7,760,380	0	7,458,380
Type G - 4 bed detached (1,288 sq.ft)	12	15,456	215.00	276,920	3,323,040	0	3,323,040
Type H - 4 bed detached (1,445 sq.ft)	11	15,895	210.00	303,450	3,337,950	0	3,337,950
Type I - 4 bed detached (1,491 sq.ft)	1	1,491	210.00	313,740	313,740	0	313,740
Type 1 APT - 1 bed (540 sq.ft)	4	2,160	228.00	123,120	492,480	0	492,480
Type 2 APT - 2 bed (650 sq.ft)	4	2,600	228.00	148,200	592,800	0	592,800
Type B - 2 bed SD (724 sq.ft) AR	4	2,896	225.00	162,900	651,600	(358,380)	293,220
Type C - 3 bed SD (911 sq.ft) LCHO	5	4,555	225.00	204,975	1,024,875	(307,463)	717,413
Totals	102	117,838			25,714,820	(665,843)	25,048,978

NET REALISATION 25,048,978

OUTLAY

ACQUISITION COSTS

Residualised Price (7.92 Acres 151,493.75 pAcre)			1,199,355	
				1,199,355
Stamp Duty			49,468	
Agent Fee		1.00%	11,994	
Legal Fee		0.80%	9,595	
				71,056

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost	
Type A - 3 bed SD (758 sq.ft)	1,516 ft²	83.10 pf²	125,923	
Type C - 3 bed SD (911 sq.ft)	8,199 ft²	83.10 pf²	681,357	
Type D - 3 bed det (1,168 sq.ft)	5,840 ft²	83.10 pf²	485,473	
Type E - 3 bed detached (1,139 sq.ft)	21,641 ft²	83.10 pf²	1,798,367	
Type F - 3 bed detached (1,366 sq.ft)	38,516 ft²	83.10 pf²	2,001,360	
Type G - 4 bed detached (1,288 sq.ft)	15,456 ft²	83.10 pf²	1,284,394	
Type H - 4 bed detached (1,445 sq.ft)	15,895 ft²	83.10 pf²	1,320,875	
Type I - 4 bed detached (1,491 sq.ft)	1,491 ft²	83.10 pf²	123,151	
Type 1 APT - 1 bed (540 sq.ft)	2,160 ft²	83.10 pf²	180,442	
Type 2 APT - 2 bed (650 sq.ft)	2,600 ft²	83.10 pf²	220,093	
Type B - 2 bed SD (724 sq.ft) AR	2,896 ft²	83.10 pf²	240,658	
Type C - 3 bed SD (911 sq.ft) LCHO	4,555 ft²	83.10 pf²	378,421	
Totals	118,365 ft²		9,836,215	9,836,215

Residential Contingency		3.00%	418,022	
Demolition & Asbestos Remova			40,000	
S 106 Education			321,011	
S 106 Highways			50,000	
S 278 works			197,000	
Travel Plan			6,000	
				1,038,433

Other Construction

External Works			2,107,662	
Earthworks - Pest Backfr Piling			2,494,713	
Vibro compaction			191,700	
Drainage and SW Attenuation			577,149	
Gas Measures			80,685	
Acoustic Glazing			20,400	
Acoustic Fence			24,540	
Ecology Works			20,268	
Landscaping			97,699	
				5,614,816

PROFESSIONAL FEES

Professional fees			1,040,861	
				1,040,861

DISPOSAL FEES

Sales and marketing		3.00%	876,714	
Affordable Legal Fee	5 Un	600.00 /Un	3,400	
				880,114

FINANCE

Debit Rate 7.000% Credit Rate 3.000% (Nominal)				
Land			281,364	
Construction			286,322	
Total Finance Cost				567,715

TOTAL COSTS 20,159,417

PROFIT 4,889,560

Performance Measures

Profit on Cost%	24.25%
Profit on GDV%	19.53%
Profit on NDV%	19.53%

Appendix 10: Terms of Engagement

No.1 Marsden Street
Manchester, M2 1HW
Tel +44 (0) 161 236 9595
Fax +44 (0) 161 228 7097
cushwake.com

8 March 2022

Our Ref: DRN/HG/kja/221VC100

Dear

Copeland Local Plan Viability Assessment – Regulation 19 Consultation

We are pleased that you have requested Cushman & Wakefield to provide you with a fee proposal in relation to the above matter. The schedule to this letter details the services we will provide, the basis of our appointment, our fees and anticipated expenses, together with other information relevant to our services (the "**Services Schedule**" and together with this letter, the "**Engagement Letter**").

Enclosed are our standard terms of business containing exclusions and limitations on our liability and detailing our respective obligations (the "**Terms of Business**") which, together with the Engagement Letter, comprise the terms of our engagement (the "**Engagement**"). Please take a moment to check that you are happy with the contents of the Engagement Letter, the Services Schedule and the Terms of Business and understand the basis of the Engagement.

I will have overall responsibility for the provision of our services to you, assisted by Hannah Gradwell, MRICS and such other professional staff as it may be appropriate for us to involve. Hannah will be your first point of contact on this matter.

Market conditions explanatory note: Novel Coronavirus (COVID-19)

The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly - and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty

This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

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Should you wish to instruct Cushman and Wakefield on this matter, I would be grateful if you would return a signed and dated a copy of the Engagement Letter as soon as possible to confirm that you accept the basis of the Engagement. Please be aware that your continuing instructions in relation to this matter will amount to your acceptance of the terms of the Engagement. If there is any matter that requires clarification, please do not hesitate to contact me.

Yours faithfully,

[redacted] MRICS APAEWE
Partner
RICS Registered Valuer
For and on behalf of Cushman & Wakefield Debenham Tie Leung Limited
Direct: +44 (0)161 455 3790
[redacted]
derek.nesbitt@cushwake.com

Acceptance of Cushman & Wakefield Engagement Letter and Terms of Business

I have read the Engagement Letter (including the Services Schedule and incorporating the Cushman & Wakefield Terms of Business (Version 3.2 – April 2021) and hereby accept the terms and confirm this Engagement.

_____ **Date:** _____

Please confirm the information on the Customer Information Form overleaf \.....

CUSHMAN & WAKEFIELD

CUSTOMER INFORMATION FORM

COMPANY & VAT INFORMATION

Company or Entity:			
LLP	☐	PLC – Listed	☐
Local Central Government	☐	PLC – Not Listed	☐
Limited	☒	Private Individual	☐
Overseas Registered Company	☐	Private Unlimited Company	☐
Partnership	☐	Registered Charity	☐
Pension Scheme		Sole Trader	☐
		Trust	☐

Full Trading Name:	
Company Registration No:	
VAT No:	
Company Registered Address:	
Contact Name:	
Contact Telephone No. & Email Address:	

ACCOUNTS PAYABLE INFORMATION

Address (including postcode):	
Contact Name:	
Contact Telephone No. & Email Address:	
Purchase Order Number *(if applicable)*:	

SPECIFIC BILLING INSTRUCTIONS *(Please use this section to identify any specific billing requirements):*

Services Schedule – Consultancy

Type of Instructions:	Local Plan Representations
Client Instructions:	The Client has instructed C&W to: (a) Provide written representations to the Copeland Local Plan during the current consultation period.
Scope of Services:	Included in the Services are: a) Review of the Copeland Local Plan Viability Assessment and associated Appendices; b) Liaison with the Developer Consortium to understand, discuss and agree the key areas of concern to be reflected in representations and any evidence requirements from the Consortium; c) Written representations to critique and challenge the proposed viability approach and appraisal assumptions where necessary, to highlight key areas of concern and/or gaps in the evidence base and to comment on the viability findings and recommendations relating to new policy requirements. As agreed with the Consortium, due to the time constraints, the representations will focus on the "core" issues only at this stage; d) The draft representations will be circulated for review, comment, and sign off by the Developer Consortium prior to submission, approximately 4 days ahead of the consultation deadline of 18th March 2022. The representations will be prepared in line with all relevant national and RICS guidance, including the National Planning Policy Framework, the Planning Practice Guidance for Viability and the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (2019). Excluded from the Services are: a) Negotiations with the LPAs appointed viability consultants, submission of further representations/response(s) and/or counter-representations/response(s); b) Representations relating to any other evidence base documents other than the above referenced viability documentation; c) Comments on the non-residential viability appraisal assumptions and evidence; d) Making any enquiries of local or any other authorities or any investigation of title relating to a Property; e) Investigation of the history of a Property or adjoining properties or establishing the possibility of the existence or contamination of, in or near, a Property; f) Management of a Property, including without limitation, any security, insurance, maintenance or repair arrangements; g) Making any structural survey or testing any services at a Property; and h) The provision of formal valuation advice (any information provided by C&W in respect of a potential rent or premium is not intended to be, and will not represent, any formal opinion of value). For the avoidance of doubt, C&W confirms that the representations and the advice provided do not constitute a formal valuation. The representations and the advice provided constitute an exception from valuation technical and performance standards ('VPS') 1 – 5 of the RICS Valuation – Global Standards (the "Red Book"). The representations are for the purposes of informing the viability assumptions to be adopted in the Climate Change Local Plan Review Viability Assessment only. The viability advice that will be detailed will be dependent on the adequacy and accuracy of the information supplied and the assumptions made. It should be noted that should these prove to be incorrect; the accuracy of C&W's advice will be affected.

Conflicts of Interest:	We are currently advising and have previously advised some of the Clients within the Consortium on site-specific FVAs in support of planning applications for residential development. We are also currently advising and have previously advised some of the Clients within the Consortium in respect of representations to area-wide viability FVAs. However, 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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.
Fees:	
Terms of Business:	Please see attached our Cushman & Wakefield Terms of Business (UK) - Version 3.2 – April 2021.

CUSHMAN & WAKEFIELD

Copeland Borough Council: Local Plan Viability Assessment

Consultation Representation

Prepared on Behalf of:

Persimmon Homes

March 2022

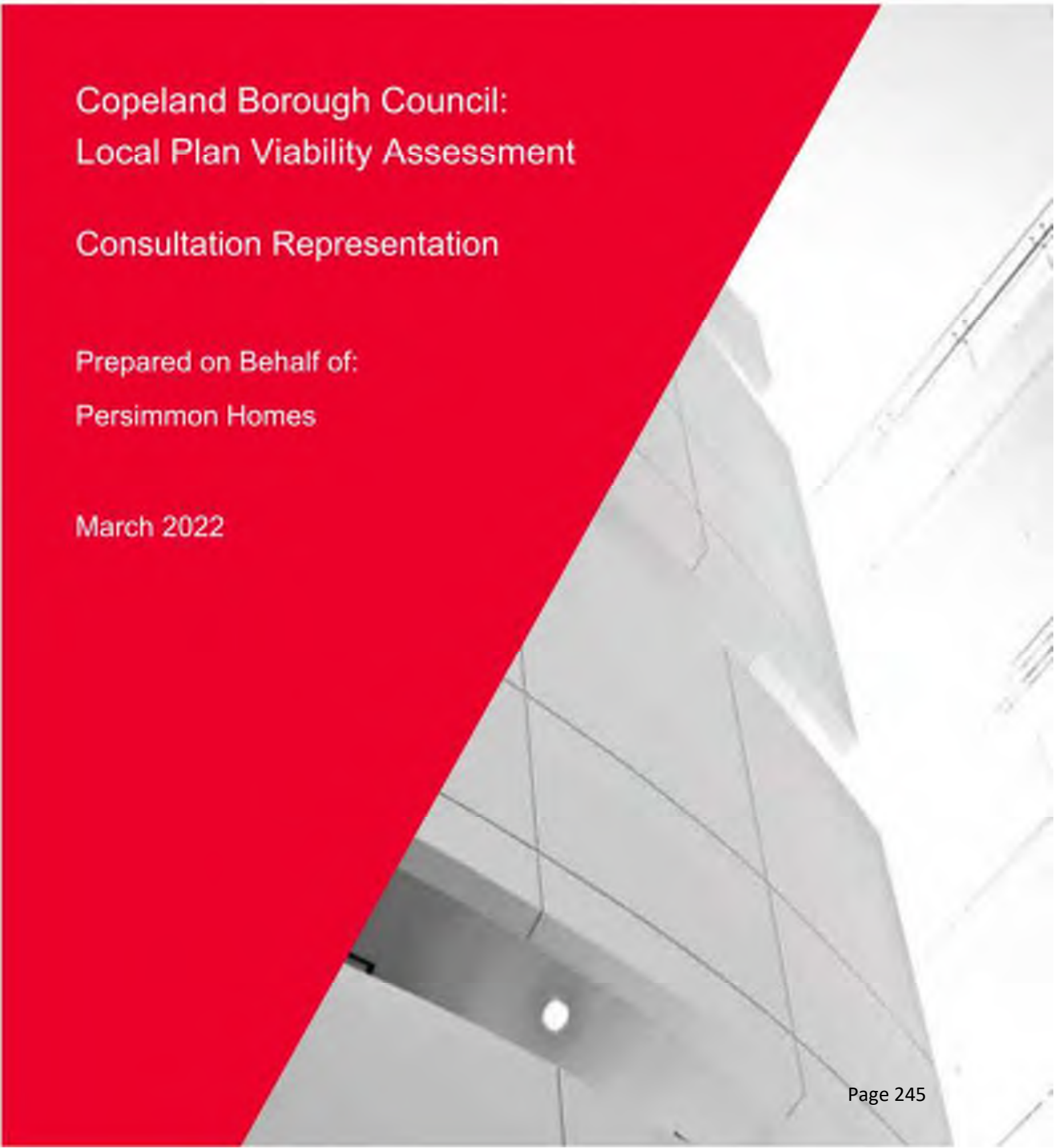


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Appendices

Appendix 1: RICS Professional Statement: Financial Viability in Planning – Mandatory Reporting Requirements

Appendix 2: Current Asking Prices at Edgehill Park (Story Homes)

Appendix 3: Terms of Engagement

1. Executive Summary

1.1. This representation has been prepared on behalf of Persimmon Homes ('our Client') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

1.2. Our Client is an established active housebuilder in West Cumbria and has a strategic land interest which is identified as a draft allocation in the emerging Local Plan, comprising the Former Marchon Site North (ref: HWH5). The site is anticipated to deliver a large scale residential development of up to 700 new homes with associated infrastructure and is currently the subject of a hybrid planning application which was submitted in September 2021 (ref: 4/21/2432/0F1).

1.3. As well as the Former Marchon Site, our Client also has an interest in the adjacent allocation at Land South and West of St Mary's School (ref: HWH4) and is involved in the promotion of the Fairways Extension in Seascale (ref: HSE2).

1.4. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

1.5. In July 2018, the government published the revised National Planning Policy Framework ('NPPF') alongside revised Planning Practice Guidance for Viability ('PPGV')[1]. One key change to the viability regime was to shift focus towards viability testing at the plan-making stage so as to limit the need for site-specific financial viability assessments ('FVAs') at the application stage as far as possible ("frontloading" viability).

1.6. As such, it is imperative that the approach and assumptions adopted in the LPVA are realistic and market-facing to support an accurate assessment of development viability in Copeland. This is crucial to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site deliverability.

1.7. Having reviewed the viability approach and the assumptions proposed in the LPVA, our Client has concerns that a number of the key inputs are insufficiently evidenced and/or are inappropriate for the purposes of testing the viability of residential development in Copeland at the plan-making stage.

1.8. Our Client has submitted a separate representation as part of a Developer Consortium which highlights those concerns associated with the plan-wide inputs. This further site-specific representation has been prepared to comment in more detail on a number of site-specific considerations relevant to the Former Marchon Site, namely:

- Gross:net ratios and housing mix
- Market housing revenues
- Abnormal costs
- S106 contributions
- Lead-in and build period

[1] Both documents have since been updated in 2019 and 2021 respectively.

1.9. Notwithstanding the above comments and the further points set out in this representation, it is recognised that the specific circumstances of the Former Marchon Site present challenges in terms of accurately assessing site viability at this stage of the process, as there is a need for further due diligence to inform key appraisal assumptions including abnormal costs. Our Client supports KM's conclusion that there is a need for flexibility and the ability to revisit viability at the application stage once full due diligence has been completed.

1.10. Nevertheless, it is still regarded as crucial that the plan-wide assessment is as robust as possible based on known information as at the date of the assessment. At present, our Client has some concerns regarding the viability approach and the key assumptions currently proposed in the LPVA for the Former Marchon Site as highlighted throughout this representation and the separate plan-wide representation.

1.11. It is evident that there is a need for site-specific review for many of the inputs and we do not consider that KM's assumptions currently reflect all of the necessary site-specific circumstances. We therefore recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation.

1.12. Even after the LPVA assumptions are revisited as necessary, there is still a need for further site due diligence which could result in amendments to assumptions as the scheme designs are refined. It is for this key reason that flexibility is required and that our Client should not be held to the LPVA assumptions at the application stage where KM's inputs do not fully reflect the specific circumstances of this site.

1.13. We would finally note that this representation does not provide any site-specific comments on the two other aforementioned draft allocations (HWH4 and HSE2) and our Client reserves the right to submit further representations on these sites at the next stage of the process as necessary.

2. Introduction

Background

2.1. This representation has been prepared on behalf of Persimmon Homes ('our Client') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

2.2. Our Client is an established active housebuilder in West Cumbria and has a strategic land interest which is identified as a draft allocation in the emerging Local Plan, comprising the Former Marchon Site North (ref: HWH5). The site is anticipated to deliver a large scale residential development of up to 700 new homes with associated infrastructure and is currently the subject of a hybrid planning application which was submitted in September 2021 (ref: 4/21/2432/0F1).

2.3. As well as the Former Marchon Site, our Client also has an interest in the adjacent allocation at Land South and West of St Mary's School (ref: HWH4) and is involved in the promotion of the Fairways Extension in Seascale (ref: HSE2).

2.4. Our Client is therefore an important stakeholder in the plan-making process and wishes to ensure that the Local Plan is robust and meets the tests of soundness as set out at Paragraph 35 of the National Planning Policy Framework ('NPPF'), namely that the Local Plan is:

- Positively prepared;
- Justified;
- Effective; and
- Consistent with national policy.

2.5. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

2.6. According to the LPVA, the aim of the study is to test 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 Local Plan at risk.

2.7. In accordance with the NPPF and the Planning Practice Guidance for Viability ('PPGV'), it is imperative that all local policy requirements are based on sound viability evidence with appropriate market-facing assumptions, to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site viability.

Previous Representation and Purpose of This Representation

2.8. Our Client previously submitted an initial site-specific viability representation relating to the Former Marchon Site following KM's online consultation event in October 2021. This representation set out a range of initial comments relating to some of the assumptions proposed by KM and suggested modifications to assist KM in refining the inputs. Our Client's comments and recommendations were aimed at supporting a market-facing and robust assessment of viability.

2.9. The October 2021 consultation event comprised a brief presentation by KM and they did not provide any of the detailed supporting evidence for their assumptions. As such, it was not possible for our Client or any other stakeholders to provide full meaningful comments on all inputs as there was a need to analyse the supporting evidence base.

2.10. Our Client therefore reserved their right to comment in more detail at this next stage of the process once the full evidence base had been shared by KM. Our Client further stated that any aspects or assumptions not commented on within their first representation should not be taken as assumed agreement with any of the initial draft assumptions.

2.11. KM have now provided the further detail including the supporting evidence base for some of the assumptions as part of this Regulation 19 consultation. In response, our Client has submitted a separate representation as part of a Developer Consortium which highlights a series of comments and concerns associated with the plan-wide inputs proposed in the LPVA. We refer to this separate representation as the "plan-wide representation".

2.12. This further site-specific representation has been prepared on behalf of our Client to comment in more detail on a number of site-specific assumptions which are particularly relevant to the Former Marchon Site, namely:

- Gross:net ratios and housing mix
- Market housing revenues
- Abnormal costs
- S106 contributions
- Lead-in and build period

2.13. Within both the plan-wide and site-specific representations, we have highlighted where we consider that modifications are required and/or where further evidence needs to be provided by KM to justify the approach and/or assumptions. The suggested changes are intended to improve transparency and to determine appropriate levels of viability based on market-facing inputs.

2.14. This representation is therefore intended to provide further information and observations to assist the Council as it progresses the Local Plan towards submission, where the Plan must be considered against the tests of soundness in accordance with the NPPF. Our Client reserves the right to participate at the forthcoming Examination in Public ('EiP').

2.15. Please note that this representation focuses on the viability assumptions for the Former Marchon Site only. This representation does not provide any site-specific comments on the two other aforementioned draft allocations (HWH4 and HSE2). Our Client reserves the right to submit further representations on these sites at the next stage of the process as necessary.

Site Deliverability

2.16. Before proceeding to the main body of this representation, it is important to clearly highlight that whilst our Client has some concerns regarding the robustness of the LPVA, the deliverability of its allocations is not being questioned.

2.17. Our Client has and continues to undertake detailed due diligence to inform the delivery of comprehensive residential developments and is confident that the allocations are fully deliverable and sustainable propositions, and further acknowledges that the sites will be required to mitigate any impacts of its development in order to demonstrate sustainable development.

Structure

2.18. This representation is structured as follows:

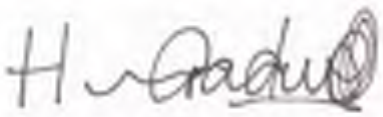
- Section 3 – RICS Financial Viability in Planning: Conduct and Reporting (May 2019)
- Section 4 – Summary of Relevant National Policy and Guidance
- Section 5 – Viability Assessment – Proposed Approach and Assumptions
- Section 6 – Viability Assessment – Results
- Section 7 – Conclusions
- Section 8 – Disclaimer

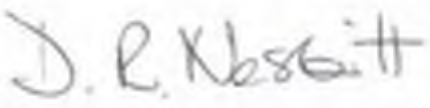
2.19. Due to the reduced time period for responding to the viability evidence which was not published until 15th February 2022, we have limited our comments to those areas of the LPVA which are directly relevant to our Client's interests.

2.20. Our absence of comment on particular aspects of the evidence base and/or assumptions does not imply our agreement and we reserve the right to submit further representations at the next stage of the process as necessary.

Representation Authors

2.21. This representation has been prepared by:





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Market Conditions Explanatory Note: Novel Coronavirus ('COVID-19')

2.22. The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly, and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty.

2.23. This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

3. Financial Viability in Planning: Conduct and Reporting (May 2019)

3.1. This representation has been prepared in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) (May 2019) ('the Professional Statement').

3.2. The Professional Statement 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 should be arrived at.

3.3. Sections 2.1 to 2.14 of the Professional Statement set out fourteen mandatory reporting and process requirements for all FVAs and representations prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

3.4. We confirm that this representation has been carried out in accordance with Sections 2.1 to 2.14. The relevant mandatory reporting requirements are set out at Appendix 1.

4. Summary of Relevant National Policy and Guidance

4.1. Within the LPVA, KM summarise relevant national guidance relating to viability testing. It is not necessary to repeat this guidance however it is pertinent to highlight some key principles particularly relating to stakeholder engagement.

4.2. The revised NPPF and PPGV set out the key requirements in respect of the overall approach, the methodology and the assumptions to be adopted in FVAs prepared at the plan-making and decision-taking stages.

4.3. A key change brought about by the revised NPPF and PPGV is the shift in focus away from site-specific FVAs at the application stage towards viability testing at the plan-making stage ("front-loading" viability).

4.4. As such, it is crucial that the inputs utilised in the Copeland LPVA are robust and market-facing to ensure that the viability of development is accurately assessed. This will help to ensure that policy requirements are set at an appropriate level and that the plan and its objectives are therefore deliverable.

4.5. Importantly, the PPGV was updated in May 2019 to emphasise the need for meaningful engagement between plan makers and industry stakeholders when formulating viability assumptions and policy requirements.

4.6. Paragraph 2 of the PPGV 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".*

4.7. Paragraph 4 of the PPGV further states that plan makers will:

> *"…engage with landowners, site promoters and developers and compare data from existing case study sites to help ensure assumptions of costs and values are realistic and broadly accurate…. Plan makers may then revise their proposed policy requirements to ensure that they are creating realistic, deliverable policies".*

4.8. The RICS has recently updated its viability guidance note with the publication of *Assessing viability in planning under the National Planning Policy Framework 2019 for England (2021)* which provides further guidance relating to consultation and stakeholder engagement in plan-making.

4.9. At paragraph 3.4.1. the RICS guidance states that:

> *"Stakeholder engagement and consultation are key components of transparency and accountability, and help LPAs reach sound judgments on the deliverability and policy compliance of proposed allocations".*

4.10. The guidance note (paragraph 3.4.12) further advises that:

> *"Assessors should update the FVA if the consultees provide new information that causes the assessor, using their professional judgement, to adjust their assumptions, inputs and outputs. Any reassessment should be based on an open and transparent process with the LPA and other engaged stakeholders providing further evidence in a timely way and being kept fully briefed on the revised outputs"* (C&W emphasis).

4.11. These principles of stakeholder consultation are similarly reflected in the publication *Viability Testing in Local Plans – Advice for Planning Practitioners* (June 2012) (LGA/HBF – Sir John Harman) ('The Harman Report'). Although dated, the Harman Report still provides useful advice in respect of the methodology for viability testing and suggested approaches to defining the various appraisal inputs.

4.12. The Harman Report advises that:

> *"By working closely with developers and others in the development industry, planning authorities will benefit from a sound understanding of the factors that impact on development costs.*
>
> *This should not mean that inputs proposed by developers will not be subject to critical challenge and discussion. However, it should avoid common errors that would otherwise be contested at a later stage or overlooked to give an unrealistic picture of viability".*

4.13. Such stakeholder engagement is crucial to ensure that the viability assumptions are appropriate and grounded in market-facing evidence. This will facilitate accurate viability testing which, in turn, will help to ensure that policy requirements for new development are realistic and deliverable.

4.14. In relation to the above, the NPPF and PPGV both emphasise the importance of robust evidence in informing the plan-making process. Paragraph 31 of the NPPF 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".*

4.15. Paragraph 10 of the PPGV further states that:

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

4.16. The transparency of the evidence and assumptions is crucial in determining the weight to be attributed to the FVA (be it an area-wide or site-specific study) as confirmed in the PPGV (Paragraph 8):

> *"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 viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment".*

4.17. Section 2.6 of the RICS Professional Statement also clearly states that *"all inputs into an FVA must be reasonably justified".*

4.18. In our view, as currently drafted the LPVA does not fully accord with the NPPF, the PPGV and the RICS requirements as a number of the key assumptions are non market-facing and/or insufficiently evidenced. We have highlighted the key issues and evidential gaps in the plan-wide representation and provide some further site-specific comments relevant to the Former Marchon Site in the following section of this representation.

5. Viability Assessment – Proposed Approach and Assumptions: Allocation HWH5

5.1. In undertaking any viability testing at the plan-making stage to inform policy requirements, be it for area-wide notional sites or site-specific allocations, it is crucial that the testing is based on robust evidence and a proportionate assessment of the cumulative cost of all relevant policies.

5.2. This is the only way to inform deliverable policy requirements and to limit the need for site-specific viability testing at the application stage as far as possible (noting that site-specific FVAs cannot be fully eliminated as it is impossible for a plan-wide FVA to capture every potential circumstance no matter how robust the assessment).

5.3. Based on our review of the viability evidence, we consider that the LPVA currently falls short of these central requirements. We have highlighted a series of comments and concerns associated with a number of the plan-wide inputs as part of the separate plan-wide representation which are relevant to all sites/allocations, including the Former Marchon Site (and our Client's other land interests as noted in Section 2).

5.4. For ease of reference, we would refer the Inspector to Section 5 of the plan-wide representation where we have set out a series of comments and suggested recommendations in relation to the following key plan-wide inputs:

- Residential Typologies, Housing Mix and Unit Sizes
- Market Housing Values
- Affordable Housing Revenues
- Standard Build Costs
- Abnormal Costs
- Policy Costs – including S106 Contributions and the Future Homes Standard
- Developer's Profit
- Development Period and Cash Flow Assumptions
- Benchmark Land Value

5.5. We have highlighted where we consider that modifications are required and/or where further evidence needs to be provided to justify the approach and/or assumptions.

5.6. Under the sub-headings below, we expand on the comments in the plan-wide representation to highlight a series of site-specific issues relevant to the Former Marchon Site which need to be considered as part of the viability testing.

Gross to Net Site Areas

5.7. In respect of site area ratios, KM have adopted a gross:net developable area of 76.4% for the Former Marchon Site.

5.8. As part of their first representation, our Client highlighted the need to consider the specific technical constraints relevant to the site in determining an appropriate gross:net ratio. This includes the coastal heritage strip and the topography, whilst there is also likely to be substantial green infrastructure and areas of ecological mitigation including habitat enhancement as part of the proposed scheme. Our Client further noted that a 60% gross:net assumption was considered unrealistic for the site based on their ongoing due diligence.

5.9. Despite this, KM have adopted a much higher gross:net ratio of 76.4% without any supporting evidence or justification. Full clarification is requested.

5.10. In the absence of any rationale, it is considered that the realities of the site do not align with KM's assumption and there is a need for flexibility and review on a site-specific basis, particularly as further site due diligence is completed which may result in revisions to the gross:net site area. We request that KM acknowledge this principle in their revised LPVA.

Housing Mix and Unit Sizes

5.11. Within the plan-wide representation, we have set out some initial comments and concerns relating to the assumed housing mix and unit sizes, including the lack of variation in the mix and/or unit sizes by market area.

5.12. Our Client also outlined some initial concerns associated with the housing mix and unit size assumptions as part of their first representation, including the potential adverse impact on viability through the provision of apartments on sites beyond core settlement areas, and concerns relating to the high proportion of smaller 1 bed and 2 bed units within the mix.

5.13. Although KM have made some slight adjustments to the assumed mix, we do not consider that our Client's comments have been fully accounted for, particularly as there is still assumed provision of 5% x 1 bed units and 25% x 2 bed units.

5.14. As set out in the plan-wide representation, we support the analysis of recent planning applications to inform the housing mix and unit size assumptions. However, the analysis undertaken by KM as part of their evidence base illustrates that no sites within the sample have delivered 1 bed units, whilst 2 bed units account for only 10% of the dwelling mix on average. As such, the LPVA assumptions are contrary to the market evidence.

5.15. Our Client previously raised specific comment in respect of 1 bed units, noting that it has not been their experience that there is either an open market or affordable housing market desire/demand for such a product.

5.16. The planning application analysis evidences the absence of market demand for 1 bed units. We recommend that local RPs are consulted as to whether it is appropriate to assume provision for this house types as part of the affordable mix. Full details of the RP consultation should be provided for stakeholder review.

5.17. At present, we do not support the inclusion of 1 bed units and we consider that the proportion of 2 bed units is high in light of the available market evidence. We refer to the plan-wide representation for our further recommendations on the housing mix and unit sizes.

Market Housing Revenues

5.18. KM have assumed an overall average market housing sales value of £210 psf for the site. We have set out a range of observations on the revenue assumptions as part of the plan-wide representation including some concerns relating to the methodology and evidence base which suggest that the assumed revenues for each allocation are not necessarily all appropriate.

5.19. In respect of the Former Marchon Site, we note that some of the nearby modern re-sale evidence compiled by KM could support the adopted revenues whereas other aspects, such as the sales from the earlier phases of Edgehill Park (overall average of c. £177 psf) could suggest lower values.

5.20. According to the current asking prices at the nearby Story Homes scheme (Edgehill Park) (Appendix 2), the overall average asking prices are c. £190 psf after incentive adjustment which could again suggest that the revenues for the site are potentially optimistic as at the current date. We do however note the large unit sizes of the currently available units at Edgehill Park which would typically suppress the pricing on a rate psf basis due to the quantum valuation principle.

5.21. Another important point to note is that given the size of this site, it is not necessarily appropriate to adopt the same average value across the full site as different parcels could achieve slightly different revenues depending on the specific characteristics of each development plot. We acknowledge that it is not practical to adopt differentiated revenues for each parcel on a site-specific basis at this stage of the plan-making process, but these circumstances do suggest that further site-specific review will be required at the application stage to inform the appropriate revenue assumptions.

5.22. On this basis, and in the absence of up to date, directly comparable new build market transactional evidence in Copeland which comprises the best evidence to inform the achievable sales values, we consider that the revenues for the Former Marchon Site and indeed all other allocations should be viewed as provisional assumptions, and further detailed site-specific review will be required at the application stage for this site based on up to date available evidence as at the date of the assessment.

Standard Build Costs

5.23. Within the plan-wide representation, we have set out a range of comments and concerns relating to the standard build cost allowances and the evidence base relied on by KM to inform their cost assumptions. There is a need for much more transparency regarding the cost assumptions before we can provide meaningful comments. All issues raised in the plan-wide representation apply to the build cost assumptions for the Former Marchon Site.

5.24. We note that the LPVA has adopted reduced build costs for the site according to the information in the Cost Report. It is recognised that there will be achievable economies of scale on the site which could drive cost efficiencies and some reduction in base build costs. However, we are concerned as to whether the actual standard build cost allowances have been set at a realistic market-facing level.

5.25. For the reasons explained in the plan-wide representation, it is not possible to analyse the standard build allowances adopted by KM as they have not transparently defined these costs, whilst the actual underpinning evidence base for the build costs has not been provided. Our Client therefore reserves the right to comment again on the cost assumptions once the necessary information and supporting evidence has been disclosed on a full and transparent basis, and once all areas of clarification have been addressed to enable proper analysis of the assumptions.

Abnormal Costs

5.26. We have set out a range of comments and concerns relating to the abnormal cost allowances for the allocations as part of the separate plan-wide representation where the allowances are regarded as insufficient for many sites at c. £9,000 per plot or less.

5.27. KM have however adopted a relatively high abnormal cost allowance of c. £27,000 per plot for the Former Marchon Site. KM have stated that there is not currently any substantive information relating to the quantum of abnormal costs across the allocations and as such all abnormal cost allowances are high level provisional assumptions which are subject to further due diligence.

5.28. When commenting on the Former Marchon Site in particular, KM note that (paragraph 7.2.18):

> *"It is likely that further site investigations will be undertaken over time and as a result with a greater degree of knowledge about the extent of abnormal cost requirements it is possible that there could be changes to the level of abnormal costs from that included in the testing. This could be for better or worse in terms of the viability outcome".*

5.29. Our Client concurs with KM's assertion and that further detailed due diligence is required to confirm the abnormal cost assumptions for this specific site. It is recognised that the site is complex and technically challenging to deliver with a range of anticipated abnormal costs associated with bringing the site forward for residential development.

5.30. This includes remediation to address the legacy contamination from the former industrial uses as well as other enabling and infrastructure works such as service reinforcement, drainage, ecological and archaeological mitigation. There will also be plot-specific abnormal costs such as abnormal foundations. Please note that the examples quoted in this paragraph are not an exhaustive list but an illustrative range of example abnormal cost heads for the site.

5.31. KM have provided a "breakdown" of their assumed abnormal costs at Appendix F of the Cost Report in the LPVA but, as above, this is necessarily provisional at this stage of the process in the absence of detailed due diligence. Further, Appendix F does not provide a detailed breakdown but is a high level assessment with abnormal costs provided for six broad headings only.

5.32. The actual cost allowances for each individual abnormal cost head could therefore be higher or lower than KM's broad provisional allowances whilst the headings in Appendix F may not reflect all abnormal costs incurred on the site. If the abnormal costs to deliver the scheme are different to the provisional allowances in the LPVA, there would be a different impact on site viability.

5.33. As part of their report conclusions (which we comment on in more detail in Section 6 of this representation), KM conclude that it is likely that a site-specific FVA will be required at the application stage for the Former Marchon Site.

5.34. Again, our Client concurs with this conclusion as it is not possible to accurately assess all abnormal costs at this stage of the process and as such, there is a need for flexibility in relation to the site with the ability to revisit viability at the application stage once the actual costs are all known following completion of full due diligence.

5.35. We would reinforce that notwithstanding the technical constraints and inevitable abnormal cost requirements, our Client is confident that the site is a fully deliverable proposition but simply has to reserve its position on viability at this stage of the process given the scale and complexities associated with the site.

Future Homes Standard / Part L – Building Regulations

5.36. Within the plan-wide representation, we have commented on KM's assumptions for the interim uplifts to Part L of the building regulations in June 2022, and the Future Homes Standard ('FHS') which is anticipated to be introduced in 2025.

5.37. Whilst the costs for the former standard appear reasonable, we are concerned that the costs for the FHS are understated and further evidence is required to support the assumptions as set out in the separate plan-wide representation.

5.38. Furthermore, whilst the FHS will not be implemented for a number of years, it must be recognised that certain larger sites such as the Former Marchon Site will be affected by the changes hence additional policy flexibility may be required for these sites. When a site-specific FVA is submitted at the application stage, such costs will need to be factored into the assessment. We request that KM acknowledge this principle in the LPVA.

5.39. In addition, as highlighted in our Client's previous representation, the FHS could require reinforcement to off-site services, in particular electricity supply to accommodate what provision would previously have been dealt with via gas. This includes even for just the provision of electric vehicle charging points to properties at any level above 2.3Kw.

5.40. As set out in the plan-wide representation, KM have advised that the cost of such infrastructure is not factored in to the LPVA. Any such requirements could adversely impact on site viability depending on the scale and cost of the reinforcements.

5.41. We would expect the LPVA to acknowledge this principle and to advise that policy flexibility is therefore crucial for those sites which do require network reinforcements. This is more likely to be the case for larger sites where the FHS, combined with the greater number of new charging points, will put more pressure on the grid.

S106 Contributions

5.42. Within the plan-wide representation, we have commented on KM's assumptions for S106 contributions including setting out our concerns that the contributions are restricted to highways works only which is not regarded as appropriate in the context of relevant policy.

5.43. We have further noted that the Copeland Transport Improvements Study which has informed the highways contributions in the LPVA is considered flawed as it fails to account for junction improvements. As such, there is likely to be a significant underestimate of the off-site highways costs for all allocations, particularly the Former Marchon Site where it is expected that junction improvements will be required including at Ginns to Kells Road and the B5345, and potentially also Mirehouse Road and the A595.

5.44. It is imperative that the Local Plan is based on sound viability evidence and a proportionate assessment of the cumulative cost of all relevant policy requirements which demonstrates that the total cumulative policy burden does not cause development to be unviable.

5.45. As such, we strongly recommend that a higher allowance for S106 contributions is included in the "base" viability testing to reflect likely mitigation requirements for both highways and other infrastructure. A failure to incorporate the full estimated cost of policy requirements will overstate site viability and could mean that policy requirements are set at unrealistic levels.

Development Period and Cash Flow Assumptions

5.46. KM have provided brief details of the development period and cash flow assumptions as part of the LPVA. We have set out some initial comments and concerns within the plan-wide representation where the assumptions are not regarded as appropriate for all sites.

5.47. In particular, we have noted that KM's assumed lead-in period of 3 – 5 months is not regarded as realistic when considering the wide range of site sizes assumed in the testing, ranging from 20 units through to the Former Marchon Site at 532 units.

5.48. We have emphasised that the development period for each typology needs to be based on an accurate and realistic lead-in period having regard to the site size and the need for necessary infrastructure and enabling works (which are typically greater on larger sites), followed by a realistic build and sales period based on an appropriate sales rate. These are key assumptions which, together with the cash flow profiling, have a significant impact on the finance cost and the viability of a scheme.

5.49. Having regard to the size of the Former Marchon Site and the anticipated enabling works required to facilitate development including remediation and infrastructure, the assumed lead-in period is regarded as insufficient. KM have not provided any justification for their assumptions.

5.50. There is also a need for a more nuanced approach for this site having regard to the mixed greenfield and brownfield nature of the site with different lead-in periods required for each element.

5.51. Based on our Client's current understanding, a lead-in period of 6-9 months is regarded as more appropriate for the greenfield section of the site, with a longer lead-in period of 12 months (or potentially more) for the remediation and enabling works on the brownfield former industrial land.

5.52. These initial assumptions are based on our Client's experience on another nearby site in Whitehaven (Corus site) however our Client reserves the right to review the lead-in periods as more detailed due diligence is completed and there is additional clarity on the exact timescales for the upfront enabling works.

5.53. Whilst KM have not tailored the lead-in period for the site, they have adopted different assumptions in comparison to the "plan-wide" inputs for the land payment and sales pace as follows:

- Land is assumed to be acquired in 3 phases
- Sales pace increased from 3 units pcm to 5 units pcm on the assumption of dual outlets

5.54. There is no detail regarding the timing of the assumed land acquisition payments and it is therefore not possible to comment on the assumptions. Clarification is requested. Our Client reserves their right to comment on the assumptions once known.

5.56. In respect of sales and build rate, our Client is concerned with the assumption that the site will be delivered with dual outlets at an enhanced sales pace when considering the location and likely levels of market demand. As set out in their first representation, evidence is requested of sites achieving this sales pace in Copeland and/or the wider region. KM have not yet provided any such evidence and their assumption is therefore unsubstantiated.

5.56. It is also important to recognise that the sales pace and revenue assumptions are directly related. If revenues are set at an optimistic level, the assumed sales pace would need to be reduced to reflect that the developer would not be able to sell at an enhanced rate without having to offer additional incentives and/or reduce their pricing to secure sales at the accelerated rate.

5.57. In addition, KM's assumptions relating to cash flow and timing of key expenditure such as abnormal costs and policy costs are not provided as part of the LPVA. Full clarification is requested alongside clear reasoning and justification for the adopted approach, to enable stakeholders to assess the robustness of the cash flow modelling and that the finance cost and resultant land value outputs have been accurately calculated.

5.58. The abnormal cost profiling is particularly important for the Former Marchon Site given the anticipated extent of the upfront enabling works. We reserve the right to comment on the development period and cash flow assumptions once the necessary information has been shared.

5.59. For transparency, we request that the following information is specified for the Former Marchon Site (as well as all other allocations):

- Lead-in period;
- Main construction period;
- Total sales period; and
- Timing of abnormal costs and S106 contributions.

6. Draft LPVA Results

6.1. KM set out the results of the testing in Section 7 of the LPVA. We have provided a series of comments on the plan-wide results and the associated sensitivity testing in Section 6 of the plan-wide representation.

6.2. In respect of the Former Marchon Site, the LPVA suggests that the site produces a negative viability position based on KM's assumed inputs. KM attribute the negative position largely due to the extent of the provisional abnormal cost assumptions, which total c. £27,000 per plot.

6.3. KM go on to state that (paragraph 7.2.19):

> *"It is expected that due to the circumstances of this site a financial viability assessment will be required at planning application stage"*

6.4. It is recognised that viability is challenging for this specific site and our Client supports KM's conclusion that a site-specific FVA will be required at the application stage. As set out in our Client's first representation, the specific circumstances and complexities of this site mean that there are numerous factors which cannot be considered generically or in the requisite level of detail at this stage of the process in order to accurately test site viability.

6.5. Based on our Client's ongoing due diligence and site-specific knowledge, our Client is confident that the site is a fully deliverable and sustainable proposition, and further acknowledges that the site will be required to mitigate any impacts of its development in order to demonstrate sustainable development.

6.6. At the same time, for the reasons alluded to throughout this representation, there is a need for flexibility and the ability to revisit viability at the application stage as suggested by KM. For this specific site, it is only at the application stage that site viability can be accurately tested, once full due diligence has been carried out and all key cost assumptions are known.

6.7. Further, we have highlighted some concerns relating to a number of the key inputs as part of this site-specific representation and the separate plan-wide representation, and as such we do not necessarily agree with KM's specific results for the site, but do support their wider conclusion regarding the need for a site-specific FVA at the application stage.

7. Conclusions

7.1. To conclude, it is recognised that the specific circumstances of the Former Marchon Site present challenges in terms of accurately assessing site viability at this stage of the process, as there is a need for further due diligence to inform key appraisal assumptions. Our Client supports KM's key conclusion that there is a need for flexibility and the ability to revisit viability at the application stage once full due diligence has been completed.

7.2. Nevertheless, it is still regarded as crucial that the plan-wide assessment is as robust as possible based on known information as at the date of the assessment. At present, our Client has some concerns regarding the viability approach and the key assumptions currently proposed in the LPVA as highlighted throughout this representation and the separate plan-wide representation.

7.3. It is evident that there is a need for site-specific review for many of the inputs and we do not consider that KM's assumptions currently reflect all of the necessary site-specific circumstances. We therefore recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation.

7.4. Even after the LPVA assumptions are revisited as necessary, there is still a need for further site due diligence which could result in amendments to assumptions as the scheme designs are refined. It is for this key reason that flexibility is required and that our Client should not be held to the LPVA assumptions at the application stage where KM's inputs do not fully reflect the specific circumstances of this site.

7.5. Further, based on the comments raised in this representation, we do not necessarily agree with KM's specific results for the site as currently presented in the LPVA, but do support their wider conclusion regarding the need for a site-specific FVA at the application stage as noted above.

7.6. We trust that this representation is clear and comprehensive. In refining the LPVA, our Client welcomes the opportunity to work positively and collaboratively with KM and the Council to support robust viability testing and would be happy to assist with any queries.

7.7. Our Client respectfully requests to be kept informed as to the progress of the LPVA and the revised outputs in accordance with the PPGV and RICS guidance relating to stakeholder consultation and transparency. Our Client reserves the right to comment again on the LPVA once the necessary revisions have been made and all points of clarification have been addressed.

8. Disclaimer

8.1. We have prepared this representation having regard to relevant RICS guidance. However, the representation and the advice provided do not constitute a formal valuation and should not be relied upon as such.

8.2. This representation is for the purpose of the Clients and should not be reproduced in part or in full without our prior consent. No responsibility is accepted to any other party in respect of the whole or any part of its contents.

8.3. Some of the data referenced in this representation has been obtained from third party sources and we cannot guarantee the accuracy of the data obtained from other parties. Cushman & Wakefield shall not be liable for any indirect or consequential damages arising from the use of this representation.

8.4. This representation should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this representation.

Appendix 1: RICS Professional Statement: Financial Viability in Planning – Mandatory Reporting Requirements

The relevant mandatory reporting requirements specified in the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) are set out below.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

We confirm that this representation has been prepared by RICS members who have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

We further confirm that the RICS members are suitably qualified practitioners and RICS Registered Valuers with sufficient skills, expertise and knowledge to provide a robust and objective representation.

The RICS members have extensive experience in advising on FVAs across the North West and up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

Our terms of engagement are appended to the rear of this representation.

We have not previously advised the Client on site-specific FVAs in support of planning applications for residential development but we are currently advising, and have previously advised the Client in respect of representations to area-wide viability FVAs.

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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.

Section 2.3: No Contingent Fee Statement

In preparing this representation, no performance-related or contingent fees have been agreed.

Section 2.5: Confirmation Where the RICS Member is Acting on Area-Wide and Scheme-Specific FVAs

As outlined above, we are currently advising, and have previously advised the Client on representations to area-wide FVAs.

We are advising the following LPAs in respect of the area-wide FVA to assist in formulating policy in their emerging Local Plans:

- Warrington Borough Council
- Wakefield Council
- South Tyneside Council
- Solihull Metropolitan Borough Council

We are also advising developers in respect of representations to the following area-wide FVAs:

- Halton Local Plan Viability Assessment
- Greater Manchester Places for Everyone Viability Assessment

- Eden Local Plan Viability Assessment
- Lancaster Local Plan Viability Assessment
- Hyndburn Local Plan Viability Assessment
- St Helens Local Plan Viability Assessment
- Wyre Local Plan Viability Assessment
- Blackburn Local Plan Viability Assessment

Again, however, 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.

Section 2.6: Justification of Evidence

All inputs into this representation have been reasonably justified as explained in further detail throughout this document.

Section 2.10: Engagement

We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

Section 2.14: Timescales

We confirm that adequate time has been allowed to produce this representation having regard to the scale of this particular project.

Section 4: Duty of Care and Due Diligence

We confirm that this representation has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

Appendix 2: Current Asking Prices at Edgehill Park (Story Homes)

Edgehill Park - Asking Prices

House Type		Beds	NSA (sq. ft.)	Asking Price (£ / £ psf)		Asking Price at 5% Incentive Adjustment (£ / £ psf)	
Masterton	Detached	5	1,803	£339,950	£189	£322,953	£179
Masterton	Detached	5	1,803	£342,950	£190	£325,803	£181
Hewson	Detached	4	1,561	£314,950	£202	£299,203	£192
Hewson	Detached	4	1,561	£314,950	£202	£299,203	£192
Sanderson	Detached	4	1,412	£296,950	£210	£282,103	£200
Sanderson	Detached	4	1,412	£294,950	£209	£280,203	£198
Oxley	Semi-Detached	2	691	£149,950	£217	£142,453	£206
Currently Released Scheme Average			**1,463**	**£293,521**	**£201**	**£278,845**	**£191**

Source: Housebuilder website

Appendix 3: Terms of Engagement

No.1 Marsden Street
Manchester, M2 1HW
Tel +44 (0) 161 236 9595
Fax +44 (0) 161 228 7097
cushwake.com

8 March 2022

Our Ref: DRN/HG/kja/221VC100

Dear

Copeland Local Plan Viability Assessment – Regulation 19 Consultation

We are pleased that you have requested Cushman & Wakefield to provide you with a fee proposal in relation to the above matter. The schedule to this letter details the services we will provide, the basis of our appointment, our fees and anticipated expenses, together with other information relevant to our services (the "**Services Schedule**" and together with this letter, the "**Engagement Letter**").

Enclosed are our standard terms of business containing exclusions and limitations on our liability and detailing our respective obligations (the "**Terms of Business**") which, together with the Engagement Letter, comprise the terms of our engagement (the "**Engagement**"). Please take a moment to check that you are happy with the contents of the Engagement Letter, the Services Schedule and the Terms of Business and understand the basis of the Engagement.

I will have overall responsibility for the provision of our services to you, assisted by Hannah Gradwell, MRICS and such other professional staff as it may be appropriate for us to involve. Hannah will be your first point of contact on this matter.

Market conditions explanatory note: Novel Coronavirus (COVID-19)

The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly - and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty

This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

Cushman & Wakefield Debenham Tie Leung Limited, 125 Old Broad Street, London, EC2N 1AR. Registered in England & Wales with registration number 02757783. Regulated by RICS. Cushman & Wakefield Debenham Tie Leung Limited is an appointed representative (FRN: 451082) of DTZ Insurance Services Limited which is authorised and regulated by the Financial Conduct Authority (FRN: 417313). VAT No. GB 608435139.

Should you wish to instruct Cushman and Wakefield on this matter, I would be grateful if you would return a signed and dated a copy of the Engagement Letter as soon as possible to confirm that you accept the basis of the Engagement. Please be aware that your continuing instructions in relation to this matter will amount to your acceptance of the terms of the Engagement. If there is any matter that requires clarification, please do not hesitate to contact me.

Yours sincerely

Derek Nesbitt, MRICS APAEWE
Partner
RICS Registered Valuer
For and on behalf of Cushman & Wakefield Debenham Tie Leung Limited
Direct: +44 (0)161 455 3790
Mobile: +44 (0)7747 008426
derek.nesbitt@cushwake.com

Acceptance of Cushman & Wakefield Engagement Letter and Terms of Business

I have read the Engagement Letter (including the Services Schedule and incorporating the Cushman & Wakefield Terms of Business (Version 3.2 – April 2021) and hereby accept the terms and confirm this Engagement.

_____ **Date:** _____

Please confirm the information on the Customer Information Form overleaf \.....

CUSHMAN & WAKEFIELD

CUSTOMER INFORMATION FORM

COMPANY & VAT INFORMATION

Company or Entity:			
LLP	☐	PLC – Listed	☐
Local Central Government	☐	PLC – Not Listed	☐
Limited	☒	Private Individual	☐
Overseas Registered Company	☐	Private Unlimited Company	☐
Partnership	☐	Registered Charity	☐
Pension Scheme		Sole Trader	☐
		Trust	☐

Full Trading Name:	
Company Registration No:	
VAT No:	
Company Registered Address:	
Contact Name:	
Contact Telephone No. & Email Address:	

ACCOUNTS PAYABLE INFORMATION

Address (including postcode):	
Contact Name:	
Contact Telephone No. & Email Address:	
Purchase Order Number *(if applicable)*:	

SPECIFIC BILLING INSTRUCTIONS *(Please use this section to identify any specific billing requirements):*

Services Schedule – Consultancy

Type of Instructions:	Local Plan Representations
Client Instructions:	The Client has instructed C&W to: (a) Provide site-specific written representations to the Copeland Local Plan during the current consultation period.
Scope of Services:	Included in the Services are: a) Review of the Copeland Local Plan Viability Assessment and associated Appendices; b) Liaison with the Client to understand, discuss and agree the key areas of concern to be reflected in representations and any evidence requirements from the Client; c) Initial site-specific written representations to critique and challenge the proposed viability approach and appraisal assumptions where necessary, to highlight key areas of concern and/or gaps in the evidence base and to comment on the viability findings and recommendations relating to new policy requirements. As agreed with the Client, due to the time constraints, the representations will focus on the "core" issues only at this stage; d) The draft representations will be circulated for review, comment, and sign off by the Client prior to submission, approximately 4 days ahead of the consultation deadline of 18th March 2022. The representations will be prepared in line with all relevant national and RICS guidance, including the National Planning Policy Framework, the Planning Practice Guidance for Viability and the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (2019). Excluded from the Services are: a) Negotiations with the LPAs appointed viability consultants, submission of further representations/response(s) and/or counter-representations/response(s); b) Representations relating to any other evidence base documents other than the above referenced viability documentation; c) Comments on the non-residential viability appraisal assumptions and evidence; d) Making any enquiries of local or any other authorities or any investigation of title relating to a Property; e) Investigation of the history of a Property or adjoining properties or establishing the possibility of the existence or contamination of, in or near, a Property; f) Management of a Property, including without limitation, any security, insurance, maintenance or repair arrangements; g) Making any structural survey or testing any services at a Property; and h) The provision of formal valuation advice (any information provided by C&W in respect of a potential rent or premium is not intended to be, and will not represent, any formal opinion of value). For the avoidance of doubt, C&W confirms that the representations and the advice provided do not constitute a formal valuation. The representations and the advice provided constitute an exception from valuation technical and performance standards ('VPS') 1 – 5 of the RICS Valuation – Global Standards (the "Red Book"). The representations are for the purposes of informing the viability assumptions to be adopted in the Climate Change Local Plan Review Viability Assessment only. The viability advice that will be detailed will be dependent on the adequacy and accuracy of the information supplied and the assumptions made. It should be noted that should these prove to be incorrect, the accuracy of C&W's advice will be affected.

Conflicts of Interest:	We are currently advising and have previously advised the Client in respect of representations to other area-wide viability FVAs. However, 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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.
Fees:	
Terms of Business:	Please see attached our Cushman & Wakefield Terms of Business (UK) - Version 3.2 – April 2021.

Copeland borough council

Proud of our past. Energised for our future.

Copeland Local Plan 2021- 2038

For internal use:	
Resp. No.	.....
Rep. No.	.....
Date Rec.	.....

Publication Draft Consultation Response Form

This Representation Form provides the opportunity to comment on the Publication Draft of the Copeland Local Plan which can be viewed at: https://www.copeland.gov.uk/content/local-plan-2021-2038-publication-draft-consultation. This consultation is a requirement under the Town and County Planning (Local Planning) Regulations 2012 Regulation 19.

The Publication Draft represents the Council's final draft of the Local Plan that we wish to submit to the Secretary of State for Public Examination by a Planning Inspector. Completed forms will be sent to the Planning Inspectorate for their consideration through the Examination in Public process.

Comments **not** submitted on the standard response form will only be considered at the Inspector's discretion

It should be noted that representations will be made available to the Planning Inspectorate and to the Inspector appointed by the Secretary of State to conduct the Examination. Representations will be also be 'made available' in line with the Town and Country Planning (Local Planning) (England) Regulations 2012 (Regulations 20, 22 and 35). This includes publication on the Council's website.

Privacy Notice

A copy of the Council's privacy statement can be viewed at https://www.copeland.gov.uk/sites/default/files/attachments/privacy_notice1.pdf. Further information is also available by contacting the council's Data Protection Officer at info@copland.gov.uk or by calling 01946 598300 and asking to speak to the Data Protection Officer.

Please complete a separate sheet for each representation you wish to make and return this form **no later than 4.30pm on Monday 21st February 2022** to:

Strategic Planning
Copeland Borough Council
Market Hall
Market Place
Whitehaven
CA28 7JG

Or email: localplanconsultation@copeland.gov.uk

Part A: Your Details

Please provide your details below. This information will be added into our database so we can contact you about the Submission, Examination and Adoption of the Local Plan as well as future Local Plan consultations.

All information in the following table will be used solely for this purpose and no identifying information will be used in any future stages of the Local Plan process. Age and gender data will be used to monitor engagement in the Local Plan consultation process.

If you **do not** wish for your details to be held in our consultation database, please tick here: ☐

If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	**Agent's Details** (if applicable)
Name	[redacted]	[redacted]
Position	Land and Planning Manager	Associate
Organisation	Persimmon Homes	Cushman & Wakefield
Address	Persimmon House Lancaster Business Park Caton Road Lancaster	Type text here 1 Marsden Street Manchester
Postcode	LA1 3RQ	M2 1HW
Telephone	[redacted]	[redacted]
Email	[redacted]	[redacted]

Gender (Please circle) Below relates to agent details*

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	36-45	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H8PU, DS2PU, H7PU, N3PU, DS5PU, DS6PU, CO7PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X - please see further comments below however

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

Please see attached representations. Please note that we are not directly objecting to all of the above policies but consider that aspects of the viability evidence base need to be reviewed for the reasons explained in the attached. There are also a range of site-specific considerations relevant to our Client's land interests as explained in the attached.

This is relevant to the key policies with viability implications which are set out above and the full list is provided in Keppie Massie's LPVA. Please see further comments in the attached.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

Please see attached representations.

(Continue on a separate sheet /expand box if necessary)

Please note: *In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions.* ***After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.***

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)	x	**No**, I do not wish to participate in the hearing session(s)	

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

We may wish to participate depending on the extent of the changes made to the viability evidence.

Signature: [redacted] Date: 17/3/21

Please use a separate form for each site you wish to comment on and return this form **no later than 4.30pm on Monday 21st February 2022.** We are unable to consider any responses received after this date.

Thank you for completing this form

CUSHMAN & WAKEFIELD

Copeland Borough Council: Local Plan Viability Assessment

Consultation Representation

Prepared on Behalf of:

Persimmon Homes

March 2022

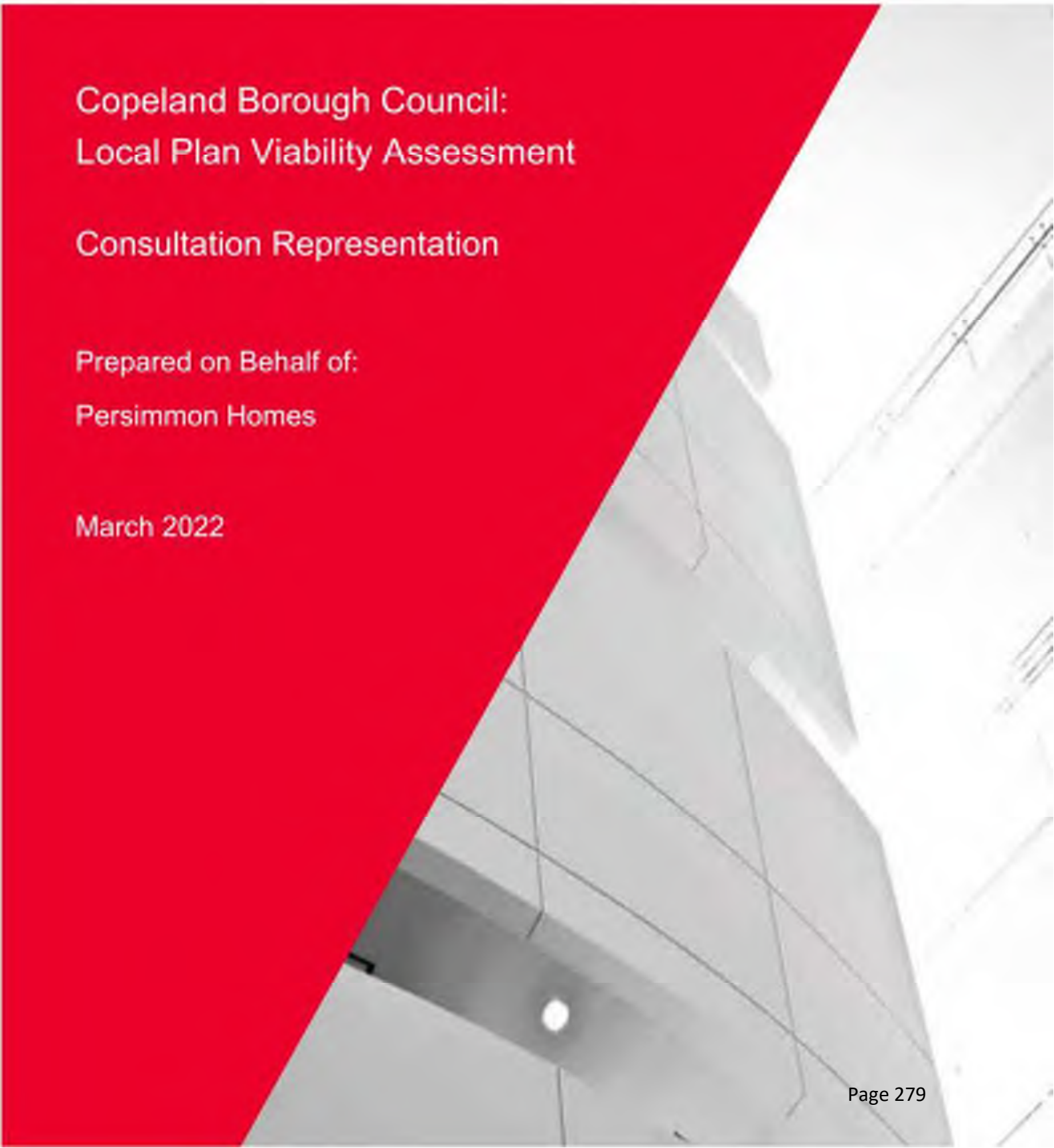


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Appendices

Appendix 1: RICS Professional Statement: Financial Viability in Planning – Mandatory Reporting Requirements

Appendix 2: Current Asking Prices at Edgehill Park (Story Homes)

Appendix 3: Terms of Engagement

1. Executive Summary

1.1. This representation has been prepared on behalf of Persimmon Homes ('our Client') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

1.2. Our Client is an established active housebuilder in West Cumbria and has a strategic land interest which is identified as a draft allocation in the emerging Local Plan, comprising the Former Marchon Site North (ref: HWH5). The site is anticipated to deliver a large scale residential development of up to 700 new homes with associated infrastructure and is currently the subject of a hybrid planning application which was submitted in September 2021 (ref: 4/21/2432/0F1).

1.3. As well as the Former Marchon Site, our Client also has an interest in the adjacent allocation at Land South and West of St Mary's School (ref: HWH4) and is involved in the promotion of the Fairways Extension in Seascale (ref: HSE2).

1.4. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

1.5. In July 2018, the government published the revised National Planning Policy Framework ('NPPF') alongside revised Planning Practice Guidance for Viability ('PPGV')[1]. One key change to the viability regime was to shift focus towards viability testing at the plan-making stage so as to limit the need for site-specific financial viability assessments ('FVAs') at the application stage as far as possible ("frontloading" viability).

1.6. As such, it is imperative that the approach and assumptions adopted in the LPVA are realistic and market-facing to support an accurate assessment of development viability in Copeland. This is crucial to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site deliverability.

1.7. Having reviewed the viability approach and the assumptions proposed in the LPVA, our Client has concerns that a number of the key inputs are insufficiently evidenced and/or are inappropriate for the purposes of testing the viability of residential development in Copeland at the plan-making stage.

1.8. Our Client has submitted a separate representation as part of a Developer Consortium which highlights those concerns associated with the plan-wide inputs. This further site-specific representation has been prepared to comment in more detail on a number of site-specific considerations relevant to the Former Marchon Site, namely:

- Gross:net ratios and housing mix
- Market housing revenues
- Abnormal costs
- S106 contributions
- Lead-in and build period

[1] Both documents have since been updated in 2019 and 2021 respectively.

1.9. Notwithstanding the above comments and the further points set out in this representation, it is recognised that the specific circumstances of the Former Marchon Site present challenges in terms of accurately assessing site viability at this stage of the process, as there is a need for further due diligence to inform key appraisal assumptions including abnormal costs. Our Client supports KM's conclusion that there is a need for flexibility and the ability to revisit viability at the application stage once full due diligence has been completed.

1.10. Nevertheless, it is still regarded as crucial that the plan-wide assessment is as robust as possible based on known information as at the date of the assessment. At present, our Client has some concerns regarding the viability approach and the key assumptions currently proposed in the LPVA for the Former Marchon Site as highlighted throughout this representation and the separate plan-wide representation.

1.11. It is evident that there is a need for site-specific review for many of the inputs and we do not consider that KM's assumptions currently reflect all of the necessary site-specific circumstances. We therefore recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation.

1.12. Even after the LPVA assumptions are revisited as necessary, there is still a need for further site due diligence which could result in amendments to assumptions as the scheme designs are refined. It is for this key reason that flexibility is required and that our Client should not be held to the LPVA assumptions at the application stage where KM's inputs do not fully reflect the specific circumstances of this site.

1.13. We would finally note that this representation does not provide any site-specific comments on the two other aforementioned draft allocations (HWH4 and HSE2) and our Client reserves the right to submit further representations on these sites at the next stage of the process as necessary.

2. Introduction

Background

2.1. This representation has been prepared on behalf of Persimmon Homes ('our Client') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

2.2. Our Client is an established active housebuilder in West Cumbria and has a strategic land interest which is identified as a draft allocation in the emerging Local Plan, comprising the Former Marchon Site North (ref: HWH5). The site is anticipated to deliver a large scale residential development of up to 700 new homes with associated infrastructure and is currently the subject of a hybrid planning application which was submitted in September 2021 (ref: 4/21/2432/0F1).

2.3. As well as the Former Marchon Site, our Client also has an interest in the adjacent allocation at Land South and West of St Mary's School (ref: HWH4) and is involved in the promotion of the Fairways Extension in Seascale (ref: HSE2).

2.4. Our Client is therefore an important stakeholder in the plan-making process and wishes to ensure that the Local Plan is robust and meets the tests of soundness as set out at Paragraph 35 of the National Planning Policy Framework ('NPPF'), namely that the Local Plan is:

- Positively prepared;
- Justified;
- Effective; and
- Consistent with national policy.

2.5. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

2.6. According to the LPVA, the aim of the study is to test 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 Local Plan at risk.

2.7. In accordance with the NPPF and the Planning Practice Guidance for Viability ('PPGV'), it is imperative that all local policy requirements are based on sound viability evidence with appropriate market-facing assumptions, to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site viability.

Previous Representation and Purpose of This Representation

2.8. Our Client previously submitted an initial site-specific viability representation relating to the Former Marchon Site following KM's online consultation event in October 2021. This representation set out a range of initial comments relating to some of the assumptions proposed by KM and suggested modifications to assist KM in refining the inputs. Our Client's comments and recommendations were aimed at supporting a market-facing and robust assessment of viability.

2.9. The October 2021 consultation event comprised a brief presentation by KM and they did not provide any of the detailed supporting evidence for their assumptions. As such, it was not possible for our Client or any other stakeholders to provide full meaningful comments on all inputs as there was a need to analyse the supporting evidence base.

2.10. Our Client therefore reserved their right to comment in more detail at this next stage of the process once the full evidence base had been shared by KM. Our Client further stated that any aspects or assumptions not commented on within their first representation should not be taken as assumed agreement with any of the initial draft assumptions.

2.11. KM have now provided the further detail including the supporting evidence base for some of the assumptions as part of this Regulation 19 consultation. In response, our Client has submitted a separate representation as part of a Developer Consortium which highlights a series of comments and concerns associated with the plan-wide inputs proposed in the LPVA. We refer to this separate representation as the "plan-wide representation".

2.12. This further site-specific representation has been prepared on behalf of our Client to comment in more detail on a number of site-specific assumptions which are particularly relevant to the Former Marchon Site, namely:

- Gross:net ratios and housing mix
- Market housing revenues
- Abnormal costs
- S106 contributions
- Lead-in and build period

2.13. Within both the plan-wide and site-specific representations, we have highlighted where we consider that modifications are required and/or where further evidence needs to be provided by KM to justify the approach and/or assumptions. The suggested changes are intended to improve transparency and to determine appropriate levels of viability based on market-facing inputs.

2.14. This representation is therefore intended to provide further information and observations to assist the Council as it progresses the Local Plan towards submission, where the Plan must be considered against the tests of soundness in accordance with the NPPF. Our Client reserves the right to participate at the forthcoming Examination in Public ('EiP').

2.15. Please note that this representation focuses on the viability assumptions for the Former Marchon Site only. This representation does not provide any site-specific comments on the two other aforementioned draft allocations (HWH4 and HSE2). Our Client reserves the right to submit further representations on these sites at the next stage of the process as necessary.

Site Deliverability

2.16. Before proceeding to the main body of this representation, it is important to clearly highlight that whilst our Client has some concerns regarding the robustness of the LPVA, the deliverability of its allocations is not being questioned.

2.17. Our Client has and continues to undertake detailed due diligence to inform the delivery of comprehensive residential developments and is confident that the allocations are fully deliverable and sustainable propositions, and further acknowledges that the sites will be required to mitigate any impacts of its development in order to demonstrate sustainable development.

Structure

2.18. This representation is structured as follows:

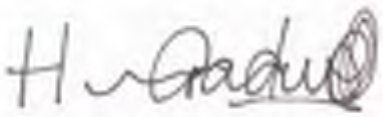
- Section 3 – RICS Financial Viability in Planning: Conduct and Reporting (May 2019)
- Section 4 – Summary of Relevant National Policy and Guidance
- Section 5 – Viability Assessment – Proposed Approach and Assumptions
- Section 6 – Viability Assessment – Results
- Section 7 – Conclusions
- Section 8 – Disclaimer

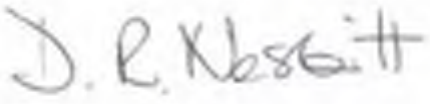
2.19. Due to the reduced time period for responding to the viability evidence which was not published until 15th February 2022, we have limited our comments to those areas of the LPVA which are directly relevant to our Client's interests.

2.20. Our absence of comment on particular aspects of the evidence base and/or assumptions does not imply our agreement and we reserve the right to submit further representations at the next stage of the process as necessary.

Representation Authors

2.21. This representation has been prepared by:





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Market Conditions Explanatory Note: Novel Coronavirus ('COVID-19')

2.22. The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly, and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty.

2.23. This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

3. Financial Viability in Planning: Conduct and Reporting (May 2019)

3.1. This representation has been prepared in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) (May 2019) ('the Professional Statement').

3.2. The Professional Statement 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 should be arrived at.

3.3. Sections 2.1 to 2.14 of the Professional Statement set out fourteen mandatory reporting and process requirements for all FVAs and representations prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

3.4. We confirm that this representation has been carried out in accordance with Sections 2.1 to 2.14. The relevant mandatory reporting requirements are set out at Appendix 1.

4. Summary of Relevant National Policy and Guidance

4.1. Within the LPVA, KM summarise relevant national guidance relating to viability testing. It is not necessary to repeat this guidance however it is pertinent to highlight some key principles particularly relating to stakeholder engagement.

4.2. The revised NPPF and PPGV set out the key requirements in respect of the overall approach, the methodology and the assumptions to be adopted in FVAs prepared at the plan-making and decision-taking stages.

4.3. A key change brought about by the revised NPPF and PPGV is the shift in focus away from site-specific FVAs at the application stage towards viability testing at the plan-making stage ("front-loading" viability).

4.4. As such, it is crucial that the inputs utilised in the Copeland LPVA are robust and market-facing to ensure that the viability of development is accurately assessed. This will help to ensure that policy requirements are set at an appropriate level and that the plan and its objectives are therefore deliverable.

4.5. Importantly, the PPGV was updated in May 2019 to emphasise the need for meaningful engagement between plan makers and industry stakeholders when formulating viability assumptions and policy requirements.

4.6. Paragraph 2 of the PPGV 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".*

4.7. Paragraph 4 of the PPGV further states that plan makers will:

> *"…engage with landowners, site promoters and developers and compare data from existing case study sites to help ensure assumptions of costs and values are realistic and broadly accurate…. Plan makers may then revise their proposed policy requirements to ensure that they are creating realistic, deliverable policies".*

4.8. The RICS has recently updated its viability guidance note with the publication of *Assessing viability in planning under the National Planning Policy Framework 2019 for England (2021)* which provides further guidance relating to consultation and stakeholder engagement in plan-making.

4.9. At paragraph 3.4.1. the RICS guidance states that:

> *"Stakeholder engagement and consultation are key components of transparency and accountability, and help LPAs reach sound judgments on the deliverability and policy compliance of proposed allocations".*

4.10. The guidance note (paragraph 3.4.12) further advises that:

> *"Assessors should update the FVA if the consultees provide new information that causes the assessor, using their professional judgement, to adjust their assumptions, inputs and outputs. Any reassessment should be based on an open and transparent process with the LPA and other engaged stakeholders providing further evidence in a timely way and being kept fully briefed on the revised outputs"* (C&W emphasis).

4.11. These principles of stakeholder consultation are similarly reflected in the publication *Viability Testing in Local Plans – Advice for Planning Practitioners* (June 2012) (LGA/HBF – Sir John Harman) ('The Harman Report'). Although dated, the Harman Report still provides useful advice in respect of the methodology for viability testing and suggested approaches to defining the various appraisal inputs.

4.12. The Harman Report advises that:

> *"By working closely with developers and others in the development industry, planning authorities will benefit from a sound understanding of the factors that impact on development costs.*
>
> *This should not mean that inputs proposed by developers will not be subject to critical challenge and discussion. However, it should avoid common errors that would otherwise be contested at a later stage or overlooked to give an unrealistic picture of viability".*

4.13. Such stakeholder engagement is crucial to ensure that the viability assumptions are appropriate and grounded in market-facing evidence. This will facilitate accurate viability testing which, in turn, will help to ensure that policy requirements for new development are realistic and deliverable.

4.14. In relation to the above, the NPPF and PPGV both emphasise the importance of robust evidence in informing the plan-making process. Paragraph 31 of the NPPF 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".*

4.15. Paragraph 10 of the PPGV further states that:

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

4.16. The transparency of the evidence and assumptions is crucial in determining the weight to be attributed to the FVA (be it an area-wide or site-specific study) as confirmed in the PPGV (Paragraph 8):

> *"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 viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment".*

4.17. Section 2.6 of the RICS Professional Statement also clearly states that *"all inputs into an FVA must be reasonably justified".*

4.18. In our view, as currently drafted the LPVA does not fully accord with the NPPF, the PPGV and the RICS requirements as a number of the key assumptions are non market-facing and/or insufficiently evidenced. We have highlighted the key issues and evidential gaps in the plan-wide representation and provide some further site-specific comments relevant to the Former Marchon Site in the following section of this representation.

5. Viability Assessment – Proposed Approach and Assumptions: Allocation HWH5

5.1. In undertaking any viability testing at the plan-making stage to inform policy requirements, be it for area-wide notional sites or site-specific allocations, it is crucial that the testing is based on robust evidence and a proportionate assessment of the cumulative cost of all relevant policies.

5.2. This is the only way to inform deliverable policy requirements and to limit the need for site-specific viability testing at the application stage as far as possible (noting that site-specific FVAs cannot be fully eliminated as it is impossible for a plan-wide FVA to capture every potential circumstance no matter how robust the assessment).

5.3. Based on our review of the viability evidence, we consider that the LPVA currently falls short of these central requirements. We have highlighted a series of comments and concerns associated with a number of the plan-wide inputs as part of the separate plan-wide representation which are relevant to all sites/allocations, including the Former Marchon Site (and our Client's other land interests as noted in Section 2).

5.4. For ease of reference, we would refer the Inspector to Section 5 of the plan-wide representation where we have set out a series of comments and suggested recommendations in relation to the following key plan-wide inputs:

- Residential Typologies, Housing Mix and Unit Sizes
- Market Housing Values
- Affordable Housing Revenues
- Standard Build Costs
- Abnormal Costs
- Policy Costs – including S106 Contributions and the Future Homes Standard
- Developer's Profit
- Development Period and Cash Flow Assumptions
- Benchmark Land Value

5.5. We have highlighted where we consider that modifications are required and/or where further evidence needs to be provided to justify the approach and/or assumptions.

5.6. Under the sub-headings below, we expand on the comments in the plan-wide representation to highlight a series of site-specific issues relevant to the Former Marchon Site which need to be considered as part of the viability testing.

Gross to Net Site Areas

5.7. In respect of site area ratios, KM have adopted a gross:net developable area of 76.4% for the Former Marchon Site.

5.8. As part of their first representation, our Client highlighted the need to consider the specific technical constraints relevant to the site in determining an appropriate gross:net ratio. This includes the coastal heritage strip and the topography, whilst there is also likely to be substantial green infrastructure and areas of ecological mitigation including habitat enhancement as part of the proposed scheme. Our Client further noted that a 60% gross:net assumption was considered unrealistic for the site based on their ongoing due diligence.

5.9. Despite this, KM have adopted a much higher gross:net ratio of 76.4% without any supporting evidence or justification. Full clarification is requested.

5.10. In the absence of any rationale, it is considered that the realities of the site do not align with KM's assumption and there is a need for flexibility and review on a site-specific basis, particularly as further site due diligence is completed which may result in revisions to the gross:net site area. We request that KM acknowledge this principle in their revised LPVA.

Housing Mix and Unit Sizes

5.11. Within the plan-wide representation, we have set out some initial comments and concerns relating to the assumed housing mix and unit sizes, including the lack of variation in the mix and/or unit sizes by market area.

5.12. Our Client also outlined some initial concerns associated with the housing mix and unit size assumptions as part of their first representation, including the potential adverse impact on viability through the provision of apartments on sites beyond core settlement areas, and concerns relating to the high proportion of smaller 1 bed and 2 bed units within the mix.

5.13. Although KM have made some slight adjustments to the assumed mix, we do not consider that our Client's comments have been fully accounted for, particularly as there is still assumed provision of 5% x 1 bed units and 25% x 2 bed units.

5.14. As set out in the plan-wide representation, we support the analysis of recent planning applications to inform the housing mix and unit size assumptions. However, the analysis undertaken by KM as part of their evidence base illustrates that no sites within the sample have delivered 1 bed units, whilst 2 bed units account for only 10% of the dwelling mix on average. As such, the LPVA assumptions are contrary to the market evidence.

5.15. Our Client previously raised specific comment in respect of 1 bed units, noting that it has not been their experience that there is either an open market or affordable housing market desire/demand for such a product.

5.16. The planning application analysis evidences the absence of market demand for 1 bed units. We recommend that local RPs are consulted as to whether it is appropriate to assume provision for this house types as part of the affordable mix. Full details of the RP consultation should be provided for stakeholder review.

5.17. At present, we do not support the inclusion of 1 bed units and we consider that the proportion of 2 bed units is high in light of the available market evidence. We refer to the plan-wide representation for our further recommendations on the housing mix and unit sizes.

Market Housing Revenues

5.18. KM have assumed an overall average market housing sales value of £210 psf for the site. We have set out a range of observations on the revenue assumptions as part of the plan-wide representation including some concerns relating to the methodology and evidence base which suggest that the assumed revenues for each allocation are not necessarily all appropriate.

5.19. In respect of the Former Marchon Site, we note that some of the nearby modern re-sale evidence compiled by KM could support the adopted revenues whereas other aspects, such as the sales from the earlier phases of Edgehill Park (overall average of c. £177 psf) could suggest lower values.

5.20. According to the current asking prices at the nearby Story Homes scheme (Edgehill Park) (Appendix 2), the overall average asking prices are c. £190 psf after incentive adjustment which could again suggest that the revenues for the site are potentially optimistic as at the current date. We do however note the large unit sizes of the currently available units at Edgehill Park which would typically suppress the pricing on a rate psf basis due to the quantum valuation principle.

5.21. Another important point to note is that given the size of this site, it is not necessarily appropriate to adopt the same average value across the full site as different parcels could achieve slightly different revenues depending on the specific characteristics of each development plot. We acknowledge that it is not practical to adopt differentiated revenues for each parcel on a site-specific basis at this stage of the plan-making process, but these circumstances do suggest that further site-specific review will be required at the application stage to inform the appropriate revenue assumptions.

5.22. On this basis, and in the absence of up to date, directly comparable new build market transactional evidence in Copeland which comprises the best evidence to inform the achievable sales values, we consider that the revenues for the Former Marchon Site and indeed all other allocations should be viewed as provisional assumptions, and further detailed site-specific review will be required at the application stage for this site based on up to date available evidence as at the date of the assessment.

Standard Build Costs

5.23. Within the plan-wide representation, we have set out a range of comments and concerns relating to the standard build cost allowances and the evidence base relied on by KM to inform their cost assumptions. There is a need for much more transparency regarding the cost assumptions before we can provide meaningful comments. All issues raised in the plan-wide representation apply to the build cost assumptions for the Former Marchon Site.

5.24. We note that the LPVA has adopted reduced build costs for the site according to the information in the Cost Report. It is recognised that there will be achievable economies of scale on the site which could drive cost efficiencies and some reduction in base build costs. However, we are concerned as to whether the actual standard build cost allowances have been set at a realistic market-facing level.

5.25. For the reasons explained in the plan-wide representation, it is not possible to analyse the standard build allowances adopted by KM as they have not transparently defined these costs, whilst the actual underpinning evidence base for the build costs has not been provided. Our Client therefore reserves the right to comment again on the cost assumptions once the necessary information and supporting evidence has been disclosed on a full and transparent basis, and once all areas of clarification have been addressed to enable proper analysis of the assumptions.

Abnormal Costs

5.26. We have set out a range of comments and concerns relating to the abnormal cost allowances for the allocations as part of the separate plan-wide representation where the allowances are regarded as insufficient for many sites at c. £9,000 per plot or less.

5.27. KM have however adopted a relatively high abnormal cost allowance of c. £27,000 per plot for the Former Marchon Site. KM have stated that there is not currently any substantive information relating to the quantum of abnormal costs across the allocations and as such all abnormal cost allowances are high level provisional assumptions which are subject to further due diligence.

5.28. When commenting on the Former Marchon Site in particular, KM note that (paragraph 7.2.18):

> *"It is likely that further site investigations will be undertaken over time and as a result with a greater degree of knowledge about the extent of abnormal cost requirements it is possible that there could be changes to the level of abnormal costs from that included in the testing. This could be for better or worse in terms of the viability outcome".*

5.29. Our Client concurs with KM's assertion and that further detailed due diligence is required to confirm the abnormal cost assumptions for this specific site. It is recognised that the site is complex and technically challenging to deliver with a range of anticipated abnormal costs associated with bringing the site forward for residential development.

5.30. This includes remediation to address the legacy contamination from the former industrial uses as well as other enabling and infrastructure works such as service reinforcement, drainage, ecological and archaeological mitigation. There will also be plot-specific abnormal costs such as abnormal foundations. Please note that the examples quoted in this paragraph are not an exhaustive list but an illustrative range of example abnormal cost heads for the site.

5.31. KM have provided a "breakdown" of their assumed abnormal costs at Appendix F of the Cost Report in the LPVA but, as above, this is necessarily provisional at this stage of the process in the absence of detailed due diligence. Further, Appendix F does not provide a detailed breakdown but is a high level assessment with abnormal costs provided for six broad headings only.

5.32. The actual cost allowances for each individual abnormal cost head could therefore be higher or lower than KM's broad provisional allowances whilst the headings in Appendix F may not reflect all abnormal costs incurred on the site. If the abnormal costs to deliver the scheme are different to the provisional allowances in the LPVA, there would be a different impact on site viability.

5.33. As part of their report conclusions (which we comment on in more detail in Section 6 of this representation), KM conclude that it is likely that a site-specific FVA will be required at the application stage for the Former Marchon Site.

5.34. Again, our Client concurs with this conclusion as it is not possible to accurately assess all abnormal costs at this stage of the process and as such, there is a need for flexibility in relation to the site with the ability to revisit viability at the application stage once the actual costs are all known following completion of full due diligence.

5.35. We would reinforce that notwithstanding the technical constraints and inevitable abnormal cost requirements, our Client is confident that the site is a fully deliverable proposition but simply has to reserve its position on viability at this stage of the process given the scale and complexities associated with the site.

Future Homes Standard / Part L – Building Regulations

5.36. Within the plan-wide representation, we have commented on KM's assumptions for the interim uplifts to Part L of the building regulations in June 2022, and the Future Homes Standard ('FHS') which is anticipated to be introduced in 2025.

5.37. Whilst the costs for the former standard appear reasonable, we are concerned that the costs for the FHS are understated and further evidence is required to support the assumptions as set out in the separate plan-wide representation.

5.38. Furthermore, whilst the FHS will not be implemented for a number of years, it must be recognised that certain larger sites such as the Former Marchon Site will be affected by the changes hence additional policy flexibility may be required for these sites. When a site-specific FVA is submitted at the application stage, such costs will need to be factored into the assessment. We request that KM acknowledge this principle in the LPVA.

5.39. In addition, as highlighted in our Client's previous representation, the FHS could require reinforcement to off-site services, in particular electricity supply to accommodate what provision would previously have been dealt with via gas. This includes even for just the provision of electric vehicle charging points to properties at any level above 2.3Kw.

5.40. As set out in the plan-wide representation, KM have advised that the cost of such infrastructure is not factored in to the LPVA. Any such requirements could adversely impact on site viability depending on the scale and cost of the reinforcements.

5.41. We would expect the LPVA to acknowledge this principle and to advise that policy flexibility is therefore crucial for those sites which do require network reinforcements. This is more likely to be the case for larger sites where the FHS, combined with the greater number of new charging points, will put more pressure on the grid.

S106 Contributions

5.42. Within the plan-wide representation, we have commented on KM's assumptions for S106 contributions including setting out our concerns that the contributions are restricted to highways works only which is not regarded as appropriate in the context of relevant policy.

5.43. We have further noted that the Copeland Transport Improvements Study which has informed the highways contributions in the LPVA is considered flawed as it fails to account for junction improvements. As such, there is likely to be a significant underestimate of the off-site highways costs for all allocations, particularly the Former Marchon Site where it is expected that junction improvements will be required including at Ginns to Kells Road and the B5345, and potentially also Mirehouse Road and the A595.

5.44. It is imperative that the Local Plan is based on sound viability evidence and a proportionate assessment of the cumulative cost of all relevant policy requirements which demonstrates that the total cumulative policy burden does not cause development to be unviable.

5.45. As such, we strongly recommend that a higher allowance for S106 contributions is included in the "base" viability testing to reflect likely mitigation requirements for both highways and other infrastructure. A failure to incorporate the full estimated cost of policy requirements will overstate site viability and could mean that policy requirements are set at unrealistic levels.

Development Period and Cash Flow Assumptions

5.46. KM have provided brief details of the development period and cash flow assumptions as part of the LPVA. We have set out some initial comments and concerns within the plan-wide representation where the assumptions are not regarded as appropriate for all sites.

5.47. In particular, we have noted that KM's assumed lead-in period of 3 – 5 months is not regarded as realistic when considering the wide range of site sizes assumed in the testing, ranging from 20 units through to the Former Marchon Site at 532 units.

5.48. We have emphasised that the development period for each typology needs to be based on an accurate and realistic lead-in period having regard to the site size and the need for necessary infrastructure and enabling works (which are typically greater on larger sites), followed by a realistic build and sales period based on an appropriate sales rate. These are key assumptions which, together with the cash flow profiling, have a significant impact on the finance cost and the viability of a scheme.

5.49. Having regard to the size of the Former Marchon Site and the anticipated enabling works required to facilitate development including remediation and infrastructure, the assumed lead-in period is regarded as insufficient. KM have not provided any justification for their assumptions.

5.50. There is also a need for a more nuanced approach for this site having regard to the mixed greenfield and brownfield nature of the site with different lead-in periods required for each element.

5.51. Based on our Client's current understanding, a lead-in period of 6-9 months is regarded as more appropriate for the greenfield section of the site, with a longer lead-in period of 12 months (or potentially more) for the remediation and enabling works on the brownfield former industrial land.

5.52. These initial assumptions are based on our Client's experience on another nearby site in Whitehaven (Corus site) however our Client reserves the right to review the lead-in periods as more detailed due diligence is completed and there is additional clarity on the exact timescales for the upfront enabling works.

5.53. Whilst KM have not tailored the lead-in period for the site, they have adopted different assumptions in comparison to the "plan-wide" inputs for the land payment and sales pace as follows:

- Land is assumed to be acquired in 3 phases
- Sales pace increased from 3 units pcm to 5 units pcm on the assumption of dual outlets

5.54. There is no detail regarding the timing of the assumed land acquisition payments and it is therefore not possible to comment on the assumptions. Clarification is requested. Our Client reserves their right to comment on the assumptions once known.

5.56. In respect of sales and build rate, our Client is concerned with the assumption that the site will be delivered with dual outlets at an enhanced sales pace when considering the location and likely levels of market demand. As set out in their first representation, evidence is requested of sites achieving this sales pace in Copeland and/or the wider region. KM have not yet provided any such evidence and their assumption is therefore unsubstantiated.

5.56. It is also important to recognise that the sales pace and revenue assumptions are directly related. If revenues are set at an optimistic level, the assumed sales pace would need to be reduced to reflect that the developer would not be able to sell at an enhanced rate without having to offer additional incentives and/or reduce their pricing to secure sales at the accelerated rate.

5.57. In addition, KM's assumptions relating to cash flow and timing of key expenditure such as abnormal costs and policy costs are not provided as part of the LPVA. Full clarification is requested alongside clear reasoning and justification for the adopted approach, to enable stakeholders to assess the robustness of the cash flow modelling and that the finance cost and resultant land value outputs have been accurately calculated.

5.58. The abnormal cost profiling is particularly important for the Former Marchon Site given the anticipated extent of the upfront enabling works. We reserve the right to comment on the development period and cash flow assumptions once the necessary information has been shared.

5.59. For transparency, we request that the following information is specified for the Former Marchon Site (as well as all other allocations):

- Lead-in period;
- Main construction period;
- Total sales period; and
- Timing of abnormal costs and S106 contributions.

6. Draft LPVA Results

6.1. KM set out the results of the testing in Section 7 of the LPVA. We have provided a series of comments on the plan-wide results and the associated sensitivity testing in Section 6 of the plan-wide representation.

6.2. In respect of the Former Marchon Site, the LPVA suggests that the site produces a negative viability position based on KM's assumed inputs. KM attribute the negative position largely due to the extent of the provisional abnormal cost assumptions, which total c. £27,000 per plot.

6.3. KM go on to state that (paragraph 7.2.19):

> *"It is expected that due to the circumstances of this site a financial viability assessment will be required at planning application stage"*

6.4. It is recognised that viability is challenging for this specific site and our Client supports KM's conclusion that a site-specific FVA will be required at the application stage. As set out in our Client's first representation, the specific circumstances and complexities of this site mean that there are numerous factors which cannot be considered generically or in the requisite level of detail at this stage of the process in order to accurately test site viability.

6.5. Based on our Client's ongoing due diligence and site-specific knowledge, our Client is confident that the site is a fully deliverable and sustainable proposition, and further acknowledges that the site will be required to mitigate any impacts of its development in order to demonstrate sustainable development.

6.6. At the same time, for the reasons alluded to throughout this representation, there is a need for flexibility and the ability to revisit viability at the application stage as suggested by KM. For this specific site, it is only at the application stage that site viability can be accurately tested, once full due diligence has been carried out and all key cost assumptions are known.

6.7. Further, we have highlighted some concerns relating to a number of the key inputs as part of this site-specific representation and the separate plan-wide representation, and as such we do not necessarily agree with KM's specific results for the site, but do support their wider conclusion regarding the need for a site-specific FVA at the application stage.

7. Conclusions

7.1. To conclude, it is recognised that the specific circumstances of the Former Marchon Site present challenges in terms of accurately assessing site viability at this stage of the process, as there is a need for further due diligence to inform key appraisal assumptions. Our Client supports KM's key conclusion that there is a need for flexibility and the ability to revisit viability at the application stage once full due diligence has been completed.

7.2. Nevertheless, it is still regarded as crucial that the plan-wide assessment is as robust as possible based on known information as at the date of the assessment. At present, our Client has some concerns regarding the viability approach and the key assumptions currently proposed in the LPVA as highlighted throughout this representation and the separate plan-wide representation.

7.3. It is evident that there is a need for site-specific review for many of the inputs and we do not consider that KM's assumptions currently reflect all of the necessary site-specific circumstances. We therefore recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation.

7.4. Even after the LPVA assumptions are revisited as necessary, there is still a need for further site due diligence which could result in amendments to assumptions as the scheme designs are refined. It is for this key reason that flexibility is required and that our Client should not be held to the LPVA assumptions at the application stage where KM's inputs do not fully reflect the specific circumstances of this site.

7.5. Further, based on the comments raised in this representation, we do not necessarily agree with KM's specific results for the site as currently presented in the LPVA, but do support their wider conclusion regarding the need for a site-specific FVA at the application stage as noted above.

7.6. We trust that this representation is clear and comprehensive. In refining the LPVA, our Client welcomes the opportunity to work positively and collaboratively with KM and the Council to support robust viability testing and would be happy to assist with any queries.

7.7. Our Client respectfully requests to be kept informed as to the progress of the LPVA and the revised outputs in accordance with the PPGV and RICS guidance relating to stakeholder consultation and transparency. Our Client reserves the right to comment again on the LPVA once the necessary revisions have been made and all points of clarification have been addressed.

8. Disclaimer

8.1. We have prepared this representation having regard to relevant RICS guidance. However, the representation and the advice provided do not constitute a formal valuation and should not be relied upon as such.

8.2. This representation is for the purpose of the Clients and should not be reproduced in part or in full without our prior consent. No responsibility is accepted to any other party in respect of the whole or any part of its contents.

8.3. Some of the data referenced in this representation has been obtained from third party sources and we cannot guarantee the accuracy of the data obtained from other parties. Cushman & Wakefield shall not be liable for any indirect or consequential damages arising from the use of this representation.

8.4. This representation should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this representation.

Appendix 1: RICS Professional Statement: Financial Viability in Planning – Mandatory Reporting Requirements

The relevant mandatory reporting requirements specified in the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) are set out below.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

We confirm that this representation has been prepared by RICS members who have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

We further confirm that the RICS members are suitably qualified practitioners and RICS Registered Valuers with sufficient skills, expertise and knowledge to provide a robust and objective representation.

The RICS members have extensive experience in advising on FVAs across the North West and up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

Our terms of engagement are appended to the rear of this representation.

We have not previously advised the Client on site-specific FVAs in support of planning applications for residential development but we are currently advising, and have previously advised the Client in respect of representations to area-wide viability FVAs.

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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.

Section 2.3: No Contingent Fee Statement

In preparing this representation, no performance-related or contingent fees have been agreed.

Section 2.5: Confirmation Where the RICS Member is Acting on Area-Wide and Scheme-Specific FVAs

As outlined above, we are currently advising, and have previously advised the Client on representations to area-wide FVAs.

We are advising the following LPAs in respect of the area-wide FVA to assist in formulating policy in their emerging Local Plans:

- Warrington Borough Council
- Wakefield Council
- South Tyneside Council
- Solihull Metropolitan Borough Council

We are also advising developers in respect of representations to the following area-wide FVAs:

- Halton Local Plan Viability Assessment
- Greater Manchester Places for Everyone Viability Assessment

- Eden Local Plan Viability Assessment
- Lancaster Local Plan Viability Assessment
- Hyndburn Local Plan Viability Assessment
- St Helens Local Plan Viability Assessment
- Wyre Local Plan Viability Assessment
- Blackburn Local Plan Viability Assessment

Again, however, 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.

Section 2.6: Justification of Evidence

All inputs into this representation have been reasonably justified as explained in further detail throughout this document.

Section 2.10: Engagement

We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

Section 2.14: Timescales

We confirm that adequate time has been allowed to produce this representation having regard to the scale of this particular project.

Section 4: Duty of Care and Due Diligence

We confirm that this representation has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

Appendix 2: Current Asking Prices at Edgehill Park (Story Homes)

Edgehill Park - Asking Prices

House Type		Beds	NSA (sq. ft.)	Asking Price (£ / £ psf)		Asking Price at 5% Incentive Adjustment (£ / £ psf)	
Masterton	Detached	5	1,803	£339,950	£189	£322,953	£179
Masterton	Detached	5	1,803	£342,950	£190	£325,803	£181
Hewson	Detached	4	1,561	£314,950	£202	£299,203	£192
Hewson	Detached	4	1,561	£314,950	£202	£299,203	£192
Sanderson	Detached	4	1,412	£296,950	£210	£282,103	£200
Sanderson	Detached	4	1,412	£294,950	£209	£280,203	£198
Oxley	Semi-Detached	2	691	£149,950	£217	£142,453	£206
Currently Released Scheme Average			**1,463**	**£293,521**	**£201**	**£278,845**	**£191**

Source: Housebuilder website

Appendix 3: Terms of Engagement

No.1 Marsden Street
Manchester, M2 1HW
Tel +44 (0) 161 236 9595
Fax +44 (0) 161 228 7097
cushwake.com

8 March 2022

Our Ref: DRN/HG/kja/221VC100

Dear

Copeland Local Plan Viability Assessment – Regulation 19 Consultation

We are pleased that you have requested Cushman & Wakefield to provide you with a fee proposal in relation to the above matter. The schedule to this letter details the services we will provide, the basis of our appointment, our fees and anticipated expenses, together with other information relevant to our services (the "**Services Schedule**" and together with this letter, the "**Engagement Letter**").

Enclosed are our standard terms of business containing exclusions and limitations on our liability and detailing our respective obligations (the "**Terms of Business**") which, together with the Engagement Letter, comprise the terms of our engagement (the "**Engagement**"). Please take a moment to check that you are happy with the contents of the Engagement Letter, the Services Schedule and the Terms of Business and understand the basis of the Engagement.

I will have overall responsibility for the provision of our services to you, assisted by Hannah Gradwell, MRICS and such other professional staff as it may be appropriate for us to involve. Hannah will be your first point of contact on this matter.

Market conditions explanatory note: Novel Coronavirus (COVID-19)

The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly - and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty

This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

Cushman & Wakefield Debenham Tie Leung Limited, 125 Old Broad Street, London, EC2N 1AR. Registered in England & Wales with registration number 02757783. Regulated by RICS. Cushman & Wakefield Debenham Tie Leung Limited is an appointed representative (FRN: 451082) of DTZ Insurance Services Limited which is authorised and regulated by the Financial Conduct Authority (FRN: 417313). VAT No. GB 608825 39.

Should you wish to instruct Cushman and Wakefield on this matter, I would be grateful if you would return a signed and dated a copy of the Engagement Letter as soon as possible to confirm that you accept the basis of the Engagement. Please be aware that your continuing instructions in relation to this matter will amount to your acceptance of the terms of the Engagement. If there is any matter that requires clarification, please do not hesitate to contact me.

Yours sincerely

[redacted] MRICS APAEWE
Partner
RICS Registered Valuer
For and on behalf of Cushman & Wakefield Debenham Tie Leung Limited
Direct: +44 (0)161 455 3790
[redacted]
derek.nesbitt@cushwake.com

Acceptance of Cushman & Wakefield Engagement Letter and Terms of Business

I have read the Engagement Letter (including the Services Schedule and incorporating the Cushman & Wakefield Terms of Business (Version 3.2 – April 2021) and hereby accept the terms and confirm this Engagement.

_____ **Date:** _____

Please confirm the information on the Customer Information Form overleaf \.....

CUSHMAN & WAKEFIELD

CUSTOMER INFORMATION FORM

COMPANY & VAT INFORMATION

Company or Entity:			
LLP	☐	PLC – Listed	☐
Local Central Government	☐	PLC – Not Listed	☐
Limited	☒	Private Individual	☐
Overseas Registered Company	☐	Private Unlimited Company	☐
Partnership	☐	Registered Charity	☐
Pension Scheme		Sole Trader	☐
		Trust	☐

Full Trading Name:	
Company Registration No:	
VAT No:	
Company Registered Address:	
Contact Name:	
Contact Telephone No. & Email Address:	

ACCOUNTS PAYABLE INFORMATION

Address (including postcode):	
Contact Name:	
Contact Telephone No. & Email Address:	
Purchase Order Number *(if applicable)*:	

SPECIFIC BILLING INSTRUCTIONS *(Please use this section to identify any specific billing requirements):*

Services Schedule – Consultancy

Type of Instructions:	Local Plan Representations
Client Instructions:	The Client has instructed C&W to: (a) Provide site-specific written representations to the Copeland Local Plan during the current consultation period.
Scope of Services:	Included in the Services are: a) Review of the Copeland Local Plan Viability Assessment and associated Appendices; b) Liaison with the Client to understand, discuss and agree the key areas of concern to be reflected in representations and any evidence requirements from the Client; c) Initial site-specific written representations to critique and challenge the proposed viability approach and appraisal assumptions where necessary, to highlight key areas of concern and/or gaps in the evidence base and to comment on the viability findings and recommendations relating to new policy requirements. As agreed with the Client, due to the time constraints, the representations will focus on the "core" issues only at this stage; d) The draft representations will be circulated for review, comment, and sign off by the Client prior to submission, approximately 4 days ahead of the consultation deadline of 18th March 2022. The representations will be prepared in line with all relevant national and RICS guidance, including the National Planning Policy Framework, the Planning Practice Guidance for Viability and the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (2019). Excluded from the Services are: a) Negotiations with the LPAs appointed viability consultants, submission of further representations/response(s) and/or counter-representations/response(s); b) Representations relating to any other evidence base documents other than the above referenced viability documentation; c) Comments on the non-residential viability appraisal assumptions and evidence; d) Making any enquiries of local or any other authorities or any investigation of title relating to a Property; e) Investigation of the history of a Property or adjoining properties or establishing the possibility of the existence or contamination of, in or near, a Property; f) Management of a Property, including without limitation, any security, insurance, maintenance or repair arrangements; g) Making any structural survey or testing any services at a Property; and h) The provision of formal valuation advice (any information provided by C&W in respect of a potential rent or premium is not intended to be, and will not represent, any formal opinion of value). For the avoidance of doubt, C&W confirms that the representations and the advice provided do not constitute a formal valuation. The representations and the advice provided constitute an exception from valuation technical and performance standards ('VPS') 1 – 5 of the RICS Valuation – Global Standards (the "Red Book"). The representations are for the purposes of informing the viability assumptions to be adopted in the Climate Change Local Plan Review Viability Assessment only. The viability advice that will be detailed will be dependent on the adequacy and accuracy of the information supplied and the assumptions made. It should be noted that should these prove to be incorrect, the accuracy of C&W's advice will be affected.

Conflicts of Interest:	We are currently advising and have previously advised the Client in respect of representations to other area-wide viability FVAs. However, 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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.
Fees:	
Terms of Business:	Please see attached our Cushman & Wakefield Terms of Business (UK) - Version 3.2 – April 2021.

Copeland borough council

Proud of our past. Energised for our future.

Copeland Local Plan 2021- 2038

For internal use:	
Resp. No.	.....
Rep. No.	.....
Date Rec.	.....

Publication Draft Consultation Response Form

This Representation Form provides the opportunity to comment on the Publication Draft of the Copeland Local Plan which can be viewed at: https://www.copeland.gov.uk/content/local-plan-2021-2038-publication-draft-consultation. This consultation is a requirement under the Town and County Planning (Local Planning) Regulations 2012 Regulation 19.

The Publication Draft represents the Council's final draft of the Local Plan that we wish to submit to the Secretary of State for Public Examination by a Planning Inspector. Completed forms will be sent to the Planning Inspectorate for their consideration through the Examination in Public process.

Comments not submitted on the standard response form will only be considered at the Inspector's discretion

It should be noted that representations will be made available to the Planning Inspectorate and to the Inspector appointed by the Secretary of State to conduct the Examination. Representations will be also be 'made available' in line with the Town and Country Planning (Local Planning) (England) Regulations 2012 (Regulations 20, 22 and 35). This includes publication on the Council's website.

Privacy Notice

A copy of the Council's privacy statement can be viewed at https://www.copeland.gov.uk/sites/default/files/attachments/privacy_notice1.pdf. Further information is also available by contacting the council's Data Protection Officer at info@copland.gov.uk or by calling 01946 598300 and asking to speak to the Data Protection Officer.

Please complete a separate sheet for each representation you wish to make and return this form no later than 4.30pm on Monday 21st February 2022 to:

Strategic Planning
Copeland Borough Council
Market Hall
Market Place
Whitehaven
CA28 7JG

Or email: localplanconsultation@copeland.gov.uk

Part A: Your Details

Please provide your details below. This information will be added into our database so we can contact you about the Submission, Examination and Adoption of the Local Plan as well as future Local Plan consultations.

All information in the following table will be used solely for this purpose and no identifying information will be used in any future stages of the Local Plan process. Age and gender data will be used to monitor engagement in the Local Plan consultation process.

If you do not wish for your details to be held in our consultation database, please tick here: ☐

If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	Agent's Details (if applicable)
Name	[redacted]	[redacted]
Position	Owner	Planning Consultant
Organisation	OCF Holdings Ltd	SRE Associates
Address	Whitehaven Commercial Park Moresby Parks Whitehaven	10 Parklands Drive Cockermouth
Postcode		CA13 0WX
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

~~Male~~	Female	Prefer not to say

Age (Please circle)

18-25	26-35	~~36-45~~	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy.		Policies Map.	HMR2

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support	X	Object	

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes.	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes	X	No	

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

HMR2 – Land south of Scalegill Road, Moor Row

The landowners still wish to have this site considered for allocation for residential development and will look to obtain a planning permission and sell the site to a developer if allocated. The site forms a logical extension to the village without significant landscape impact or negative impact on residential amenity of other properties nearby. Suitable access to the site could also be achieved.

(Continue on a separate sheet / expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

(Continue on a separate sheet / expand box if necessary)

Please note: In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions. After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		No, I do not wish to participate in the hearing session(s)	X

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Signature: [redacted] Date: 16/03/22

Please use a separate form for each site you wish to comment on and return this form **no later than 4.30pm on Monday 21st February 2022**. We are unable to consider any responses received after this date.

Thank you for completing this form

Copeland borough council

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Copeland Local Plan 2021- 2038

For internal use:	
Resp. No.	.....
Rep. No.	.....
Date Rec.	.....

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The Publication Draft represents the Council's final draft of the Local Plan that we wish to submit to the Secretary of State for Public Examination by a Planning Inspector. Completed forms will be sent to the Planning Inspectorate for their consideration through the Examination in Public process.

Comments not submitted on the standard response form will only be considered at the Inspector's discretion

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Copeland Borough Council
Market Hall
Market Place
Whitehaven
CA28 7JG

Or email: localplanconsultation@copeland.gov.uk

Part A: Your Details

Please provide your details below. This information will be added into our database so we can contact you about the Submission, Examination and Adoption of the Local Plan as well as future Local Plan consultations.

All information in the following table will be used solely for this purpose and no identifying information will be used in any future stages of the Local Plan process. Age and gender data will be used to monitor engagement in the Local Plan consultation process.

If you do not wish for your details to be held in our consultation database, please tick here: ☐

If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	Agent's Details (if applicable)
Name	[redacted]	[redacted]
Position	Board Chairman	Planning Consultant
Organisation	St Bees School	SRE Associates
Address	Wood Lane St Bees	10 Parklands Drive Cockermouth
Postcode	CA27 0DS	CA13 0WX
Telephone	[redacted]	[redacted]
Email	[redacted]	sb@sreassociates.co.uk

Gender (Please circle)

~~Male~~	Female	Prefer not to say

Age (Please circle)

18-25	26-35	~~36-45~~	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy.		Policies Map.	HSB1

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support	X	Object	

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes.	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes	X	No	

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

HSB1 – Land adjacent to Abbots Court, St Bees

The landowners still wish to have this site considered for allocation for residential development and will look to sell the site to a developer if allocated. The site forms a logical extension to the village without significant landscape impact or negative impact on residential amenity of other properties nearby. Suitable access to the site could also be achieved.

(Continue on a separate sheet / expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

(Continue on a separate sheet / expand box if necessary)

Please note: In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions. After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)		No, I do not wish to participate in the hearing session(s)	X

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Signature: [redacted] Date: 16/03/22

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Thank you for completing this form

Copeland borough council

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Copeland Local Plan 2021- 2038

For internal use:	
Resp. No.	.....
Rep. No.	.....
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Whitehaven
CA28 7JG

Or email: localplanconsultation@copeland.gov.uk

Part A: Your Details

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If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	Agent's Details (if applicable)
Name	[redacted]	[redacted]
Position	Part Site Owner	Planning Consultant
Organisation		SRE Associates
Address	[redacted] St Bees	[redacted] Cockermouth
Postcode	[redacted]	[redacted]
Telephone		[redacted]
Email		sb@sreassociates.co.uk

Gender (Please circle)

~~Male~~	Female	Prefer not to say

Age (Please circle)

18-25	26-35	~~36-45~~	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy.		Policies Map.	HSB3

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support	X	Object	

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes.	X	No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes	X	No	

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes	X	No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

HSB3 – Fairladies Extension, St Bees

The landowners wish to have this site considered for allocation for residential development and will look to obtain a planning permission and sell the site to a developer if allocated. The site forms a logical extension to the village without significant landscape impact or negative impact on residential amenity of other properties nearby. Suitable access to the site could also be achieved.

The owner would look to bring the site forward with the adjoining landowner following initial discussions.

(Continue on a separate sheet / expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

(Continue on a separate sheet / expand box if necessary)

Please note: In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions. After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.

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Yes, I wish to participate in the hearing session(s)		No, I do not wish to participate in the hearing session(s)	X

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[redacted]

From: [redacted]
Sent: 18 March 2022 15:30
To: Local Plan Consultation
Subject: Copeland Local Plan 2021-2038 consultation

Follow Up Flag: Flag for follow up
Flag Status: Completed

CAUTION: External email, think before you click!
Please report any suspicious email to our IT Helpdesk

Dear sir

I am writing on behalf of the NFU to make some general points with respect to the Copeland Local Plan 2021-2038 consultation

The consultation states that "Copeland is a predominantly rural borough and is a relatively remote part of the North West. However, like much of Cumbria we have a wealth of natural resources which have shaped our development and heritage. Agriculture is an important component of our local economy."

Strategic Policy E1PU: Economic Growth states:-

- Helping the economy in rural areas by supporting rural diversification that will encourage, tourism, recreation, rural regeneration, and farm diversification, and complement new appropriate agriculture and forestry development where appropriate

Agricultural land in Copeland is primarily Grades 3, 4 and 5 and as such the primary agricultural activity which takes place within the borough is livestock and dairy farming. At present it is an incredibly uncertain time for these farmers as we have left the European Union. This will not only impact in our access to EU sheep markers which are traditionally very important for UK sheep producers (roughly 1/3 of our lamb enters into this market) but we are also faced with a seismic change in the way in which agricultural support will be delivered onto farm. We will more away from a simple system based on payment per hectare of land to one where farmers will be paid public money for delivering public good. Many farm businesses in Copeland are dependent on support for maintaining farm income and this change could have a significant impact on how they operate. Furthermore farmers are facing incredible price volatility due to ongoing issues in Ukraine which is pushing up feed fertiliser and fuel prices. They are facing new regulatory burdens, especially with respect to climate change policy and environmental protection. Planning policies need to allow them to adapt their business to deal with these challenges and take advantage of any opportunities which may arise when we leave the EU, particularly around areas such as renewable energy and diversification enterprises. They should also not have unreasonable conditions placed on them, such as the use of certain types of material they need to use renovating buildings, which would place unnecessary costs on them when trying to develop their farm.

Strategic Policy DS2PU: Reducing the impacts of development on Climate Change details the ambitions of Copeland to tackle climate change. It outlines a number of actions which will impact on farmers including :-

- Sustainable land use management, forestry and farming practices and encouraging agri-environmental schemes
- Increased resilience to the effects of climate change through elements such as avoiding deforestation, providing SuDs and avoiding development in areas with high flood risk
- Measures to exceed the 10% Biodiversity Net Gain requirement

Copeland produced a Climate Action Plan in 2021 setting out ambitions and actions on the issue. Farmers find themselves at the sharp end of climate change as the hotter, drier summers and warmer wetter winters impact on their ability to manage their land. The NFU has set a goal of reaching net zero greenhouse gas emissions across the whole of agriculture in England and Wales by 2040 which sets well with the Cumbria ambition of 2037. As climate change impacts at a global level, food security is likely to become of increasing importance, a fact which has been recognised by the Intergovernmental Panel on Climate Change which stated "Over the past 30 years, major crop yields have decreased globally by 4-10% due to climate change." Planning policies need to strike a balance between protecting the environment, tackling climate change and also producing food.

Copeland has a mosaic of grade 3, 4 and 5 agricultural land, from the high fells to the more productive grassland near the coast. As such the land is best suited to livestock grazing systems such and dairy, beef and sheep farming. Food production remains a very divisive issue in the climate change debate and in many cases decisions and policies are made using global greenhouse gas emission figures. Typically greenhouse gas footprint of UK milk production is just 40% of the global average while British beef and lamb is among the most efficient and sustainable in the world due to our extensive, grass-based system. Indeed, the Government's own Committee on Climate Change has said that greenhouse gas emissions from UK beef are about half the global average. This will be particularly the case in Copeland. Therefore any decisions around land use, diet and climate change should be based on UK statistics and also factor in the suitability of the land for certain production systems.

Farmers and land managers have the potential to unlock various actions to help tackle climate change and provide other benefits in terms of flood management, biodiversity and improvements in soil carbon sequestration. However, positive engagement with the farming community will be key in unlocking these opportunities as will fair financial rewards where their activity undertaken on behalf of the council or other individuals such as developers. Plans to achieve net zero by 2037 need to recognise the importance of land based solutions in achieving these goals. Positive engagement with farmers and land owners will be key. Finally, there is a great deal of potential for using farmland as a source of renewable energy but planning is often seen as a barrier to this. If Copeland is committed to helping tackle climate change and achieve its goal of net zero by 2037 then planning policy should look to facilitate renewable energy projects and not be an obstacle to them.

The climate change policy also states an ambition to deliver "Environmental benefits, including contributions towards Local Nature Recovery Networks, the provision and enhancement of local green spaces, woodland creation and preservation, peatland restoration and preservation, provision of green roofs and walls, and native species preservation" while policy Strategic Policy DS8PU: Reducing Flood Risk outlines ambitions to reduce flood risk. The new ELM scheme is based on a principle of public money for public goods and the role that agricultural land can play in food mitigation has been recognised. Many activities on farm can help alleviate flooding downstream such as reducing soil compaction, tree planting and increasing soil permeability. Larger scheme can be developed which involve storing water temporarily on agricultural land. These scheme should be developed in partnership with farmers and should also be properly funded. It is particularly key to developing approaches whereby farmers are paid to maintain NFM assets on their land which benefit downstream communities and that the liability for these structures is addressed, in the event that they fail to operate in the way they are intended to do so.

With respect to development in general and flood risk, an increase in the number of extreme weather events has meant that the existing field drainage systems have struggled to cope with the amount of water which is now draining through the system at times of peak flow. This has caused agricultural land to flood. Building developments are adding to the issues that they are facing as these development leads to a reduction in the water carrying capacity of the green spaces and increase the rate of water runoff into the farmland drainage system. As a result, even more pressure is being pace on the system which is meaning that urban water is finding its way into farmers' fields and causing crop losses. Therefore a condition should be place on the developers to make sure that any development does not increase the flood risk of neighbouring farm land. This should include a requirement that a significant investment is made in upgrading the sewer system to cope with the extra demands being placed upon it and that a contribution is made to the maintenance of the farmland drainage channels which are receiving this urban water.

Strategic Policy N6PU: Landscape Protection sets out the council ambitions the extent to which Copeland's landscapes are to be protected and enhanced. It has been well recognised though lockdown that access to the natural environment and green spaces has a huge benefit in terms of mental and physical health. The consultation

highlights the importance of air quality (Policy DS11PU: Protecting Air Quality) as well as green and blue infrastructure, open space and recreation and an ambition to support nature recovery. Air quality is an issue that can be a channelling for agricultural developments and as long as suitable economically viable mitigation is put in place then this should not act as a barrier to agricultural developments. With respect to nature recovery, the Environment Bill will see the introduction of Local Nature Recovery Strategies which will identify suitable areas for nature recovery and Biodiversity Net Gain and farmers and land managers are ideally placed to help unlock these ambitions but this needs to be balanced with their need to produce food and should be achieved in a collaborative way.

Chapter 12 on Tourism outlines the ambitions for a vibrant tourism industry in Copeland. Farmers produce the landscape which underpins this industry but also need to provide infrastructure to take advantage of this opportunity. Planning policy should support and facilitate developments that farmers wish to undertake which will tap into this market. This will allow the council to deliver on one of its other strategic objectives, that of supporting a prosperous vibrant rural economy.

Policy N13PU: Trees, Woodland and Hedgerows states:-

- Existing trees and hedgerows which contribute positively to the visual amenity and environmental value of their location will be protected. Developers are encouraged to incorporate tree planting and hedgerows into new developments where possible and appropriate.

The NFU has recently produced its own Strategy on Trees where we recognises that trees (in all forms; woodlands, the wider landscape and hedgerows) deliver a multitude of benefits for farm businesses, the environment, flood mitigation and the economy, as well as giving a strong sense of nature and wildlife in the landscape (https://www.nfuonline.com/nfu-online/cross-sector/environment/nfu-tree-strategy-july-2021/). Farmers and growers will be key to delivering the Government's commitment to plant 11 million trees in the 25 Year Environment Plan and more recently, the manifesto commitment to deliver 30,000 hectares per annum by 2025. The main theme is the need to plant the right tree in the right place, both now and in a changing climate. This includes considering a range of factors such as species, sourcing, climate, location and outcome. Tree planting should be complementary to food production where possible, as should other activity to tackle climate change. Furthermore, while there is an understandable focus on tree planting, there is an opportunity to improve the management of woods which are already on farms. Many of these woodlands represent an untapped resource on farms and the NFU would like to see the recognition of unmanaged farm woodlands, and the need to incentivise management. The NFU would also like to see increased recognition and incentives for trees outside of woodlands. These contribute enormously to our natural environment and landscape features and can act as important carbon sink. Much of the focus has been on woodland creation but opportunities around tree planting within a productive landscape (silva pasture for example) can be more palatable to farmers, given the permanent land use change associated with woodland creation.

Connected to climate change there are policies which relate to renewable energy, namely Policy CC1PU: Large Scale Energy Developments (excluding nuclear and wind energy developments) and Policy CC2PU: Wind Energy Developments. There is a great deal of potential for using farmland as a source of renewable energy (both large and small developments) but planning is often seen as a barrier to this. If Copeland is committed to helping tackle climate change and helping Cumbria achieve its goal of net zero by 2037 then planning policy should look to facilitate on farm renewable energy projects and not be an obstacle to them.

Thanks

[redacted]

Environment Adviser (North West)
Agriculture House
1 Moss Lane View
Skelmersdale

Lancashire
WN8 9TL

Tel [redacted]
Mob [redacted]

For **NFU Specialist Advice** please hyperlink to www.nfuonline.com/specialistadvice
CCTV www.nfuonline.com/cctv
And for **security** please link to www.nfuonline.com/security

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NFU, Registered in England No. 245E

Copeland Local Plan 2021- 2038

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	Your Details	**Agent's Details** (if applicable)
Name		[redacted]
Position		
Organisation	Story Homes	Pinnacle Planning
Address	Story House Lords Way Kingmoor Business Park Carlisle	500 Styal Road Manchester
Postcode	CA6 4SL	M22 5HQ
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	DS2PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1 PDLP Policy DS2PU replaces Policy CC1PO from the Preferred Options draft, and places it at the forefront of the Local Plan after the presumption in favour of sustainable development. This approach is justified on the basis that addressing climate change is one of the most challenging issues currently faced by CBC and that Policy DS2PU includes actions that can be taken to reduce the impacts of development on climate change.

1.2 Story Homes supports CBC's commitment to addressing the impacts of climate change and achieving the Cumbria wide target of net zero carbon by 2037 but would note that many of the guidelines which are encouraged within the amended policy are already covered by other policies in the draft Local Plan, including the use of high quality design techniques; supporting low carbon travel; use of SUDs; building at appropriate densities; and provision of local green spaces.

1.3 Reference is also made to several other points which are relatively significant in nature and are likely to impact on the design and viability of development, including the incorporation of Passivhaus principles; heating and power generation; use of circular economy principles; contributing to the creation of new woodlands; and contributing towards Local Nature Recovery Networks.

1.4 Whilst these principles are currently set out as guidelines, rather than requirements, Story Homes is concerned that this interpretation may change and that the policy doesn't provide sufficient flexibility for new development, should such principles negatively impact on delivery of a scheme, including viability. Story Homes considers therefore that further clarity in regard to flexibility should be included within the policy.

1.5 Story Homes is of the view that the viability of the Local Plan as a whole should be considered thoroughly ahead of submission of the Local Plan for Examination. The supporting evidence base for the Local Plan includes a Stage One Viability Study, which is described as a high level assessment of the viability of a representative range of housing, commercial and employment development across the Borough.

1.6 The Stage Two Viability Study was prepared by Keppie Massie and published in February 2022. Cushman & Wakefield have prepared a separate representation on viability on behalf of a developer consortium which includes Story Homes. The document is appended to these representations and comprises a review of the viability approach and assumptions adopted by Keppie Massie.

1.7 Cushman & Wakefield have identified several issues and make a range of recommendations which support more robust inputs with regards to the approach and assumptions.

1.8 Story Homes are of the view that it is not a prudent approach to adopt unrealistic appraisal inputs so as to demonstrate a viable position based on the emerging policy requirements. Rather, the viability evidence needs to be robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements

1.9 It is the view of Cushman and Wakefield that if the current inputs are maintained, the Stage Two Viability Study will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

1.10 Story Homes objects to the approach proposed by CBC on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

1.11 Whilst the principles are currently set out as guidelines, rather than requirements, Story Homes is concerned that this interpretation may change and that the policy doesn't provide sufficient flexibility for new development, should such principles negatively impact on delivery of a scheme, including viability. Story Homes considers therefore that further clarity in regard to flexibility should be included within the policy.

1.12 Story Homes are of the view that it is not a prudent approach to adopt unrealistic appraisal inputs so as to demonstrate a viable position based on the emerging policy requirements. Rather, the viability evidence needs to be updated to ensure it is robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements.

(Continue on a separate sheet /expand box if necessary)

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Yes, I wish to participate in the hearing session(s)	X	**No**, I do not wish to participate in the hearing session(s)	

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Story Homes have a strong track record of bringing sites through the local plan system and they believe they can assist the Inspector in exploring the issues with the most up to date information and therefore wish to participate orally in the EiP.

Signature:	[redacted]	Date:	18/03/2022

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	Your Details	**Agent's Details** (if applicable)
Name		[redacted]
Position		
Organisation	Story Homes	Pinnacle Planning
Address	Story House Lords Way Kingmoor Business Park Carlisle	500 Styal Road Manchester
Postcode	CA6 4SL	M22 5HQ
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	DS3PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support	X	Object	

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1 Draft Policy DS3PU identifies the proposed settlement hierarchy, which broadly reflects the existing settlement hierarchy identified in the adopted Core Strategy (Policy ST2), in terms of identifying Whitehaven as a 'Principal Town'; Cleator Moor, Egremont and Millom as 'Key Service Centres'; and a number of smaller 'Local Service Centres'.

1.2 However, the proposed settlement hierarchy does introduce three additional categories, comprising 'Sustainable Rural Villages', 'Other Rural Villages' and 'Open Countryside'. Draft Policy DS3PU confirms that the amount of new development to be provided within each settlement over the plan period is expected to be "proportionate in terms of nature and scale to the role and function of the settlement, unless it has been specifically identified within the Plan to meet the strategic growth needs of the borough".

1.3 The proposed settlement hierarchy continues to focus the majority of new development during the plan period (2021 - 2038) to the four largest towns - Whitehaven, Egremont, Cleator Moor and Millom. This is reflective of the scale of these settlements and the range of existing services and infrastructure which are present.

1.4 The Inspector who examined the adopted Core Strategy considered the spatial strategy and concluded at the time that the "principles of sustainable development are fully covered" (Paragraph 22)1. It is unlikely that in the intervening period there has been a significant change in circumstances which would materially alter the role or function of any specific settlement. The Settlement Hierarchy and Development Strategy Paper Update, published in January 2022. continues to endorse this approach in focussing the majority of development to the four main towns within the Borough. This is due to the enhanced sustainability of these settlements, relating to their accessibility via a range of sustainable modes of transport and the level of services they offer.

1.5 Story Homes supports the continued identification of Whitehaven as the 'Principal Town', which reflects that it provides the greatest range of services and facilities, including employment and transport infrastructure. As such, Story Homes agrees that Whitehaven should remain as the primary focus for new development in the Borough over the plan period.

1.6 Similarly, continuing to identify 'Key Service Centres', particularly Cleator Moor, and 'Local Service Centres', such as Cleator, within the Settlement Hierarchy is supported by Story Homes due to the key role these settlements have in providing the wide range of services and facilities for existing and future residents. Settlements such as these are very well-connected to Whitehaven, including in terms of accessibility via sustainable modes of transport, and thus support its role as the Principal Town in the Borough. These settlements have an important part to play in the delivery of sustainable growth across the Borough.

1.7 Story Homes welcomes the introduction of the 'Sustainable Rural Villages' tier to the settlement hierarchy. The NPPF is clear at paragraph 79 in its support of sustainable development in rural areas, where development will enhance or maintain the vitality of rural communities. The provision of the 'Sustainable Rural Villages' tier recognises the opportunity for smaller rural settlements to accommodate modest levels of development proportionate to the services and facilities these provide.

1.8 This tier supports development in smaller settlements with easy, safe access to main towns and / or connecting villages. Settlements like these provide locations for people working within key employment locations, such as Westlakes Science and Technology Park, with places to live, close to existing services and facilities and employment opportunities. Clusters of development within smaller settlement areas also provides the opportunity to support services, by increasing the number of working age families who can underpin the viability and vitality of local shops and schools. It can therefore play a critical role in underpinning the future sustainability of smaller towns and villages as well as supporting services in other nearby villages.

1.9 As such, the inclusion of 'Sustainable Rural Villages' within the settlement hierarchy accords with the NPPF, as discussed above, and guidance in the National Planning Practice Guidance (PPG). These acknowledge that people living in rural areas can face particular challenges in terms of housing supply and affordability, and therefore the location of new housing in rural areas can be important for the broader sustainability of rural communities.

(Continue on a separate sheet /expand box if necessary)

[1] Report on the Examination into the Copeland Core Strategy and Development Management Policies Plan, The Planning Inspectorate (September 2013)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

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8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)	X	**No**, I do not wish to participate in the hearing session(s)	

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

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Signature: [redacted] Date: 18/03/2022

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If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	**Agent's Details** (if applicable)
Name		[redacted]
Position		
Organisation	Story Homes	Pinnacle Planning
Address	Story House Lords Way Kingmoor Business Park Carlisle	500 Styal Road Manchester
Postcode	CA6 4SL	M22 5HQ
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	DS5PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1 Policy DS5PU outlines the planning obligations that CBC may request of new development where it is reasonable, necessary and directly related to the development. However, the priority for infrastructure will be dependent on the location of development. One type of infrastructure should not be prioritised until an assessment has been undertaken to identify the infrastructure for which there is the most pressing need in a certain location, and the most appropriate location for such infrastructure. Such need should be assessed by the relevant delivery partners, and may include the developer, CBC and the County Council, and the advice of a specialist should be obtained where appropriate.

1.2 It is considered that the plan-making process provides the most appropriate mechanism for such an assessment. The Local Plan's supporting evidence base should assess the need for differing types of infrastructure, the viability of delivery, the preferred location within the Borough and the most appropriate method of delivery.

1.3 Therefore, rather than listing types of infrastructure for which there is a priority, the Local Plan should identify specific infrastructure projects for which there is need and identify specific requirements, in

terms of location and method of delivery, for such infrastructure.

1.4 The draft policy confirms that where the provision of such planning obligations would impact the viability of a scheme, a site specific viability assessment must be submitted to and agreed by the Council. This is in line with paragraph 58 of the NPPF and the PPG and provides an opportunity to reconsider viability on a site-by-site basis where particular circumstances may merit a review of policy expectations.

1.5 Story Homes is generally supportive of the categories outlined in the draft policy and welcome the opportunity to provide a site specific viability assessment, where necessary.

1.6 The Stage Two Viability Study was prepared by Keppie Massie and published in February 2022. As noted above, Cushman & Wakefield have prepared a separate representation on viability on behalf of a developer consortium which includes Story Homes. The document is appended to these representations and comprises a review of the viability approach and assumptions adopted by Keppie Massie.

1.7 Cushman & Wakefield have identified several issues, some of which relate to Section 106 Contributions, noting that several of the categories highlighted in DS5PU do not appear to have been factored into the testing.

1.8 Story Homes are of the view that it is not a prudent approach to adopt unrealistic appraisal inputs so as to demonstrate a viable position based on the emerging policy requirements. Rather, the viability evidence needs to be robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements

1.9 It is the view of Cushman and Wakefield that if the current inputs are maintained, the Stage Two Viability Study will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

1.10 Story Homes objects to this approach on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base.

1.11 As previously set out in representations submitted on behalf of Story Homes at the Preferred Options stage, the emerging Local Plan should look to assess and identify all infrastructure projects for which there is need. This work should also identify specific requirements, in terms of location and method of delivery, for such infrastructure.

1.12 Policy DS5PU outlines the planning obligations that CBC may request of new development where it is reasonable, necessary and directly related to the development. However, one type of infrastructure should not be prioritised until an assessment has been undertaken to identify the infrastructure for which there is the most pressing need in a certain location, and the most appropriate location for such infrastructure. Such need should be assessed by the relevant delivery partners, and may include the developer, CBC and the County Council, and the advice of a specialist should be obtained where appropriate.

1.13 It is considered that the plan-making process provides the most appropriate mechanism for such an assessment. The Local Plan's supporting evidence base should assess the need for differing types of infrastructure, the preferred location within the Borough and the most appropriate method of delivery.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

1.14 It is the view of Cushman and Wakefield that if the current inputs are maintained, the Stage Two Viability Study will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

1.15 Story Homes objects to this approach on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base. The viability evidence needs to be updated so as to be robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements.

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Yes, I wish to participate in the hearing session(s) [X]

No, I do not wish to participate in the hearing session(s) [ ]

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

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Organisation	Story Homes	Pinnacle Planning
Address	Story House Lords Way Kingmoor Business Park Carlisle	500 Styal Road Manchester
Postcode	CA6 4SL	M22 5HQ
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H1PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support	X	Object	

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1 PDLP policy H1PU confirms that CBC will work with key stakeholders. partners and communities to ensure that the Borough has a range of attractive, high quality housing to attract new residents. Story Homes is supportive of this policy, particularly the requirement to allocate a range of deliverable and attractive housing sites which meet the needs and aspirations of local people.

1.2 Furthermore, Story Homes supports the inclusion of supporting proposals which contribute to the regeneration of the wider residential environment and approving housing developments which accord with the Development Plan on appropriate windfall sites. This is in accordance with paragraph 69 of the NPPF which outlines that *"local planning authorities should.. support the development of windfall sites through their policies and decisions - giving great weight to the benefits of using suitable sites within existing settlements for homes"*.

1.3 This also supports the Council's Strategic objective to achieve an 'Improved Housing Market', through ensuring that all housing is of high quality and design, is situated in attractive locations and responds to differing needs and aspirations, including making provision for affordable and specialist housing.

1.4 This approach is also in accordance with paragraph 60 of the NPPF which confirms that a *"...sufficient amount and variety of land where it is needed..."* is made available to boost the supply of homes.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

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18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H2PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1	PDLP Policy H2PU outlines the proposed housing requirement for the Borough, this being a minimum of 2,482 net additional dwellings to be provided between 2021 and 2038, equating to an average of 146 dwellings per annum (dpa). The draft policy goes on to state that, in order to plan positively and support employment growth over the plan period, a range of attractive allocated housing sites, when combined with future windfall development, previous completions and extant permissions, will provide a minimum of 3,400 dwellings - an average of 200 dpa - over the plan period. It also confirms that housing delivery will be 'monitored closely' and, where development is not coming forward as anticipated, interventions will be sought as set out in Policy H3PU.
1.2	The plan period that was referenced in the Preferred Options draft covered the 18-year period 2017-2035. In order to accord with Paragraph 22 of the NPPF, which requires strategic policies to look ahead over a minimum 15 year period from adoption, the PDLP amends this to a seventeen year period covering 2021-2038.
1.3	Whilst Story Homes generally support this change, should the Local Plan not be adopted prior to the end of 2023, it would mean that the strategic policies only look ahead 14 years from adoption. If this is the case, the strategic policies would need to be amended to look ahead to 2039 at the earliest,

which would mean planning for additional dwellings.

1.4 As part of the Preferred Options consultation, Story Homes submitted a 'Technical Critique' of Copeland's housing needs[1], undertaken by Turley and prepared jointly with Persimmon Homes and Gleeson Homes. This provided a comprehensive response in respect of draft policy H2PO (now renamed H2PU).

1.5 As set out in the Technical Critique, the NPPF at paragraph 17, makes clear that the Local Plan must include strategic policies to address the identified priorities for the development and use of land across the Borough. In respect of social objectives, as per paragraph 20 of the NPPF, the strategic policies of the Local Plan must make sufficient provision for housing, including affordable housing.

1.6 In accordance, with paragraph 60 of the NPPF, the minimum number of new homes needed across Copeland should be calculated using the Governments 'standard method'. The PPG makes clear that the housing need figure calculated by the standard method is a minimum "starting point"; it therefore makes clear that there will be circumstances where *"... the actual housing need is higher than the standard method indicates..."*[2].

1.7 The standard method calculation for Copeland currently implies a need for only 8 dpa, which evidently is not credible where it is recognised that the Borough has consistently delivered at least 116 dpa over the last seven years and as many as 154 dpa in 2016/17 and 150 dpa in 2019/20. This is clear evidence that the scale of the need and demand for new homes in the Borough is significantly higher than the standard method indicates.

1.8 CBC's aspiration to depart from past trends is built on a consideration of investment potential in the Borough with specific reference to its major employers and sectorial specialisms. Section 13.3 of the PDLP confirms that through discussions with key employers in the borough, it is the lack of suitable housing which is impacting upon the recruitment and retention of workforce[3]. Furthermore, based on the Housing Needs Assessment, the single most important reason for people moving into Copeland in the past 5 years has been to take up employment in the borough[4].

1.9 The realism of achieving employment growth must be considered in the context of the success the Borough has had over recent years in creating new employment opportunities. It is critical that this growth is sustained, and its full benefits realised and the supply of an adequate quantity / range of housing is critical to achieving this objective.

1.10 Story Homes supports the CBC's positive approach in identifying that the full need for housing exceeds that set through the standard method. However, it is considered that the minimum housing requirement of 146 dpa outlined in draft policy H2PU does not reflect the Council's aspirations for economic growth and does not include consideration of supporting future employment growth.

1.11 The Strategic Housing Market Assessment (SHMA) was updated in 2021 and identifies a range of potential housing need[5]. These vary from 61dpa for the Cambridge Econometrics baseline scenario, to 278dpa in the Growth Scenario, with the Experian baseline of 146dpa.

1.12 The SHMA concludes that taking a midpoint of the baseline forecasts with a figure of 194dpa is more appropriate for planning purposes. This is justified on the basis that the higher end of the range is significantly above past trends and substantially above the Standard Method. The SHMA confirms that the 278dpa figure is linked to aspirational projects identified in the Economic Development

[1] Housing Needs Report: Further Technical Critique, Turley (2020)
[2] Paragraph 010, Reference ID: 2A-010-20190220, PPG
[3] Paragraph 13.3.4, PDLP
[4] Paragraph 13.3.2, PDLP
[5] Figure 1, SHMA 2021

Needs Assessment (EDNA) coming forward, which include Sellafield Off-siting, Cumbria Clean Energy Park, Woodhouse Colliery and North Shire development. However, the SHMA, and the PDLP[6], concludes that the figure should be discounted as it is not considered to be realistic or deliverable, based on past trends and the need for Government funding. Selecting a midpoint figure of around 194dpa, rounded up to 200dpa, has therefore been taken forward through the PDLP.

1.13 Story Homes objects to this approach on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base. As noted above, it is the lack of suitable housing which is impacting upon the recruitment and retention of workforce within Copeland and the Local Plan represents an opportunity to provide further encouragement for these aspirational economic projects to come forward.

1.14 As set out in the Technical Critique, Story Homes consider that the minimum housing requirement for the Borough should be 300 dpa which broadly reflects the employment-led 'growth scenario' which will ensure the delivery of economic growth and assist CBC in meeting its stated aims and objectives.

1.15 Therefore, Story Homes encourage CBC to review the housing requirement to ensure that it is positively prepared and justified, including making sure that it is fully aligned with the economic growth aspirations and in the context of boosting the supply of housing outlined in the NPPF.

1.16 Story Homes also objects to the use of the lower figure of 146dpa for calculating the five-year supply of deliverable housing sites. Policy H2PU is clear that a minimum of 3,400 dwellings will be delivered over the plan period, and that this figure positively supports employment growth. Notwithstanding the fact that Story Homes is of the view that the housing requirement should be higher than 200dpa they do not support the retention of a lower requirement based on Experian forecasts. This approach is clearly not justified or positively prepared based on evidence included within the SHMA and the EDNA.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

1.17 Story Homes objects to the approach on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base. As noted above, it is the lack of suitable housing which is impacting upon the recruitment and retention of workforce within Copeland and the Local Plan represents an opportunity to provide further encouragement for these aspirational economic projects to come forward.

1.18 As set out in the Technical Critique, Story Homes consider that the minimum housing requirement for the Borough should be 300 dpa which broadly reflects the employment-led 'growth scenario' which will ensure the delivery of economic growth and assist CBC in meeting its stated aims and objectives.

1.19 Therefore, Story Homes encourage CBC to review the housing requirement to ensure that it is positively prepared and justified, including making sure that it is fully aligned with the economic growth aspirations and in the context of boosting the supply of housing outlined in the NPPF.

1.20 Story Homes also objects to the use of the lower figure of 146dpa for calculating the five-year supply of deliverable housing sites. Policy H2PU is clear that a minimum of 3,400 dwellings will be delivered over the plan period, and that this figure positively supports employment growth. Notwithstanding the fact that Story Homes is of the view that the housing requirement should be higher than 200dpa they

[6] Paragraph 13.4.15, PDLP

do not support the retention of a lower requirement based on Experian forecasts. This approach is clearly not justified or positively prepared based on evidence included within the SHMA and the EDNA.

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Yes, I wish to participate in the hearing session(s)	X	**No**, I do not wish to participate in the hearing session(s)	

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Story Homes have a strong track record of bringing sites through the local plan system and they believe they can assist the Inspector in exploring the issues with the most up to date information and therefore wish to participate orally at Examination in Public

Signature:	[redacted]	Date:	18/03/2022

Please use a separate form for each site you wish to comment on and return this form **no later than 4.30pm on Monday 21st February 2022.** We are unable to consider any responses received after this date.

Thank you for completing this form

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Copeland Local Plan 2021- 2038

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If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	**Agent's Details** (if applicable)
Name		[redacted]
Position		
Organisation	Story Homes	Pinnacle Planning
Address	Story House Lords Way Kingmoor Business Park Carlisle	500 Styal Road Manchester
Postcode	CA6 4SL	M22 5HQ
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H3PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1	Draft Policy H3PU sets out the measures by which housing delivery within the Borough will be monitored and the interventions that will be sought where development is not coming forward as anticipated.
1.2	Whilst the principle of Policy H3PU in seeking to maintain housing delivery over the plan period is supported, Story Homes have a number of concerns with the content of the draft policy.
1.3	Point 3 of Policy H3PU suggests that where housing delivery has exceeded expectations within the Sustainable Rural Village and Rural Village tiers of the settlement hierarchy set out in Policy H4PU, CBC will consider carrying out a full / partial Local Plan Review.
1.4	The overall housing requirement figures set out at draft policy H1PU and the distribution set out at draft policy H4PU comprise a minimum number of homes needed within the Local Authority area, as identified within Paragraph 60 of the NPPF, and accordingly should be considered as such.
1.5	Each settlement will have different needs which development above and beyond the housing requirement may be able to meet. Furthermore, higher delivery in one settlement might be needed to offset a shortfall in another settlement to ensure that sufficient development is provided across the

Borough as a whole. In order to boost significantly the supply of housing and accord with the presumption in favour of sustainable development identified within Paragraph 11 of the NPPF, additional housing within the lower tiers of the settlement hierarchy should be approved where they meet an identified market, affordable or elderly needs of the Borough.

1.6 Therefore, in this context, this point of the draft policy is not supported by Story Homes. It does not meet the tests of soundness as it is not 'positively prepared' relating to housing delivery, appropriately 'justified' within the Council's evidence base or 'consistent with national policy' as discussed above.

1.7 For the reasons outlined above, Story Homes is not supportive of draft Policy H3PU in its current form and suggest that this is redrafted to ensure that it is positively prepared, justified and compliant with the NPPF. The revised policy should remove references which may act as a cap on the supply of housing in particular settlements.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

1.1 For the reasons outlined above, Story Homes is not supportive of draft Policy H3PU in its current form and suggest that this is redrafted to ensure that it is positively prepared, justified and compliant with the NPPF. The revised policy should remove references which may act as a cap on the supply of housing in smaller settlements.

(Continue on a separate sheet /expand box if necessary)

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8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)	X	**No**, I do not wish to participate in the hearing session(s)	

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18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H4PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support	X	Object	

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1 Story Homes is supportive of the proposed settlement hierarchy which focusses the distribution of new development to the four largest settlements in the Borough, comprising the 'Principal Town' and 'Key Service Centres'. These settlements are those which have the greatest range of services and facilities, including employment centres and transport infrastructure; as such, they should continue to be the primary focus for new development in the Borough.

1.2 Draft Policy H4PU supports this through identifying that 40% of new residential development will be directed to Whitehaven and 30% to be distributed between Egremont, Cleator Moor and Millom. The remaining distribution of new residential development will be split between the Local Service Centres (17%), Sustainable Rural Villages (10%) and the Other Rural Villages (3%).

1.3 Paragraph 6.1.13 of Settlement Hierarchy and Development Strategy Paper Update (2022) notes that the targets quoted are not "ceilings" and additional development within those settlements should be supported where appropriate.

1.4 Story Homes is generally supportive of this percentage split. However, the figures set out in the table at Policy H4PU will need to be updated to reflect comments on the overall housing requirement

outlined in this document and the accompanying technical critique. Similarly, the figures are a minimum and should not be treated as a barrier to further delivery in particular settlements.

Principal Town

1.5 It is noted that the overall distribution of new housing to Whitehaven (40%) has decreased by 5% when compared with the adopted Core Strategy (45%). The accompanying evidence base acknowledges this and states that "the figure for Whitehaven has been reduced to enable the creation of the additional tiers to allow for development to take place in a number of additional villages"[1].

1.6 Further detail is provided in the supporting text to Policy H4PU which confirms that the 40% figure "is only a minimum target for Whitehaven and additional development over and above the 40% will be supported where it accords with the Development Plan"[2]

1.7 The same paragraph acknowledges that the size and structure of Whitehaven (which includes a number of opportunity sites) provides more scope for windfall development within its boundary than the other settlements within the Borough which may result in the 40% target being exceeded.

1.8 Whitehaven is the largest and most sustainable location in Copeland. It has the greatest range of services and facilities, accommodating the Borough's key employment centre, as well as being well-connected by roads and public transport links. Story Homes is therefore supportive that the focus on the delivery of new homes in Whitehaven has been retained.

1.9 As discussed further below and in Chapters 3 and 4 of this document, the draft proposed housing allocation HWH6 (Land south of Waters Edge Close), as well as the land at Edgehill Park (formerly part of HWH3) are located to the south west of Whitehaven, on land owned by Story Homes, and are clearly suitable, available and achievable.

Key Service Centres and Local Service Centres

1.10 Story Homes would emphasise that the geography of Copeland needs to be taken into account when directing growth to the identified Key Service Centres (KSC's) and Local Service Centres (LSC's) to ensure growth is as sustainable as possible.

1.11 Importantly, locational advantages of some KSC's and LSC's, such as Cleator Moor, should be recognised through the proportion of growth directed to these areas. As defined within Paragraph 8 of the NPPF, sustainable development has three overarching principles, and therefore the sustainability of settlements isn't solely dependent on the size of the settlement or which services it contains, but also its proximity to other settlements, employment opportunities and or services.

1.12 Settlements such as Cleator Moor are well-connected to Whitehaven with the existing employment areas, making them key sustainable locations for growth.

1.13 As discussed below and in Chapter 5 of this document, Story Homes is supportive of the growth of Cleator Moor through the allocation of land to the east of Jacktrees Road. Development in this location would relate well to the existing settlement; be located adjacent to existing housing; and would be contained between the existing built up area of Cleator Moor and the existing road network to round off the settlement.

1.14 This area is close to main arterial routes ensuring the delivery of sustainable development which will subsequently enable residents to access employment services and facilities in accordance with the provisions of Paragraph 8 of the NPPF. Furthermore, the southern areas of Cleator Moor suffer the

[1] Paragraph 6.1.8, Settlement Hierarchy and Development Strategy Paper Update (2022), CBC
[2] Paragraph 13.6.6, PDLP, CBC

highest levels of deprivation in comparison to the northern part of the settlement. As such, development to the south would assist in the regeneration of this area of the settlement.

1.15 As identified below and in Chapter 5 of this document, Story Homes control land to the east of Jacktrees Road which is identified as a proposed housing allocation (ref. HCM1). This land is suitable, available and achievable and would therefore assist in meeting identified needs within the Borough.

(Continue on a separate sheet /expand box if necessary)

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Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H5PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1	Policy H5PU relates to Housing Allocations and has incorporated alterations since the Preferred Options stage to justify updating certain allocations based on a change to the plan period as well as changes in circumstances.
1.2	This has included deletion or amendment based on evidence that shows sites are no longer deliverable or where full planning permission has been granted. This is justified on the basis that it ensures that housing needs can be met by a supply of allocations that are deliverable.
1.3	Story Homes acknowledges the requirement within the NPPF for Local Plans to be "effective" and to be "deliverable over the plan period"[1]. Story Homes therefore supports the continued review of allocated sites with a focus on deliverability and adopting a sustainable strategy based on evidence. The avoidable issues of under-delivery of housing can have major impacts including worsening affordability and a lack of affordable housing provision. It can also lead to pressure for windfall development in less sustainable locations.
1.4	Whilst Story Homes is of the view that the removal of allocations which may not be deliverable is

[1] Paragraph 35, NPPF (2021)

justified, the PDLP and supporting evidence has failed to fully set out the reasoning for amending allocations where full planning permission has been granted.

1.5 The Table provided within Policy H5PU identifies that the yield for Site Reference HWH3 has been reduced from 510 dwellings at the Preferred Options stage to 120 within the PDLP. This is due to the removal of SHLAA reference WS008a, which is under the control of Story Homes and is the subject of detailed planning permission. Full details are provided within Chapter 3 of this document.

1.6 Story Homes objects to this change and is of the view that the approach is not justified by the NPPF or the Planning Practice Guidance.

1.7 Story Homes is of the view that there is no justification for amending the allocation on the basis of securing full planning permission. The site remains undeveloped and is the subject of a time constrained planning permission with limited security beyond that. Retention as an allocation would provide flexibility for the landowner during uncertain times economically and politically.

1.8 The Reserved Matters application (4/20/2474/0R1) was only granted in April 2021, which is clearly within the amended plan period providing further justification for its retention as an allocation. Story Homes is of the view that if there is a concern within CBC that retaining the site as an allocation presents problems with the recording of completions and the potential for double counting, that there is a simple solution whereby delivery on allocations is recorded separately within housing monitoring evidence.

1.9 Story Homes is therefore of the view that the proposed change to Policy H5PU is not justified though planning policy or the amendment to the plan period and may jeopardise the comprehensive regeneration of the local area which forms part of the wider Former Marchon Employment Opportunity Site.

1.10 Notwithstanding the view of Story Homes on this point, it is clear that Transport Improvements Study (August 2021) still notes the Edgehill Park allocation as 510 dwellings with commensurate contributions estimated within the appendices[2]. These should be updated to reflect the fact that the site is the subject of detailed permission and an allowance for highways impact has already made.

1.11 Story Homes is supportive of the following sites being identified for allocation in the PDLP:

- Land south of Water's Edge, Whitehaven (ref. HWH6) - 35 units
- Land at Jacktrees Road, Cleator Moor (ref. HCM1) - 127 units

1.12 Chapters 4 and 5 of these representations continue to promote these sites in the context of the requirement for additional housing allocations as evidenced in the accompanying Housing Needs Report of which the overwhelming conclusion is the need to increase the minimum housing requirement to 300 dwellings per annum for the Borough to achieve its sustainable growth aspirations.

1.13 All of the above sites are clearly able to deliver residential development and, therefore, these proposed housing allocations within the Local Plan would meet the tests of soundness within paragraph 35 of the NPPF.

Land at Edgehill Park, Whitehaven

1.14 The Land at Edgehill Park was proposed as a draft housing allocation (ref. HWH3) and identified as a

[2] Table 9-5, Transport Improvements Study (2021)

Key Regeneration Site capable of delivering 510 units in the Preferred Options draft of the Local Plan.

1.15 Policy H5PU identifies that Site Reference HWH3 has been reduced in size and yield to exclude SHLAA reference WS008a, which specifically relates to the land under the control of Story Homes. Story Homes objects to this change and is of the view that the approach is not justified by the NPPF or the PPG.

1.16 At the time of the Preferred Options consultation, site reference WS008a (the western part of HWH3) benefitted from extant outline planning permission for up to 335 new homes (ref: 4/13/2235/001) and a Reserved Matters application had just been submitted. As CBC are aware, this application (4/20/2474/0R1) for 335 dwellings including associated infrastructure was granted in April 2021, demonstrating that the site is suitable, available and achievable.

1.17 Story Homes is of the view that there is no justification for amending the allocation on the basis of securing full planning permission. The site remains undeveloped and is the subject of a time constrained planning permission with limited security beyond that. Retention as an allocation would provide flexibility for the landowner during uncertain times economically and politically.

1.18 The Reserved Matters application (4/20/2474/0R1) was only granted in April 2021, which is clearly within the amended plan period providing further justification for its retention as an allocation. Story Homes is of the view that if there is a concern within CBC that retaining the site as an allocation presents problems with the recording of completions and the potential for double counting, that there is a simple solution whereby delivery on allocations is recorded separately within housing monitoring evidence.

1.19 Story Homes is therefore of the view that the proposed change to Policy H5PU is not justified though planning policy or the amendment to the plan period and may jeopardise the comprehensive regeneration of the local area which forms part of the wider Former Marchon Employment Opportunity Site.

1.20 The planning consent includes an area of land set aside for delivery of a primary school and the Unilateral Undertaking which formed part of the Outline approval requires Story Homes to provide funds to CBC for the construction of the new school, with the County Council - acting as the local education authority - responsible for its future operation. The Planning Statement which supports the Reserved Matters application confirms that Story Homes have paid a £350,000 education contribution and written to Cumbria County Council seeking confirmation on whether it intends to locate a new primary school on the land reserved for this purpose. Confirmation on this point is awaited alongside a full review of feasibility of constructing a school in this location.

1.21 The requirement for a Primary School came about through a request to Development Management through the application process at the Outline stage due to concerns about capacity. However, Story Homes is of the view that the plan-making process represents the most appropriate mechanism to strategically determine and provide for future school needs both in Whitehaven and across the Borough. The emerging Local Plan should therefore include and look to take account of a full review of existing school capacity, appraise the extent of the need for new places, and identify the preferred location and means of delivery for provision. This should be established in discussions with key partners including the County Council and developers such as Story Homes, to ensure that the proposals are suitable and deliverable alongside the development of the new homes in the Borough.

1.22 The evidence base which supported the Preferred Options consultation includes an Infrastructure Delivery Plan (IDP) (Stage 1) which identifies known shortfalls and constraints surrounding infrastructure in the Borough. Stage 2 has now been published and includes details of what

infrastructure requirements are necessary to support the Local Plan, as well as providing an Infrastructure Delivery Schedule.

1.23 The IDP Stage 1 document provides an assessment of education capacity within Whitehaven and concludes that although six out of twenty schools are at or above capacity, the additional demand can be accommodated by other local schools. For instance, Hensingham Primary School and Valley Primary School, also located in southern part of Whitehaven are currently only at 70% capacity. The schools with identified capacity issues are Jericho Primary School, Moresby Primary School and St. Bridget's C of E School and are all located to the north of Whitehaven. This basic comparison demonstrates that the issue should be considered strategically based on where the need exists rather than where major applications are forthcoming.

1.24 Story Homes can confirm that the land reserved for a Primary School is suitable for the delivery of additional housing should the IDP and feasibility assessment conclude that this isn't the most appropriate location for a new school.

Land south of Water's Edge, Whitehaven

1.25 The land to the south of Water's Edge Close measures approximately 1.3ha in size and is owned by Story Homes. It comprises a roughly square piece of brownfield land on the southwestern edge of Whitehaven, within the settlement boundary.

1.26 The site is proposed as a draft housing allocation (ref. HWH6) in draft policy H5PU (Housing Allocations) in the PDLP as capable of delivering 35 units. Gleeson Homes have applied for full planning permission on the site for 40 dwellings (LPA ref. 4/20/2455/0F1), and a resolution to grant planning permission subject to a Section Agreement was approved at Planning Committee on 19 January 2022.

1.27 Story Homes is supportive of this draft allocation and wish to express continued support for this for the reasons outlined in this chapter.

Site and Surroundings

1.28 The Site forms part of the former Marchon chemical plant which commenced operations in 1941 (relocated from London to avoid the blitz) and produced detergents. The plant finally closed in 2005 and the buildings were subsequently demolished. The Site remains undeveloped to this day.

1.29 The subject Site comprised location of the offices associated with the plant. Whilst these have been demolished, the foundations and floor slabs of the buildings, areas of hardstanding and internal access roads remain in situ and have not assimilated into the landscape. The Site therefore comprises brownfield land.

1.30 The Site is bounded to the north by the existing Water's Edge development, a 40 dwelling residential scheme delivered by Story Homes which was approved by CBC in 2013 and is now complete. To the east by High Road and residential development beyond, and to the south by the remainder of the former Marchon works (which has potential for further residential or associated development). To the west is open countryside adjacent to the coast.

1.31 The Site has a close physical relationship with the existing built up part of the settlement being enclosed by development to the north and east. The Site is relatively flat and benefits from existing access from High Road.

Services and Amenities

1.32 Whitehaven is a large Georgian town located within the north west part of Copeland. It is the 'Principal Settlement' in the Borough, with the largest population and ample services and facilities.

1.33 Whitehaven is located on the Cumbrian Coast Line which runs along the coast from Carlisle to Barrow-in Furness and Lancaster. Rail services are hourly Monday to Saturday and provide connections into the wider railway network.

1.34 Whitehaven has a full range of local facilities, as well as being in close proximity to Cleator Moor and Workington. There is also a Nisa Local within approximately 200m of the Site.

1.35 There are four bus stops located 350m to the north of the Site which provide access to Whitehaven and other settlements in Copeland. St Mary's Catholic Primary school and Kells library is located approximately 300m to the north of the Site.

1.36 There is therefore a full range of services, facilities and public transport options within walking distance of the Site, which is in a sustainable location for a housing allocation.

Planning Policy

Copeland Local Plan

1.37 Policy EMP3 identifies the site as part of the wider Former Marchon Employment Opportunity Site. The Policy states that such areas are being investigated as to their future development potential and contribution they can make to the regeneration strategies of the Borough.

1.38 The existing Water's Edge development located to the north of the proposed Site was also subject to Policy EMP3 and was approved for residential development in May 2013 (reference: 4/13/2103/F1). It was identified within the Committee Report for that application that Policy EMP3 was out of date, as the emerging West Whitehaven SPD highlighted a number of options for the re-use of the former Marchon Factory and specifically identified mixed uses within this location.

1.39 This demonstrates that a progressive and pragmatic approach to development in this location is required, and that the retention of the Site for employment uses is no longer appropriate.

Suitability

Principle of Development

1.40 As noted above, land to the north of the Site benefits from planning permission for residential development (reference: 4/13/2103/F1) with the committee report for this application concluding the following:

1.41 "Overall, although this land is not allocated in the adopted Copeland Local Plan it is a vacant brownfield site and falls within the designated development boundary for Whitehaven. The proposal would be confined to an area of the site which was previously occupied by buildings and lies in close proximity to existing housing. On this basis its redevelopment for housing is considered to be an appropriate use of the land and constitutes a sustainable form of development that will enhance the appearance of the locality and contribute to the wider regeneration of this part of Whitehaven"

1.42 This confirms that the principle of development on the site is acceptable and offers the opportunity to enhance and contribute to the wider regeneration of this part of Whitehaven.

1.43 A resolution to grant detailed planning permission (reference: 4/20/2455/0F1) was approved in January 2022, with the Committee Report confirming the following:

"The Application Site is allocated as an Employment Opportunity Site in in the LP and CS. The LP defines Employment Opportunity Sites as areas that are being investigated as to their future development potential and contribution they can make to the regeneration strategies in the Borough. Crucially, whilst identified as Employment Opportunity Sites, the provisions of the LP and CS do not limit use to or specifically allocate these sites for employment uses."

1.44 The proposed Site has been unused since 2005, with former office buildings demolished in 2012. New employment redevelopment is yet to become viable, potentially as a result of the cost of removing contamination and remediation. The Site could deliver a residential scheme on brownfield land located within the development boundary for Whitehaven, which is designated as the Principal Settlement in Copeland and the focus for development. Mindful of the discussion regarding planning policy above, Story Homes considers that the principle of the release of the land and its development for residential development has been established.

1.45 The Site occupies a prominent location along High Road and is currently vacant and comprises areas of hard standing. The development of this Site for residential uses would contribute to the wider regeneration aims of CBC for Whitehaven and assist CBC in meeting housing needs in a sustainable location, close to existing services and facilities.

Technical Suitability

Heritage

1.46 The Site does not include any listed buildings and is not within a Conservation Area. There are no Scheduled Ancient Monuments within the site boundaries and the site is not within a designated World Heritage Site.

Flood Risk and Drainage

1.47 The Site is not at risk of flooding from any rivers or surface water. The Site lies within Flood Zone 1 and is therefore very unlikely to be affected by fluvial flooding during severe rainfall events.

Public Rights of Way

1.48 There are no Public Rights of Way (PRoW) on the Site. Footpath number: 431037 is located to the west of the Site and connects into the wider footpath network the potential for a pedestrian connection to this footpath could be explored as development proposals for the Site progress.

Ecology and Trees

1.49 The Site does not accommodate any local, regional or national sites of ecological or geological importance. There are no known protected habitats on the Site and any development could accommodate existing ecological features, where appropriate.

Access

1.50 Access to the Site can be achieved from High Road.

Contamination

1.51 Although it is anticipated that significant remediation works may be required for the wider former Marchon works, this Site was previously the location of the work's offices, and preliminary site investigation works have identified that subject to some remediation works the Site could be developed viably.

Conclusion on suitability

1.52 It is evident that there are no technical constraints which would impede the development of the Site. This conclusion is supported by Copeland Strategic Housing Land Availability Assessment (SHLAA),

and the resolution to grant planning permission for 40 dwellings.

Availability

1.53 The Site is owned by Story Homes, a willing land owner and homebuilder with 30 years history of developing in Cumbria and Copeland specifically. There are therefore no legal or ownership restrictions affecting the land that would preclude or delay delivery. It is comprised of brownfield land which does not have an active use. The Site is therefore readily available with a realistic prospect of delivery within 5 years in accordance with PPG. Indeed, Gleeson Homes have recently secured a resolution to grant full planning permission for 40 dwellings on the site (reference: 4/20/2455/OF1).

Achievability

1.54 The Site is in an established and tested residential market. The delivery of the existing Water's Edge development to the north of the proposed Site demonstrates the ability for land in this location to be developed viably for residential development and shows that there is a demand for such development. The technical assessment works completed to date identify that the proposed remediation and subsequent development of this Site could be achieved viably if the Site is developed for residential uses, and there are no technical reasons which would delay delivery. The Site could deliver c.40 units and could be completed within 2-3 years.

Summary

1.55 The Site is comprised of brownfield land in a sustainable location well located to existing residential development and within close proximity to existing services and amenities. Although the Site is located on the former Marchon Factory and is allocated for employment development, this Policy has been identified as out of date and CBC recognises the need to pursue a more flexible approach which allows alternative uses - including residential development - to be brought forward. Indeed, the existing development located immediately to the north was subject to the same policy restrictions and has already been developed for residential uses. CBC Planning Committee have also approved a resolution to grant full planning permission for 40 dwellings.

1.56 It has been demonstrated within this Chapter that the proposed Site is available, suitable and achievable, with a realistic prospect that if the Site could be developed for approximately 40 dwellings and completed within 2-3 years. The land therefore represents a deliverable opportunity for residential development to meet CBC's housing needs. The allocation of this Site within the Local Plan would therefore meet the tests of soundness within Paragraph 35 of the NPPF.

Land at Jacktrees Road, Cleator Moor

1.57 The Jacktrees Road site is c.8.3ha in size and is part-owned by Story Homes. It comprises an unremarkable, roughly triangular parcel of land adjacent to the southwestern boundary of Cleator Moor.

1.58 The site is proposed as a draft housing allocation (ref. HCM1) in draft policy H5PU (Housing Allocations) in the PDLP as capable of delivering 127 units.

1.59 Story Homes is supportive of this draft allocation and wish to express continued support for this for the reasons outlined in this chapter.

Site and Surroundings

1.60 The Site is comprised of undeveloped greenfield land which is currently in agricultural uses. It is

gently undulating and slopes north to south. It is bound to the north and east by existing residential development within Cleator Moor and the Big Hill Community Park (Millennium Green). To the west of the Site is Cleator Gate/Jacktrees Road, with open countryside to the south.

1.61 The Site is therefore well related to the existing settlement and could comprise a 'rounding off' of the southern edge of Cleator Moor, helping to soften the currently abrupt interface of the town with the rural area.

Services and Amenities

1.62 Cleator Moor is a small town in the north of Copeland and is one of the Borough's largest settlements, located 6km to the south east of Whitehaven. The town has a range of local services and facilities, as well as being in close proximity to Whitehaven, and is clearly a sustainable location to allocate future housing and employment development.

1.63 Cleator Moor town centre is located 600m to the north of the Site and contains several services, amenities and leisure facilities. Whitehaven Town Centre is located approximately 6km to the north west of the Site and is accessible by bus.

1.64 There are two primary schools within the settlement. St Patrick's Catholic Primary School is located approximately 350m to the north east of the Site.

1.65 The Site is therefore within an acceptable walking distance of a wide-range of services and facilities.

Suitability

Principle of development

1.66 The Site is not subject to any restrictive designations. However, it is evident that the settlement boundary of Cleator Moor needs to be extended through the plan making process to enable the allocation of sustainable development opportunities which meet the housing needs of the town and the wider Borough.

1.67 The proposed Site is well located to the south west of Cleator Moor, adjacent to the boundary of the settlement and within walking distance of services and community facilities located here. Whilst the Site is c.8.3ha in size, the undulating nature and ground conditions in the southern part of the Site mean that development would be concentrated towards the north. The precise yield is to be confirmed via a comprehensive masterplanning exercise to be undertaken in due course, although Story Homes envisage that the site could deliver c. 100 - 150 dwellings. This would sit within the existing landscape and surrounding land and comprise a logical extension to this settlement.

1.68 Discussion in Chapter 2 confirms that locating development within this area comprises one of the most sustainable locations for development.

Technical suitability

Heritage

1.69 The Site does not include any listed buildings and is not within a Conservation Area. There are no Scheduled Ancient Monuments within the site boundaries and the site is not within a designated World Heritage Site.

Flood Risk and Drainage

1.70 The Site is not at risk of flooding from any rivers or from surface water. The Site lies within Flood Zone 1 and is therefore very unlikely to be affected by fluvial flooding during severe rainfall events.

Public Rights of Way

1.71 There are no Public Rights of Way (PRoW) on the Site.

Ecology and Trees

1.72 The Site does not accommodate any local, regional or national sites of ecological or geological importance. There are no designated habitats on the Site and the proposed development could accommodate existing ecological features, where appropriate. With the developable area contained to the north of the Site, the Site could contain areas of Green Space surrounding any proposed development.

Access

1.73 The Site is bounded to the west by Cleator Gate/ Jacktrees Road. Subject to the findings of technical studies, it is considered that a suitable access could be achieved from either road.

Conclusion on Suitability

1.74 It is evident that there are no technical constraints which would impede the development of the Site. The Site is therefore demonstrably suitable for the delivery of new homes.

Availability

1.75 The Site is owned and under option to Story Homes, a homebuilder with 30 years history of developing in Cumbria and Copeland specifically. There are there are no restrictions affecting the land that would preclude or delay delivery, such as legal or ownership impediments to development. It is comprised of vacant land in agricultural use. The Site is therefore readily available with a realistic prospect of delivery within 5 years in accordance with the PPG.

Achievability

1.76 Preliminary site investigation work has confirmed that a scheme of approximately 100 dwellings could be developed viably within this location. The preceding sections of this Chapter demonstrate that the Site is sustainable and there are no technical constraints impeding delivery.

1.77 The Site is located on the edge of Cleator Moor, one of the Borough's Key Service Centres. It is therefore in a location which experiences relatively strong demand for new homes. There is therefore a strong prospect that the Site will be delivered within the first five years of the plan period.

Summary

1.78 It has been demonstrated within this Chapter that the Site is available, suitable and development achievable, with a realistic prospect that approximately 100 dwellings could be delivered within the first five years of the plan period, if the Site were to be allocated and a planning application approved. The land at Jacktrees Road represents a deliverable Site to meet CBC's housing needs. The allocation of this Site within the Local Plan would therefore meet the tests of soundness within Paragraph 35 of the NPPF.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

1.79	Story Homes is of the view that there is no justification for amending the allocation of HWH3 to remove SHLAA reference WS008a on the basis of securing full planning permission. The site remains undeveloped and is the subject of a time constrained planning permission with limited security beyond that. Retention as an allocation would provide flexibility for the landowner during uncertain times economically and politically.

(Continue on a separate sheet /expand box if necessary)

Please note: *In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions.* ***After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.***

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s)	X	**No**, I do not wish to participate in the hearing session(s)	

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Story Homes have a strong track record of bringing sites through the local plan system and they believe they can assist the Inspector in exploring the issues with the most up to date information and therefore wish to participate orally in the EiP.

Signature:	[redacted]	Date:	18/03/2022

Please use a separate form for each site you wish to comment on and return this form **no later than 4.30pm on Monday 21st February 2022.** We are unable to consider any responses received after this date.

Thank you for completing this form

Copeland Local Plan 2021- 2038

For internal use:	
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Rep. No.	.....
Date Rec.	.....

Publication Draft Consultation Response Form

This Representation Form provides the opportunity to comment on the Publication Draft of the Copeland Local Plan which can be viewed at: https://www.copeland.gov.uk/content/local-plan-2021-2038-publication-draft-consultation. This consultation is a requirement under the Town and County Planning (Local Planning) Regulations 2012 Regulation 19.

The Publication Draft represents the Council's final draft of the Local Plan that we wish to submit to the Secretary of State for Public Examination by a Planning Inspector. Completed forms will be sent to the Planning Inspectorate for their consideration through the Examination in Public process.

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Strategic Planning
Copeland Borough Council
Market Hall
Market Place
Whitehaven
CA28 7JG

Or email: localplanconsultation@copeland.gov.uk

Part A: Your Details

Please provide your details below. This information will be added into our database so we can contact you about the Submission, Examination and Adoption of the Local Plan as well as future Local Plan consultations.

All information in the following table will be used solely for this purpose and no identifying information will be used in any future stages of the Local Plan process. Age and gender data will be used to monitor engagement in the Local Plan consultation process.

If you **do not** wish for your details to be held in our consultation database, please tick here: ☐

If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	**Agent's Details** (if applicable)
Name		[redacted]
Position		
Organisation	Story Homes	Pinnacle Planning
Address	Story House Lords Way Kingmoor Business Park Carlisle	500 Styal Road Manchester
Postcode	CA6 4SL	M22 5HQ
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H7PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1	Draft Policy H7PU outlines that development should make the most effective use of land and that the density of new development should reflect the shape and size of the site and the requirement for public open space and landscaping. This approach is in accordance with paragraph 119 of the NPPF.
1.2	The draft policy requires applicants to demonstrate how their proposals meet local housing needs and aspirations identified in the latest Strategic Housing Market Assessment (SHMA) and Housing Needs Assessment in terms of house types, sizes and tenures.
1.3	Whilst Story Homes is generally supportive of this policy and the ambition to provide a range and choice of homes, the draft policy does not include minimum density standards as required by paragraph 125 of the NPPF. The supporting text of the draft policy states that CBC feel the most appropriate approach is for applicants to determine the most appropriate density for their developments.
1.4	Paragraph 125 of the NPPF makes clear that this point will be tested robustly at examination, and therefore the policy should be amended to include minimum density standards to ensure the plan

meets the test of soundness relating to consistency with national policy.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

1.5 Whilst Story Homes is generally supportive of this policy and the ambition to provide a range and choice of homes, the draft policy does not include minimum density standards as required by paragraph 125 of the NPPF. The supporting text of the draft policy states that CBC feel the most appropriate approach is for applicants to determine the most appropriate density for their developments.

1.6 Paragraph 125 of the NPPF makes clear that this point will be tested robustly at examination, and therefore the policy should be amended to include minimum density standards to ensure the plan meets the test of soundness relating to consistency with national policy.

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8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

Yes, I wish to participate in the hearing session(s) [X]

No, I do not wish to participate in the hearing session(s) [ ]

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Story Homes have a strong track record of bringing sites through the local plan system and they believe they can assist the Inspector in exploring the issues with the most up to date information and therefore wish to participate orally in the EiP.

Signature: [redacted] Date: 18/03/2022

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If you **do not** wish for your details to be held in our consultation database, please tick here: ☐

If an agent is appointed you must complete details for both parties, but we will use the agent details as our primary contact.

	Your Details	**Agent's Details** (if applicable)
Name		[redacted]
Position		
Organisation	Story Homes	Pinnacle Planning
Address	Story House Lords Way Kingmoor Business Park Carlisle	500 Styal Road Manchester
Postcode	CA6 4SL	M22 5HQ
Telephone		[redacted]
Email		[redacted]

Gender (Please circle)

Male	Female	Prefer not to say

Age (Please circle)

18- 25	26- 35	**36-45**	46-55	56-65	66-75	76+	Prefer not to say

Part B: Your Representation

1. To which part of the Local Plan does this representation relate?

Paragraph		Policy	H8PU	Policies Map	

2. Is the nature of your representation to provide support for or to object to the Policy or Proposal?

Support		Object	X

3. Do you consider the Local Plan is legally compliant? (Please tick as appropriate)

Yes		No	

4. Do you consider the Local Plan is sound? (Please tick as appropriate)

Yes		No	X

5. Do you consider the Local Plan complies with the Duty to Co-operate? (Please tick as appropriate)

Yes		No	

6. Please give details of why you consider the Local Plan is not legally compliant, is unsound, fails to comply with the Duty to Co-operate, or if you wish to support it.

1.1 Policy H8PU outlines that 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 the homes provided should be affordable. This approach is considered to be in accordance with paragraphs 64 and 65 of the NPPF.

1.2 Similarly, Story Homes also supports the reference to allowing a reduction in the level of affordable housing where a proposal involves the re-use or redevelopment of vacant buildings. This is in accordance with paragraph 64 of the NPPF.

1.3 However, it should be noted that there is reduced demand for housing within some of the smaller settlements in the Borough. It is therefore likely that scales of development in such locations, particularly on a site by site basis, may be below the threshold in the NPPF for the provision of affordable housing. Focusing development on the principal towns and key service centres, where demand is higher, will assist in delivering a higher number of affordable dwellings.

1.4 Story Homes also welcome the recognition in the draft policy that a financial contribution in lieu of on-site affordable housing provision may be more appropriate in certain situations. Similarly, the flexibility to provide a viability assessment where affordable housing may impact the viability of a

development is also welcomed by Story Homes. This approach is in accordance with paragraph 58 of the NPPF.

1.5 The tenure split identified within Policy H8PU establishes a 60%-40% split in favour of affordable and social rented tenures as opposed to discounted market sales housing, starter homes or other affordable home ownership routes. It is also proposed that 25% of the 40% split would meet the definition of First Homes. The supporting text[1] to the Policy suggests that this approach "accords with the First Homes PPG by requiring a proportion of affordable housing to be First Homes".

1.6 However, the First Homes PPG is very clear a minimum of 25% of all affordable housing secured through developer contributions should be First Homes[2] and that policies should reflect that[3].

1.7 Therefore, in this context, this point of the draft policy is not supported by Story Homes. The policy should be amended to meet the 25% requirement for First Homes to ensure the plan meets the test of soundness relating to consistency with national policy.

(Continue on a separate sheet /expand box if necessary)

7. Please set out the modification(s) you consider necessary to make the Local Plan legally compliant and sound, in respect of any legal compliance or soundness matters you have identified at 6 above.

1.8 The First Homes PPG is very clear that a minimum of 25% of all affordable housing secured through developer contributions should be First Homes[4] and that policies should reflect that[5]. Therefore, the policy should be amended to meet the 25% requirement for First Homes to ensure the plan meets the test of soundness relating to consistency with national policy.

(Continue on a separate sheet /expand box if necessary)

Please note: *In your representation you should provide succinctly all the evidence and supporting information necessary to support your representation and your suggested modification(s). You should not assume that you will have a further opportunity to make submissions.* ***After this stage, further submissions may only be made if invited by the Inspector, based on the matters and issues he or she identifies for examination.***

8. If your representation is seeking a modification to the plan, do you consider it necessary to participate in the Examination hearing session(s)?

[1] Paragraph 13.11.29, PDLP, CBC
[2] Paragraph: 013 Reference ID: 70-012-20210524, PPG
[3] Paragraph: 012 Reference ID: 70-012-20210524, PPG
[4] Paragraph: 013 Reference ID: 70-012-20210524, PPG
[5] Paragraph: 012 Reference ID: 70-012-20210524, PPG

Yes, I wish to participate in the hearing session(s)	X	**No**, I do not wish to participate in the hearing session(s)	

9. If you wish to participate in the hearing session(s), please outline why you consider this to be necessary:

Story Homes have a strong track record of bringing sites through the local plan system and they believe they can assist the Inspector in exploring the issues with the most up to date information and therefore wish to participate orally in the EiP.

Signature: [redacted] Date: 18/03/2022

Please use a separate form for each site you wish to comment on and return this form **no later than 4.30pm on Monday 21st February 2022.** We are unable to consider any responses received after this date.

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Copeland Local Plan 2021-2038: Publication Draft Consultation

Representations by Story Homes

March 2022

PINNACLE

PINNACLE PLANNING LIMITED

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Contact
[redacted]

Client
Story Homes

Our reference
PP0042

March 2021

1. Introduction

1.1 This representation is prepared by Pinnacle Planning on behalf of our client Story Homes Limited (hereafter referred to as "Story Homes" or "our client"). It provides representations to Copeland Borough Council (CBC) in respect of the 'Regulation 19' Publication Draft Consultation for the Copeland Local Plan 2021-2038 (PDLP). The consultation is running until 18 March 2022.

1.2 The PDLP is accompanied by a wide range of background evidence base documents, including the following which are referenced within these representations:

- Strategic Housing Market Assessment
- Strategic Housing Land Availability Assessment
- Housing Needs Assessment Report
- Economic Development Needs Assessment
- Employment Land Availability Study
- Viability Study (Stage One and Two)
- Infrastructure Delivery Plan
- Settlement Hierarchy and Development Strategy Paper Update

Background

1.3 Story Homes is a family owned housebuilder. For over 30 years. Story Homes has been the name most often associated with aspirational houses for sale throughout Cumbria, the North East and Lancashire, and it has rapidly expanded across the whole of the North of England. A passion for quality and excellence has seen Story Homes become a multi award winning UK property developer; with modern and attractive homes instantly inspiring buyers.

1.4 Story Homes' success is underpinned by a determination to understand the needs of communities where they build and a goal to deliver design quality and high quality building specifications that enhance locations.

1.5 Story Homes is promoting the following three sites for residential development and inclusion as an allocation in the emerging Local Plan:

- Land at Edgehill Park and High House, Whitehaven
- Land south of Water's Edge, Whitehaven (draft allocation ref. HWH6)
- Land at Jacktrees Road, Cleator Moor (draft allocation ref. HCM1)

1.6 This representation reiterates the suitability, deliverability and achievability of these development sites.

Adopted Local Plan

1.7 CBC formally adopted the Core Strategy and Development Management Policies DPD (Core Strategy) in December 2013. This sets out the strategic planning policy for Copeland, including development targets and distribution up to 2028.

1.8 CBC also continues to have regard to the remaining 'saved' policies from the Copeland Local Plan 2001-2016 (adopted 2006). However, these will be reviewed as part of the emerging Local Plan.

Emerging Local Plan

1.9 CBC is currently undertaking a review of its Local Plan. Story Homes is supportive of this process and has previously made representations to the Issues and Options consultation in early 2020; the Preferred Options draft later in 2020; and the Focused Pre-Publication Draft in late 2021. It has been several years since CBC determined that the extant Core Strategy required updating and the emerging Local Plan therefore provides a critical opportunity to establish a positive vision for the future success of Copeland and lay the foundations for sustainable growth.

1.10 The current stage of consultation comprises the statutory Regulation 19 stage, prior to submission of the draft to the Secretary of State. The PDLP consultation document represents a full draft Local Plan and identifies a vision and objectives for the future development of Copeland to 2038. Specifically, it contains:

- Draft strategic policies which set the priorities and framework for the Local Plan
- Draft 'strategic' implementation policies and more 'detailed' draft policies for managing development
- A policy which identifies site allocations and an indicative yield

1.11 The PDLP will be subject to an independent examination into its soundness and legal compliance. The tests of soundness are presented in paragraph 35 of the National Planning Policy Framework (NPPF). This notes that Local Plans are sound only if they are:

- ***Positively prepared*** - providing a strategy which, as a minimum, seeks to meet the area's objectively assessed needs and is informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where it is practical to do so and is consistent with achieving sustainable development;
- ***Justified*** - an appropriate strategy taking into account reasonable alternatives, and based on proportionate evidence;
- ***Effective*** - deliverable over the plan period and based on effective joint working on cross-boundary strategic matters that have been dealt with rather than deferred, as evidenced by the statement of common ground; and

- *Consistent with national policy* - enabling the delivery of sustainable development in accordance with the policies in this Framework.

Structure of Representations

1.12 Story Homes's representations to the Publication Draft Consultation are comprised of this written Report which is structured as follows:

- Chapter 2 provides a response to the Pre- Publication Draft Changes
- Chapter 3: Land at Edgehill Park and High House, Whitehaven
- Chapter 4: Land south of Water's Edge, Whitehaven
- Chapter 5: Land at Jacktrees Road, Cleator Moor

2. Response to Publication Draft Policies

Development Strategy

Policy DS2PU - Reducing the impacts of development on Climate Change

2.1 PDLP Policy DS2PU replaces Policy CC1PO from the Preferred Options draft, and places it at the forefront of the Local Plan after the presumption in favour of sustainable development. This approach is justified on the basis that addressing climate change is one of the most challenging issues currently faced by CBC and that Policy DS2PU includes actions that can be taken to reduce the impacts of development on climate change.

2.2 Story Homes supports CBC's commitment to addressing the impacts of climate change and achieving the Cumbria wide target of net zero carbon by 2037 but would note that many of the guidelines which are encouraged within the amended policy are already covered by other policies in the draft Local Plan, including the use of high quality design techniques; supporting low carbon travel; use of SUDs; building at appropriate densities; and provision of local green spaces.

2.3 Reference is also made to several other points which are relatively significant in nature and are likely to impact on the design and viability of development, including the incorporation of Passivhaus principles; heating and power generation; use of circular economy principles; contributing to the creation of new woodlands; and contributing towards Local Nature Recovery Networks.

2.4 Whilst these principles are currently set out as guidelines, rather than requirements, Story Homes is concerned that this interpretation may change and that the policy doesn't provide sufficient flexibility for new development, should such principles negatively impact on delivery of a scheme, including viability. Story Homes considers therefore that further clarity in regard to flexibility should be included within the policy.

2.5 Story Homes is of the view that the viability of the Local Plan as a whole should be considered thoroughly ahead of submission of the Local Plan for Examination. The supporting evidence base for the Local Plan includes a Stage One Viability Study, which is described as a high level assessment of the viability of a representative range of housing, commercial and employment development across the Borough.

2.6 The Stage Two Viability Study was prepared by Keppie Massie and published in February 2022. Cushman & Wakefield have prepared a separate representation on viability on behalf of a developer consortium which includes Story Homes. The document is appended to these representations and comprises a review of the viability approach and assumptions adopted by Keppie Massie.

2.7 Cushman & Wakefield have identified several issues and make a range of recommendations which support more robust inputs with regards to the approach and assumptions.

2.8 Story Homes are of the view that it is not a prudent approach to adopt unrealistic appraisal inputs so as to demonstrate a viable position based on the emerging policy requirements. Rather, the viability evidence needs to be robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements

2.9 It is the view of Cushman and Wakefield that if the current inputs are maintained, the Stage Two Viability Study will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

2.10 Story Homes objects to the approach proposed by CBC on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base.

Policy DS3PU - Settlement Hierarchy

2.11 Draft Policy DS3PU identifies the proposed settlement hierarchy, which broadly reflects the existing settlement hierarchy identified in the adopted Core Strategy (Policy ST2), in terms of identifying Whitehaven as a 'Principal Town'; Cleator Moor, Egremont and Millom as 'Key Service Centres'; and a number of smaller 'Local Service Centres'.

2.12 However, the proposed settlement hierarchy does introduce three additional categories, comprising 'Sustainable Rural Villages', 'Other Rural Villages' and 'Open Countryside'. Draft Policy DS3PU confirms that the amount of new development to be provided within each settlement over the plan period is expected to be *"proportionate in terms of nature and scale to the role and function of the settlement, unless it has been specifically identified within the Plan to meet the strategic growth needs of the borough"*.

2.13 The proposed settlement hierarchy continues to focus the majority of new development during the plan period (2021 - 2038) to the four largest towns – Whitehaven, Egremont, Cleator Moor and Millom. This is reflective of the scale of these settlements and the range of existing services and infrastructure which are present.

2.14 The Inspector who examined the adopted Core Strategy considered the spatial strategy and concluded at the time that the *"principles of sustainable development are fully covered"* (Paragraph 22)[`]. It is unlikely that in the intervening period there has been a significant change in circumstances which would materially alter the role or function of any specific settlement. The Settlement Hierarchy and Development Strategy Paper Update, published in January 2022, continues to endorse this approach in focussing the majority of development to the four main towns within the Borough. This is due to the enhanced sustainability of these settlements, relating to their accessibility via a range of sustainable modes of transport and the level of services they offer.

2.15 Story Homes supports the continued identification of Whitehaven as the 'Principal Town', which reflects that it provides the greatest range of services and facilities, including

[`] Report on the Examination into the Copeland Core Strategy and Development Management Policies Plan, The Planning Inspectorate (September 2013)

employment and transport infrastructure. As such, Story Homes agrees that Whitehaven should remain as the primary focus for new development in the Borough over the plan period.

2.16 Similarly, continuing to identify 'Key Service Centres', particularly Cleator Moor, and 'Local Service Centres', such as Cleator, within the Settlement Hierarchy is supported by Story Homes due to the key role these settlements have in providing the wide range of services and facilities for existing and future residents. Settlements such as these are very well-connected to Whitehaven, including in terms of accessibility via sustainable modes of transport, and thus support its role as the Principal Town in the Borough. These settlements have an important part to play in the delivery of sustainable growth across the Borough.

2.17 Story Homes welcomes the introduction of the 'Sustainable Rural Villages' tier to the settlement hierarchy. The NPPF is clear at paragraph 79 in its support of sustainable development in rural areas, where development will enhance or maintain the vitality of rural communities. The provision of the 'Sustainable Rural Villages' tier recognises the opportunity for smaller rural settlements to accommodate modest levels of development proportionate to the services and facilities these provide.

2.18 This tier supports development in smaller settlements with easy, safe access to main towns and / or connecting villages. Settlements like these provide locations for people working within key employment locations, such as Westlakes Science and Technology Park, with places to live, close to existing services and facilities and employment opportunities. Clusters of development within smaller settlement areas also provides the opportunity to support services, by increasing the number of working age families who can underpin the viability and vitality of local shops and schools. It can therefore play a critical role in underpinning the future sustainability of smaller towns and villages as well as supporting services in other nearby villages.

2.19 As such, the inclusion of 'Sustainable Rural Villages' within the settlement hierarchy accords with the NPPF, as discussed above, and guidance in the National Planning Practice Guidance (PPG). These acknowledge that people living in rural areas can face particular challenges in terms of housing supply and affordability, and therefore the location of new housing in rural areas can be important for the broader sustainability of rural communities.

Housing

2.20 The PDLP acknowledges that ensuring the provision of a range of attractive, high-quality housing to suit a variety of changing needs is essential to provide choice, attract new residents to the Borough and ensure vulnerable residents have access to the specialist housing they need[2]. It also notes that the growing interest from developers presents a real opportunity to improve the housing offer within the Borough[3].

[2] Paragraph 13.3.1, Copeland Local Plan - Preferred Options Draft (September 2020)
[3] Paragraph 13.3.5, Copeland Local Plan - Preferred Options Draft (September 2020)

Draft Policy H1PU - Improving the Housing Offer

2.21 PDLP policy H1PU confirms that CBC will work with key stakeholders, partners and communities to ensure that the Borough has a range of attractive, high quality housing to attract new residents. Story Homes is supportive of this policy, particularly the requirement to allocate a range of deliverable and attractive housing sites which meet the needs and aspirations of local people.

2.22 Furthermore, Story Homes supports the inclusion of supporting proposals which contribute to the regeneration of the wider residential environment and approving housing developments which accord with the Development Plan on appropriate windfall sites. This is in accordance with paragraph 69 of the NPPF which outlines that *"local planning authorities should... support the development of windfall sites through their policies and decisions - giving great weight to the benefits of using suitable sites within existing settlements for homes"*.

2.23 This also supports the Council's Strategic objective to achieve an 'Improved Housing Market', through ensuring that all housing is of high quality and design, is situated in attractive locations and responds to differing needs and aspirations, including making provision for affordable and specialist housing.

2.24 This approach is also in accordance with paragraph 60 of the NPPF which confirms that a *"...sufficient amount and variety of land where it is needed..."* is made available to boost the supply of homes.

Policy H2PU - Housing Requirement

2.25 PDLP Policy H2PU outlines the proposed housing requirement for the Borough, this being a minimum of 2,482 net additional dwellings to be provided between 2021 and 2038, equating to an average of 146 dwellings per annum (dpa). The draft policy goes on to state that, in order to plan positively and support employment growth over the plan period, a range of attractive allocated housing sites, when combined with future windfall development, previous completions and extant permissions, will provide a minimum of 3,400 dwellings - an average of 200 dpa - over the plan period. It also confirms that housing delivery will be 'monitored closely' and, where development is not coming forward as anticipated, interventions will be sought as set out in Policy H3PU.

2.26 The plan period that was referenced in the Preferred Options draft covered the 18-year period 2017-2035. In order to accord with Paragraph 22 of the NPPF, which requires strategic policies to look ahead over a minimum 15 year period from adoption, the PDLP amends this to a seventeen year period covering 2021-2038.

2.27 Whilst Story Homes generally support this change, should the Local Plan not be adopted prior to the end of 2023, it would mean that the strategic policies only look ahead 14 years from adoption. If this is the case, the strategic policies would need to be amended to look ahead to 2039 at the earliest, which would mean planning for additional dwellings.

2.28 As part of the Preferred Options consultation, Story Homes submitted a 'Technical Critique' of Copeland's housing needs[4], undertaken by Turley and prepared jointly with

[4] Housing Needs Report: Further Technical Critique. Turley (2020)

Persimmon Homes and Gleeson Homes. This provided a comprehensive response in respect of draft policy H2PO (now renamed H2PU).

2.29 As set out in the Technical Critique, the NPPF at paragraph 17, makes clear that the Local Plan must include strategic policies to address the identified priorities for the development and use of land across the Borough. In respect of social objectives, as per paragraph 20 of the NPPF, the strategic policies of the Local Plan must make sufficient provision for housing, including affordable housing.

2.30 In accordance, with paragraph 60 of the NPPF, the minimum number of new homes needed across Copeland should be calculated using the Governments 'standard method'. The PPG makes clear that the housing need figure calculated by the standard method is a minimum "starting point"; it therefore makes clear that there will be circumstances where *"... the actual housing need is higher than the standard method indicates..."*[5].

2.31 The standard method calculation for Copeland currently implies a need for only 8 dpa, which evidently is not credible where it is recognised that the Borough has consistently delivered at least 116 dpa over the last seven years and as many as 154 dpa in 2016/17 and 150 dpa in 2019/20. This is clear evidence that the scale of the need and demand for new homes in the Borough is significantly higher than the standard method indicates.

2.32 CBC's aspiration to depart from past trends is built on a consideration of investment potential in the Borough with specific reference to its major employers and sectorial specialisms. Section 13.3 of the PDLP confirms that through discussions with key employers in the borough, it is the lack of suitable housing which is impacting upon the recruitment and retention of workforce[6]. Furthermore, based on the Housing Needs Assessment, the single most important reason for people moving into Copeland in the past 5 years has been to take up employment in the borough[7].

2.33 The realism of achieving employment growth must be considered in the context of the success the Borough has had over recent years in creating new employment opportunities. It is critical that this growth is sustained, and its full benefits realised and the supply of an adequate quantity / range of housing is critical to achieving this objective.

2.34 Story Homes supports the CBC's positive approach in identifying that the full need for housing exceeds that set through the standard method. However, it is considered that the minimum housing requirement of 146 dpa outlined in draft policy H2PU does not reflect the Council's aspirations for economic growth and does not include consideration of supporting future employment growth.

2.35 The Strategic Housing Market Assessment (SHMA) was updated in 2021 and identifies a range of potential housing need[8]. These vary from 61dpa for the Cambridge Econometrics baseline scenario, to 278dpa in the Growth Scenario, with the Experian baseline of 146dpa.

[5] Paragraph 010, Reference ID: 2A-010-20190220, PPG
[6] Paragraph 13.3.4, PDLP
[7] Paragraph 13.3.2, PDLP
[8] Figure 1. SHMA 2021

2.36 The SHMA concludes that taking a midpoint of the baseline forecasts with a figure of 194dpa is more appropriate for planning purposes. This is justified on the basis that the higher end of the range is significantly above past trends and substantially above the Standard Method. The SHMA confirms that the 278dpa figure is linked to aspirational projects identified in the Economic Development Needs Assessment (EDNA) coming forward, which include Sellafield Off-siting, Cumbria Clean Energy Park, Woodhouse Colliery and North Shire development. However, the SHMA, and the PDLP[8], concludes that the figure should be discounted as it is not considered to be realistic or deliverable, based on past trends and the need for Government funding. Selecting a midpoint figure of around 194dpa, rounded up to 200dpa, has therefore been taken forward through the PDLP.

2.37 Story Homes objects to this approach on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base. As noted above, it is the lack of suitable housing which is impacting upon the recruitment and retention of workforce within Copeland and the Local Plan represents an opportunity to provide further encouragement for these aspirational economic projects to come forward.

2.38 As set out in the Technical Critique, Story Homes consider that the minimum housing requirement for the Borough should be 300 dpa which broadly reflects the employment-led 'growth scenario' which will ensure the delivery of economic growth and assist CBC in meeting its stated aims and objectives.

2.39 Therefore, Story Homes encourage CBC to review the housing requirement to ensure that it is positively prepared and justified, including making sure that it is fully aligned with the economic growth aspirations and in the context of boosting the supply of housing outlined in the NPPF.

2.40 Story Homes also objects to the use of the lower figure of 146dpa for calculating the five-year supply of deliverable housing sites. Policy H2PU is clear that a minimum of 3,400 dwellings will be delivered over the plan period, and that this figure positively supports employment growth. Notwithstanding the fact that Story Homes is of the view that the housing requirement should be higher than 200dpa they do not support the retention of a lower requirement based on Experian forecasts. This approach is clearly not justified or positively prepared based on evidence included within the SHMA and the EDNA.

Policy H3PU - Housing Delivery

2.41 Draft Policy H3PU sets out the measures by which housing delivery within the Borough will be monitored and the interventions that will be sought where development is not coming forward as anticipated.

2.42 Whilst the principle of Policy H3PU in seeking to maintain housing delivery over the plan period is supported, Story Homes have a number of concerns with the content of the draft policy.

[8] Paragraph 13.4.15, PDLP

2.43 Point 3 of Policy H3PU suggests that where housing delivery has exceeded expectations within the Sustainable Rural Village and Rural Village tiers of the settlement hierarchy set out in Policy H4PU, CBC will consider carrying out a full / partial Local Plan Review.

2.44 The overall housing requirement figures set out at draft policy H1PU and the distribution set out at draft policy H4PU comprise a minimum number of homes needed within the Local Authority area, as identified within Paragraph 60 of the NPPF, and accordingly should be considered as such.

2.45 Each settlement will have different needs which development above and beyond the housing requirement may be able to meet. Furthermore, higher delivery in one settlement might be needed to offset a shortfall in another settlement to ensure that sufficient development is provided across the Borough as a whole. In order to boost significantly the supply of housing and accord with the presumption in favour of sustainable development identified within Paragraph 11 of the NPPF, additional housing within the lower tiers of the settlement hierarchy should be approved where they meet an identified market, affordable or elderly needs of the Borough.

2.46 Therefore, in this context, this point of the draft policy is not supported by Story Homes. It does not meet the tests of soundness as it is not 'positively prepared' relating to housing delivery, appropriately 'justified' within the Council's evidence base or 'consistent with national policy' as discussed above.

2.47 For the reasons outlined above, Story Homes is not supportive of draft Policy H3PU in its current form and suggest that this is redrafted to ensure that it is positively prepared, justified and compliant with the NPPF. The revised policy should remove references which may act as a cap on the supply of housing in particular settlements.

Policy H4PU - Distribution of Housing

2.48 Story Homes is supportive of the proposed settlement hierarchy which focusses the distribution of new development to the four largest settlements in the Borough, comprising the 'Principal Town' and 'Key Service Centres'. These settlements are those which have the greatest range of services and facilities, including employment centres and transport infrastructure; as such, they should continue to be the primary focus for new development in the Borough.

2.49 Draft Policy H4PU supports this through identifying that 40% of new residential development will be directed to Whitehaven and 30% to be distributed between Egremont, Cleator Moor and Millom. The remaining distribution of new residential development will be split between the Local Service Centres (17%), Sustainable Rural Villages (10%) and the Other Rural Villages (3%).

2.50 Paragraph 6.1.13 of Settlement Hierarchy and Development Strategy Paper Update (2022) notes that the targets quoted are not "ceilings" and additional development within those settlements should be supported where appropriate.

2.51 Story Homes is generally supportive of this percentage split. However, the figures set out in the table at Policy H4PU will need to be updated to reflect comments on the overall housing requirement outlined in this document and the accompanying technical critique.

Similarly, the figures are a minimum and should not be treated as a barrier to further delivery in particular settlements.

Principal Town

2.52 It is noted that the overall distribution of new housing to Whitehaven (40%) has decreased by 5% when compared with the adopted Core Strategy (45%). The accompanying evidence base acknowledges this and states that "the figure for Whitehaven has been reduced to enable the creation of the additional tiers to allow for development to take place in a number of additional villages"[10].

2.53 Further detail is provided in the supporting text to Policy H4PU which confirms that the 40% figure *"is only a minimum target for Whitehaven and additional development over and above the 40% will be supported where it accords with the Development Plan"*[11]

2.54 The same paragraph acknowledges that the size and structure of Whitehaven (which includes a number of opportunity sites) provides more scope for windfall development within its boundary than the other settlements within the Borough which may result in the 40% target being exceeded.

2.55 Whitehaven is the largest and most sustainable location in Copeland. It has the greatest range of services and facilities, accommodating the Borough's key employment centre, as well as being well-connected by roads and public transport links. Story Homes is therefore supportive that the focus on the delivery of new homes in Whitehaven has been retained.

2.56 As discussed further below and in Chapters 3 and 4 of this document, the draft proposed housing allocation HWH6 (Land south of Waters Edge Close), as well as the land at Edgehill Park (formerly part of HWH3) are located to the south west of Whitehaven, on land owned by Story Homes, and are clearly suitable, available and achievable.

Key Service Centres and Local Service Centres

2.57 Story Homes would emphasise that the geography of Copeland needs to be taken into account when directing growth to the identified Key Service Centres (KSC's) and Local Service Centres (LSC's) to ensure growth is as sustainable as possible.

2.58 Importantly, locational advantages of some KSC's and LSC's, such as Cleator Moor, should be recognised through the proportion of growth directed to these areas. As defined within Paragraph 8 of the NPPF, sustainable development has three overarching principles, and therefore the sustainability of settlements isn't solely dependent on the size of the settlement or which services it contains, but also its proximity to other settlements, employment opportunities and or services.

2.59 Settlements such as Cleator Moor are well-connected to Whitehaven with the existing employment areas, making them key sustainable locations for growth.

2.60 As discussed below and in Chapter 5 of this document, Story Homes is supportive of the growth of Cleator Moor through the allocation of land to the east of Jacktrees Road. Development in this location would relate well to the existing settlement; be located

[10] Paragraph 6.1.8, Settlement Hierarchy and Development Strategy Paper Update (2022), CBC
[11] Paragraph 13.6.6, PDLP, CBC

adjacent to existing housing; and would be contained between the existing built up area of Cleator Moor and the existing road network to round off the settlement.

2.61 This area is close to main arterial routes ensuring the delivery of sustainable development which will subsequently enable residents to access employment services and facilities in accordance with the provisions of Paragraph 8 of the NPPF. Furthermore, the southern areas of Cleator Moor suffer the highest levels of deprivation in comparison to the northern part of the settlement. As such, development to the south would assist in the regeneration of this area of the settlement.

2.62 As identified below and in Chapter 5 of this document, Story Homes control land to the east of Jacktrees Road which is identified as a proposed housing allocation (ref. HCM1). This land is suitable, available and achievable and would therefore assist in meeting identified needs within the Borough.

Policy H5PU - Housing Allocations

2.63 Policy H5PU relates to Housing Allocations and has incorporated alterations since the Preferred Options stage to justify updating certain allocations based on a change to the plan period as well as changes in circumstances.

2.64 This has included deletion or amendment based on evidence that shows sites are no longer deliverable or where full planning permission has been granted. This is justified on the basis that it ensures that housing needs can be met by a supply of allocations that are deliverable.

2.65 Story Homes acknowledges the requirement within the NPPF for Local Plans to be "effective" and to be "deliverable over the plan period"[12]. Story Homes therefore supports the continued review of allocated sites with a focus on deliverability and adopting a sustainable strategy based on evidence. The avoidable issues of under-delivery of housing can have major impacts including worsening affordability and a lack of affordable housing provision. It can also lead to pressure for windfall development in less sustainable locations.

2.66 Whilst Story Homes is of the view that the removal of allocations which may not be deliverable is justified, the PDLP and supporting evidence has failed to fully set out the reasoning for amending allocations where full planning permission has been granted.

2.67 The Table provided within Policy H5PU identifies that the yield for Site Reference HWH3 has been reduced from 510 dwellings at the Preferred Options stage to 120 within the PDLP. This is due to the removal of SHLAA reference WS008a, which is under the control of Story Homes and is the subject of detailed planning permission. Full details are provided within Chapter 3 of this document.

2.68 Story Homes objects to this change and is of the view that the approach is not justified by the NPPF or the Planning Practice Guidance.

2.69 Story Homes is of the view that there is no justification for amending the allocation on the basis of securing full planning permission. The site remains undeveloped and is the

[12] Paragraph 35, NPPF (2021)

subject of a time constrained planning permission with limited security beyond that. Retention as an allocation would provide flexibility for the landowner during uncertain times economically and politically.

2.70 The Reserved Matters application (4/20/2474/0R1) was only granted in April 2021, which is clearly within the amended plan period providing further justification for its retention as an allocation. Story Homes is of the view that if there is a concern within CBC that retaining the site as an allocation presents problems with the recording of completions and the potential for double counting, that there is a simple solution whereby delivery on allocations is recorded separately within housing monitoring evidence.

2.71 Story Homes is therefore of the view that the proposed change to Policy H5PU is not justified though planning policy or the amendment to the plan period and may jeopardise the comprehensive regeneration of the local area which forms part of the wider Former Marchon Employment Opportunity Site.

2.72 Notwithstanding the view of Story Homes on this point, it is clear that Transport Improvements Study (August 2021) still notes the Edgehill Park allocation as 510 dwellings with commensurate contributions estimated within the appendices[13]. These should be updated to reflect the fact that the site is the subject of detailed permission and an allowance for highways impact has already made.

2.73 Story Homes is supportive of the following sites being identified for allocation in the PDLP:

- Land south of Water's Edge, Whitehaven (ref. HWH6) - 35 units
- Land at Jacktrees Road, Cleator Moor (ref. HCM1) - 127 units

2.74 Chapters 4 and 5 of these representations continue to promote these sites in the context of the requirement for additional housing allocations as evidenced in the accompanying Housing Needs Report of which the overwhelming conclusion is the need to increase the minimum housing requirement to 300 dwellings per annum for the Borough to achieve its sustainable growth aspirations.

2.75 All of the above sites are clearly able to deliver residential development and, therefore, these proposed housing allocations within the Local Plan would meet the tests of soundness within paragraph 35 of the NPPF.

Policy H7PU - Housing Density and Mix

2.76 Draft Policy H7PU outlines that development should make the most effective use of land and that the density of new development should reflect the shape and size of the site and the requirement for public open space and landscaping. This approach is in accordance with paragraph 119 of the NPPF.

2.77 The draft policy requires applicants to demonstrate how their proposals meet local housing needs and aspirations identified in the latest Strategic Housing Market

[13] Table 9-5, Transport Improvements Study (2021)

Assessment (SHMA) and Housing Needs Assessment in terms of house types, sizes and tenures.

2.78 Whilst Story Homes is generally supportive of this policy and the ambition to provide a range and choice of homes, the draft policy does not include minimum density standards as required by paragraph 125 of the NPPF. The supporting text of the draft policy states that CBC feel the most appropriate approach is for applicants to determine the most appropriate density for their developments.

2.79 Paragraph 125 of the NPPF makes clear that this point will be tested robustly at examination, and therefore the policy should be amended to include minimum density standards to ensure the plan meets the test of soundness relating to consistency with national policy.

Policy H8PU - Affordable Housing

2.80 Policy H8PU outlines that 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 the homes provided should be affordable. This approach is considered to be in accordance with paragraphs 64 and 65 of the NPPF.

2.81 Similarly, Story Homes also supports the reference to allowing a reduction in the level of affordable housing where a proposal involves the re-use or redevelopment of vacant buildings. This is in accordance with paragraph 64 of the NPPF.

2.82 However, it should be noted that there is reduced demand for housing within some of the smaller settlements in the Borough. It is therefore likely that scales of development in such locations, particularly on a site by site basis, may be below the threshold in the NPPF for the provision of affordable housing. Focusing development on the principal towns and key service centres, where demand is higher, will assist in delivering a higher number of affordable dwellings.

2.83 Story Homes also welcome the recognition in the draft policy that a financial contribution in lieu of on-site affordable housing provision may be more appropriate in certain situations. Similarly, the flexibility to provide a viability assessment where affordable housing may impact the viability of a development is also welcomed by Story Homes. This approach is in accordance with paragraph 58 of the NPPF.

2.84 The tenure split identified within Policy H8PU establishes a 60%-40% split in favour of affordable and social rented tenures as opposed to discounted market sales housing, starter homes or other affordable home ownership routes. It is also proposed that 25% of the 40% split would meet the definition of First Homes. The supporting text[14] to the Policy suggests that this approach *"accords with the First Homes PPG by requiring a proportion of affordable housing to be First Homes"*.

[14] Paragraph 13.11.29, PDLP, CBC

2.85 However, the First Homes PPG is very clear a minimum of 25% of all affordable housing secured through developer contributions should be First Homes[15] and that policies should reflect that[16].

2.86 Therefore, in this context, this point of the draft policy is not supported by Story Homes. The policy should be amended to meet the 25% requirement for First Homes to ensure the plan meets the test of soundness relating to consistency with national policy.

Policy DS5PU - Planning Obligations

2.87 Policy DS5PU outlines the planning obligations that CBC may request of new development where it is reasonable, necessary and directly related to the development. However, the priority for infrastructure will be dependent on the location of development. One type of infrastructure should not be prioritised until an assessment has been undertaken to identify the infrastructure for which there is the most pressing need in a certain location, and the most appropriate location for such infrastructure. Such need should be assessed by the relevant delivery partners, and may include the developer, CBC and the County Council, and the advice of a specialist should be obtained where appropriate.

2.88 It is considered that the plan-making process provides the most appropriate mechanism for such an assessment. The Local Plan's supporting evidence base should assess the need for differing types of infrastructure, the viability of delivery, the preferred location within the Borough and the most appropriate method of delivery.

2.89 Therefore, rather than listing types of infrastructure for which there is a priority, the Local Plan should identify specific infrastructure projects for which there is need and identify specific requirements, in terms of location and method of delivery, for such infrastructure.

2.90 The draft policy confirms that where the provision of such planning obligations would impact the viability of a scheme, a site specific viability assessment must be submitted to and agreed by the Council. This is in line with paragraph 58 of the NPPF and the PPG and provides an opportunity to reconsider viability on a site-by-site basis where particular circumstances may merit a review of policy expectations.

2.91 Story Homes is generally supportive of the categories outlined in the draft policy and welcome the opportunity to provide a site specific viability assessment, where necessary.

2.92 The Stage Two Viability Study was prepared by Keppie Massie and published in February 2022. As noted above, Cushman & Wakefield have prepared a separate representation on viability on behalf of a developer consortium which includes Story Homes. The document is appended to these representations and comprises a review of the viability approach and assumptions adopted by Keppie Massie.

2.93 Cushman & Wakefield have identified several issues, some of which relate to Section 106 Contributions, noting that several of the categories highlighted in DS5PU do not appear to have been factored into the testing.

[15] Paragraph: 013 Reference ID: 70-012-20210524, PPG
[16] Paragraph: 012 Reference ID: 70-012-20210524, PPG

2.94 Story Homes are of the view that it is not a prudent approach to adopt unrealistic appraisal inputs so as to demonstrate a viable position based on the emerging policy requirements. Rather, the viability evidence needs to be robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements

2.95 It is the view of Cushman and Wakefield that if the current inputs are maintained, the Stage Two Viability Study will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

2.96 Story Homes objects to this approach on the basis that it does not meet the tests of soundness as it is not 'positively prepared' or appropriately 'justified' within the Council's evidence base.

2.97 As previously set out in representations submitted on behalf of Story Homes at the Preferred Options stage, the emerging Local Plan should look to assess and identify all infrastructure projects for which there is need. This work should also identify specific requirements, in terms of location and method of delivery, for such infrastructure.

2.98 Policy DS5PU outlines the planning obligations that CBC may request of new development where it is reasonable, necessary and directly related to the development. However, one type of infrastructure should not be prioritised until an assessment has been undertaken to identify the infrastructure for which there is the most pressing need in a certain location, and the most appropriate location for such infrastructure. Such need should be assessed by the relevant delivery partners, and may include the developer, CBC and the County Council, and the advice of a specialist should be obtained where appropriate.

2.99 It is considered that the plan-making process provides the most appropriate mechanism for such an assessment. The Local Plan's supporting evidence base should assess the need for differing types of infrastructure, the preferred location within the Borough and the most appropriate method of delivery.

3. Land at Edgehill Park, Whitehaven

3.1 The Land at Edgehill Park was proposed as a draft housing allocation (ref. HWH3) and identified as a Key Regeneration Site capable of delivering 510 units in the Preferred Options draft of the Local Plan.

3.2 Policy H5PU identifies that Site Reference HWH3 has been reduced in size and yield to exclude SHLAA reference WS008a, which specifically relates to the land under the control of Story Homes. Story Homes objects to this change and is of the view that the approach is not justified by the NPPF or the PPG.

3.3 At the time of the Preferred Options consultation, site reference WS008a (the western part of HWH3) benefitted from extant outline planning permission for up to 335 new homes (ref: 4/13/2235/001) and a Reserved Matters application had just been submitted. As CBC are aware, this application (4/20/2474/0R1) for 335 dwellings including associated infrastructure was granted in April 2021, demonstrating that the site is suitable, available and achievable.

3.4 Story Homes is of the view that there is no justification for amending the allocation on the basis of securing full planning permission. The site remains undeveloped and is the subject of a time constrained planning permission with limited security beyond that. Retention as an allocation would provide flexibility for the landowner during uncertain times economically and politically.

3.5 The Reserved Matters application (4/20/2474/0R1) was only granted in April 2021, which is clearly within the amended plan period providing further justification for its retention as an allocation. Story Homes is of the view that if there is a concern within CBC that retaining the site as an allocation presents problems with the recording of completions and the potential for double counting, that there is a simple solution whereby delivery on allocations is recorded separately within housing monitoring evidence.

3.6 Story Homes is therefore of the view that the proposed change to Policy H5PU is not justified though planning policy or the amendment to the plan period and may jeopardise the comprehensive regeneration of the local area which forms part of the wider Former Marchon Employment Opportunity Site.

3.7 The planning consent includes an area of land set aside for delivery of a primary school and the Unilateral Undertaking which formed part of the Outline approval requires Story Homes to provide funds to CBC for the construction of the new school, with the County Council - acting as the local education authority - responsible for its future operation. The Planning Statement which supports the Reserved Matters application confirms that Story Homes have paid a £350,000 education contribution and written to Cumbria County Council seeking confirmation on whether it intends to locate a new primary school on the land reserved for this purpose. Confirmation on this point is awaited alongside a full review of feasibility of constructing a school in this location.

3.8 The requirement for a Primary School came about through a request to Development Management through the application process at the Outline stage due to concerns about capacity. However, Story Homes is of the view that the plan-making process represents

the most appropriate mechanism to strategically determine and provide for future school needs both in Whitehaven and across the Borough. The emerging Local Plan should therefore include and look to take account of a full review of existing school capacity, appraise the extent of the need for new places, and identify the preferred location and means of delivery for provision. This should be established in discussions with key partners including the County Council and developers such as Story Homes, to ensure that the proposals are suitable and deliverable alongside the development of the new homes in the Borough.

3.9 The evidence base which supported the Preferred Options consultation includes an Infrastructure Delivery Plan (IDP) (Stage 1) which identifies known shortfalls and constraints surrounding infrastructure in the Borough. Stage 2 has now been published and includes details of what infrastructure requirements are necessary to support the Local Plan, as well as providing an Infrastructure Delivery Schedule.

3.10 The IDP Stage 1 document provides an assessment of education capacity within Whitehaven and concludes that although six out of twenty schools are at or above capacity, the additional demand can be accommodated by other local schools. For instance, Hensingham Primary School and Valley Primary School, also located in southern part of Whitehaven are currently only at 70% capacity. The schools with identified capacity issues are Jericho Primary School, Moresby Primary School and St. Bridget's C of E School and are all located to the north of Whitehaven. This basic comparison demonstrates that the issue should be considered strategically based on where the need exists rather than where major applications are forthcoming.

3.11 Story Homes can confirm that the land reserved for a Primary School is suitable for the delivery of additional housing should the IDP and feasibility assessment conclude that this isn't the most appropriate location for a new school.

4. Land south of Water's Edge, Whitehaven

4.1 The land to the south of Water's Edge Close measures approximately 1.3ha in size and is owned by Story Homes. It comprises a roughly square piece of brownfield land on the southwestern edge of Whitehaven, within the settlement boundary.

4.2 The site is proposed as a draft housing allocation (ref. HWH6) in draft policy H5PU (Housing Allocations) in the PDLP as capable of delivering 35 units. Gleeson Homes have applied for full planning permission on the site for 40 dwellings (LPA ref. 4/20/2455/OF1), and a resolution to grant planning permission subject to a Section Agreement was approved at Planning Committee on 19 January 2022.

4.3 Story Homes is supportive of this draft allocation and wish to express continued support for this for the reasons outlined in this chapter.

Site and Surroundings

4.4 The Site forms part of the former Marchon chemical plant which commenced operations in 1941 (relocated from London to avoid the blitz) and produced detergents. The plant finally closed in 2005 and the buildings were subsequently demolished. The Site remains undeveloped to this day.

4.5 The subject Site comprised location of the offices associated with the plant. Whilst these have been demolished, the foundations and floor slabs of the buildings, areas of hardstanding and internal access roads remain in situ and have not assimilated into the landscape. The Site therefore comprises brownfield land.

4.6 The Site is bounded to the north by the existing Water's Edge development, a 40 dwelling residential scheme delivered by Story Homes which was approved by CBC in 2013 and is now complete. To the east by High Road and residential development beyond, and to the south by the remainder of the former Marchon works (which has potential for further residential or associated development). To the west is open countryside adjacent to the coast.

4.7 The Site has a close physical relationship with the existing built up part of the settlement being enclosed by development to the north and east. The Site is relatively flat and benefits from existing access from High Road.

Services and Amenities

4.8 Whitehaven is a large Georgian town located within the north west part of Copeland. It is the 'Principal Settlement' in the Borough, with the largest population and ample services and facilities.

4.9 Whitehaven is located on the Cumbrian Coast Line which runs along the coast from Carlisle to Barrow-in Furness and Lancaster. Rail services are hourly Monday to Saturday and provide connections into the wider railway network.

4.10 Whitehaven has a full range of local facilities, as well as being in close proximity to Cleator Moor and Workington. There is also a Nisa Local within approximately 200m of the Site.

4.11 There are four bus stops located 350m to the north of the Site which provide access to Whitehaven and other settlements in Copeland. St Mary's Catholic Primary school and Kells library is located approximately 300m to the north of the Site.

4.12 There is therefore a full range of services, facilities and public transport options within walking distance of the Site, which is in a sustainable location for a housing allocation.

Planning Policy

Copeland Local Plan

4.13 Policy EMP3 identifies the site as part of the wider Former Marchon Employment Opportunity Site. The Policy states that such areas are being investigated as to their future development potential and contribution they can make to the regeneration strategies of the Borough.

4.14 The existing Water's Edge development located to the north of the proposed Site was also subject to Policy EMP3 and was approved for residential development in May 2013 (reference: 4/13/2103/F1). It was identified within the Committee Report for that application that Policy EMP3 was out of date, as the emerging West Whitehaven SPD highlighted a number of options for the re-use of the former Marchon Factory and specifically identified mixed uses within this location.

4.15 This demonstrates that a progressive and pragmatic approach to development in this location is required, and that the retention of the Site for employment uses is no longer appropriate.

Suitability

Principle of Development

4.16 As noted above, land to the north of the Site benefits from planning permission for residential development (reference: 4/13/2103/F1) with the committee report for this application concluding the following:

"Overall, although this land is not allocated in the adopted Copeland Local Plan it is a vacant brownfield site and falls within the designated development boundary for Whitehaven. The proposal would be confined to an area of the site which was previously occupied by buildings and lies in close proximity to existing housing. On this basis its redevelopment for housing is considered to be an appropriate use of the land and constitutes a sustainable form of development that will enhance the appearance of the locality and contribute to the wider regeneration of this part of Whitehaven"

4.17 This confirms that the principle of development on the site is acceptable and offers the opportunity to enhance and contribute to the wider regeneration of this part of Whitehaven.

4.18 A resolution to grant detailed planning permission (reference: 4/20/2455/0F1) was approved in January 2022, with the Committee Report confirming the following:

"The Application Site is allocated as an Employment Opportunity Site in in the LP and CS. The LP defines Employment Opportunity Sites as areas that are being investigated as to their future development potential and contribution they can make to the regeneration strategies in the Borough. Crucially, whilst identified as Employment Opportunity Sites, the provisions of the LP and CS do not limit use to or specifically allocate these sites for employment uses."

4.19 The proposed Site has been unused since 2005, with former office buildings demolished in 2012. New employment redevelopment is yet to become viable, potentially as a result of the cost of removing contamination and remediation. The Site could deliver a residential scheme on brownfield land located within the development boundary for Whitehaven, which is designated as the Principal Settlement in Copeland and the focus for development. Mindful of the discussion regarding planning policy above, Story Homes considers that the principle of the release of the land and its development for residential development has been established.

4.20 The Site occupies a prominent location along High Road and is currently vacant and comprises areas of hard standing. The development of this Site for residential uses would contribute to the wider regeneration aims of CBC for Whitehaven and assist CBC in meeting housing needs in a sustainable location, close to existing services and facilities.

Technical Suitability

Heritage

4.21 The Site does not include any listed buildings and is not within a Conservation Area. There are no Scheduled Ancient Monuments within the site boundaries and the site is not within a designated World Heritage Site.

Flood Risk and Drainage

4.22 The Site is not at risk of flooding from any rivers or surface water. The Site lies within Flood Zone 1 and is therefore very unlikely to be affected by fluvial flooding during severe rainfall events.

Public Rights of Way

4.23 There are no Public Rights of Way (PRoW) on the Site. Footpath number: 431037 is located to the west of the Site and connects into the wider footpath network the potential for a pedestrian connection to this footpath could be explored as development proposals for the Site progress.

Ecology and Trees

4.24 The Site does not accommodate any local, regional or national sites of ecological or geological importance. There are no known protected habitats on the Site and any development could accommodate existing ecological features, where appropriate.

Access

4.25 Access to the Site can be achieved from High Road.

Contamination

4.26 Although it is anticipated that significant remediation works may be required for the wider former Marchon works, this Site was previously the location of the work's offices, and preliminary site investigation works have identified that subject to some remediation works the Site could be developed viably.

Conclusion on suitability

4.27 It is evident that there are no technical constraints which would impede the development of the Site. This conclusion is supported by Copeland Strategic Housing Land Availability Assessment (SHLAA), and the resolution to grant planning permission for 40 dwellings.

Availability

4.28 The Site is owned by Story Homes, a willing land owner and homebuilder with 30 years history of developing in Cumbria and Copeland specifically. There are therefore no legal or ownership restrictions affecting the land that would preclude or delay delivery. It is comprised of brownfield land which does not have an active use. The Site is therefore readily available with a realistic prospect of delivery within 5 years in accordance with PPG. Indeed, Gleeson Homes have recently secured a resolution to grant full planning permission for 40 dwellings on the site (reference: 4/20/2455/OF1).

Achievability

4.29 The Site is in an established and tested residential market. The delivery of the existing Water's Edge development to the north of the proposed Site demonstrates the ability for land in this location to be developed viably for residential development and shows that there is a demand for such development. The technical assessment works completed to date identify that the proposed remediation and subsequent development of this Site could be achieved viably if the Site is developed for residential uses, and there are no technical reasons which would delay delivery. The Site could deliver c.40 units and could be completed within 2-3 years.

Summary

4.30 The Site is comprised of brownfield land in a sustainable location well located to existing residential development and within close proximity to existing services and amenities. Although the Site is located on the former Marchon Factory and is allocated for employment development, this Policy has been identified as out of date and CBC recognises the need to pursue a more flexible approach which allows alternative uses - including residential development - to be brought forward. Indeed, the existing development located immediately to the north was subject to the same policy restrictions and has already been developed for residential uses. CBC Planning Committee have also approved a resolution to grant full planning permission for 40 dwellings.

4.31 It has been demonstrated within this Chapter that the proposed Site is available, suitable and achievable, with a realistic prospect that if the Site could be developed for approximately 40 dwellings and completed within 2-3 years. The land therefore represents a deliverable opportunity for residential development to meet CBC's housing

needs. The allocation of this Site within the Local Plan would therefore meet the tests of soundness within Paragraph 35 of the NPPF.

5. Land at Jacktrees Road, Cleator Moor

5.1 The Jacktrees Road site is c.8.3ha in size and is part-owned by Story Homes. It comprises an unremarkable, roughly triangular parcel of land adjacent to the southwestern boundary of Cleator Moor.

5.2 The site is proposed as a draft housing allocation (ref. HCM1) in draft policy H5PU (Housing Allocations) in the PDLP as capable of delivering 127 units.

5.3 Story Homes is supportive of this draft allocation and wish to express continued support for this for the reasons outlined in this chapter.

Site and Surroundings

5.4 The Site is comprised of undeveloped greenfield land which is currently in agricultural uses. It is gently undulating and slopes north to south. It is bound to the north and east by existing residential development within Cleator Moor and the Big Hill Community Park (Millennium Green). To the west of the Site is Cleator Gate/Jacktrees Road, with open countryside to the south.

5.5 The Site is therefore well related to the existing settlement and could comprise a 'rounding off' of the southern edge of Cleator Moor, helping to soften the currently abrupt interface of the town with the rural area.

Services and Amenities

5.6 Cleator Moor is a small town in the north of Copeland and is one of the Borough's largest settlements, located 6km to the south east of Whitehaven. The town has a range of local services and facilities, as well as being in close proximity to Whitehaven, and is clearly a sustainable location to allocate future housing and employment development.

5.7 Cleator Moor town centre is located 600m to the north of the Site and contains several services, amenities and leisure facilities. Whitehaven Town Centre is located approximately 6km to the north west of the Site and is accessible by bus.

5.8 There are two primary schools within the settlement. St Patrick's Catholic Primary School is located approximately 350m to the north east of the Site.

5.9 The Site is therefore within an acceptable walking distance of a wide-range of services and facilities.

Suitability

Principle of development

5.10 The Site is not subject to any restrictive designations. However, it is evident that the settlement boundary of Cleator Moor needs to be extended through the plan making process to enable the allocation of sustainable development opportunities which meet the housing needs of the town and the wider Borough.

5.11 The proposed Site is well located to the south west of Cleator Moor, adjacent to the boundary of the settlement and within walking distance of services and community facilities located here. Whilst the Site is c.8.3ha in size, the undulating nature and ground conditions in the southern part of the Site mean that development would be concentrated towards the north. The precise yield is to be confirmed via a comprehensive masterplanning exercise to be undertaken in due course, although Story Homes envisage that the site could deliver c. 100 - 150 dwellings. This would sit within the existing landscape and surrounding land and comprise a logical extension to this settlement.

5.12 Discussion in Chapter 2 confirms that locating development within this area comprises one of the most sustainable locations for development.

Technical suitability

Heritage

5.13 The Site does not include any listed buildings and is not within a Conservation Area. There are no Scheduled Ancient Monuments within the site boundaries and the site is not within a designated World Heritage Site.

Flood Risk and Drainage

5.14 The Site is not at risk of flooding from any rivers or from surface water. The Site lies within Flood Zone 1 and is therefore very unlikely to be affected by fluvial flooding during severe rainfall events.

Public Rights of Way

5.15 There are no Public Rights of Way (PRoW) on the Site.

Ecology and Trees

5.16 The Site does not accommodate any local, regional or national sites of ecological or geological importance. There are no designated habitats on the Site and the proposed development could accommodate existing ecological features, where appropriate. With the developable area contained to the north of the Site, the Site could contain areas of Green Space surrounding any proposed development.

Access

5.17 The Site is bounded to the west by Cleator Gate/ Jacktrees Road. Subject to the findings of technical studies, it is considered that a suitable access could be achieved from either road.

Conclusion on Suitability

5.18 It is evident that there are no technical constraints which would impede the development of the Site. The Site is therefore demonstrably suitable for the delivery of new homes.

Availability

5.19 The Site is owned and under option to Story Homes, a homebuilder with 30 years history of developing in Cumbria and Copeland specifically. There are there are no restrictions affecting the land that would preclude or delay delivery, such as legal or ownership impediments to development. It is comprised of vacant land in agricultural use. The Site

is therefore readily available with a realistic prospect of delivery within 5 years in accordance with the PPG.

Achievability

5.20 Preliminary site investigation work has confirmed that a scheme of approximately 100 dwellings could be developed viably within this location. The preceding sections of this Chapter demonstrate that the Site is sustainable and there are no technical constraints impeding delivery.

5.21 The Site is located on the edge of Cleator Moor, one of the Borough's Key Service Centres. It is therefore in a location which experiences relatively strong demand for new homes. There is therefore a strong prospect that the Site will be delivered within the first five years of the plan period.

Summary

5.22 It has been demonstrated within this Chapter that the Site is available, suitable and development achievable, with a realistic prospect that approximately 100 dwellings could be delivered within the first five years of the plan period, if the Site were to be allocated and a planning application approved. The land at Jacktrees Road represents a deliverable Site to meet CBC's housing needs. The allocation of this Site within the Local Plan would therefore meet the tests of soundness within Paragraph 35 of the NPPF.

Appendix 1: Local Plan Viability Assessment (prepared by Cushman & Wakefield)

CUSHMAN & WAKEFIELD

Copeland Borough Council: Local Plan Viability Assessment

Consultation Representation

Prepared on Behalf of a Developer Consortium:

- Persimmon Homes
- Gleeson Homes
- Story Homes
- Genesis Homes

March 2022

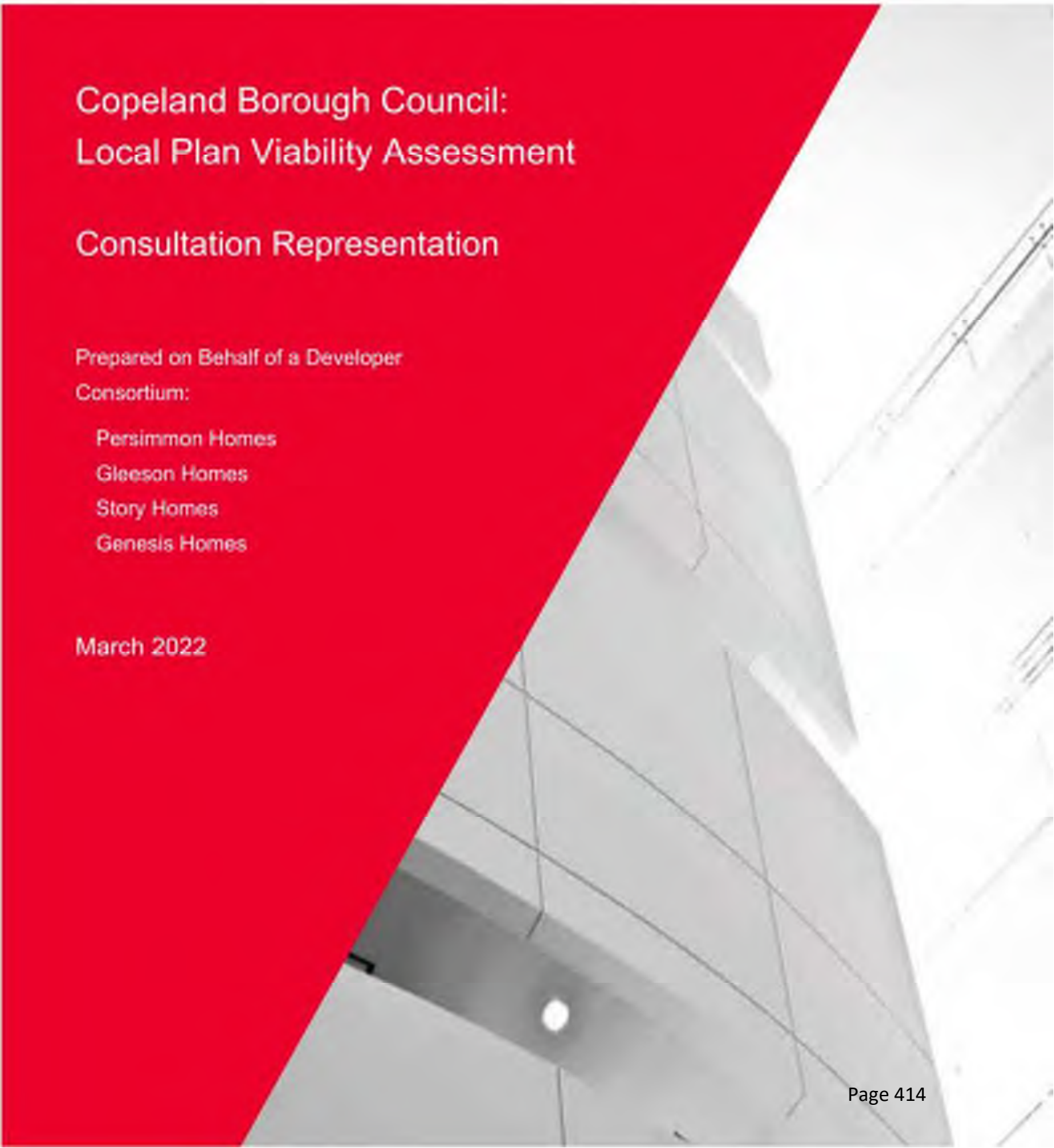


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Appendix 10: Terms of Engagement

1. Executive Summary

1.1. This representation has been prepared on behalf of a Developer Consortium comprising Persimmon Homes, Story Homes, Gleeson Homes and Genesis Homes ('our Clients') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

1.2. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

1.3. In July 2018, the government published the revised National Planning Policy Framework ('NPPF') alongside revised Planning Practice Guidance for Viability ('PPGV')[1]. One key change to the viability regime was to shift focus towards viability testing at the plan-making stage so as to limit the need for site-specific financial viability assessments ('FVAs') at the application stage as far as possible ("frontloading" viability).

1.4. As such, it is imperative that the approach and assumptions adopted in the LPVA are realistic and market-facing to support an accurate assessment of development viability in Copeland. This is crucial to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site deliverability.

1.5. Having reviewed the viability approach and the assumptions proposed in the LPVA, our Clients have concerns that a number of the key inputs are insufficiently evidenced and/or are inappropriate for the purposes of testing the viability of residential development in Copeland at the plan-making stage.

1.6. Below we summarise the key issues which we have identified in respect of the proposed approach and appraisal assumptions and/or our recommendations to support more robust inputs. This summary is not an exhaustive list and should not be read in isolation from the main body of this representation which sets out the full range of issues.

Summary of Identified Issues – LPVA Approach and Assumptions

Viability Assessment Input / Assumption	C&W Comments
Residential Typologies, Housing Mix and Unit Sizes	Gross:net site area ratios not fully justified. Housing mix assumptions do not fully accord with the market evidence. Housing mix and unit sizes not varied by market area but singular "blanket" assumptions applied for all allocations.
Market Housing Sales Values	Concerns as to the use of the Land Registry indexation analysis as the data may potentially overstate price growth in comparison to actual up-to-date house prices "on the ground". More focused second hand analysis around the allocations is recommended to better inform the revenue assumptions.
Affordable Housing Transfer Values	Transfer values insufficiently evidenced as none of the actual data sources referred to by KM are provided. Shared Ownership ('SO') transfer values regarded as excessive particularly in light of the recent national changes to the SO model.

[1] Both documents have since been updated in 2019 and 2021 respectively.

Viability Assessment Input / Assumption	C&W Comments
Standard Build Costs	KM have relied on an "in-house" build cost database rather than using transparent market evidence such as the BCIS. The database is not provided for independent review and analysis. We have identified a number of issues associated with KM's database as part of another recent LPVA and have concerns that similar information has been used in this study.
	Standard build costs not transparently defined to enable proper benchmarking.
	Some of the terminology utilised in the Cost Report is ambiguous.
	KM have compared their costs to the BCIS but it is unclear if the comparison is like-for-like. KM have also applied significant discounts to the BCIS figures for the purposes of the comparison which is not supported.
Professional Fees	Professional fees are regarded as understated and have not been applied to the total costs.
Abnormal Costs	Abnormal cost allowances for a large number of typologies fall below a reasonable provisional allowance at the plan-making stage.
S106 Contributions	The S106 allowance is assumed to cover highways contributions only which is regarded as inappropriate in the context of emerging Policy DS5PU which lists 13 different categories of infrastructure that will be funded by planning contributions.
	The Copeland Transport Improvements Study which has informed the highways contributions in the LPVA is considered flawed as it fails to account for junction improvements and as such there is likely to be a significant underestimate of the off-site highways costs for all allocations.
Developer's Profit	Developer's profit for market housing understated and inconsistent with the market evidence.
Development Period, Delivery Rates and Cash Flows	Lead-in periods, main construction periods and sales periods for all site typologies not specified.
	Lead-in period of 3 – 6 months across sites ranging from 20 units to 532 units in size is inappropriate and unreflective of market realities.
Benchmark Land Value (BLV)	Certain brownfield EUVs regarded as too low and inconsistent with the local market evidence.
	Certain BLVs regarded as understated which will not provide a sufficient incentive for landowners to sell.
	The use of arbitrary 'fixed' multipliers / percentage uplifts to determine the landowner premium regarded as inappropriate and does not reflect the workings of the market.
	KM's analysis of the BLVs adopted in other North West LPVAs is partial and not all accurate.
	No variation in BLVs by value area and/or abnormal cost allowances which does not reflect the typology approach required in the PPGV.

1.7. As this summary table demonstrates, there are a number of issues associated with the proposed approach and assumptions in the LPVA, both in respect of the supporting evidence base and the individual input assumptions.

1.8. It is not a prudent approach to adopt unrealistic appraisal inputs so as to demonstrate a viable position based on the emerging policy requirements. Rather, the viability evidence needs to be robust and based on a proportionate assessment of the cumulative cost of all relevant policies, to ensure that there are no adverse implications in respect of site deliverability and land supply based on policy requirements which are introduced using the findings of the LPVA.

1.9. In our opinion, if the current inputs are maintained, the LPVA will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

1.10. At present, therefore, we consider that the LPVA does not constitute robust viability evidence upon which to base Local Plan policy requirements. We recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation. It is considered that several key amendments are required for the viability evidence to be found sound.

2. Introduction

Purpose of Representation

2.1. This representation has been prepared on behalf of a Developer Consortium comprising Persimmon Homes, Story Homes, Gleeson Homes and Genesis Homes ('our Clients') in response to Copeland Borough Council's ('the Council's') Regulation 19 consultation on the emerging Local Plan 2021 – 2038 ('the Local Plan').

2.2. Our Clients are established active housebuilders in Copeland and/or neighbouring authorities and are therefore important local stakeholders in the plan-making process. Our Clients wish to ensure that the Local Plan is robust and meets the tests of soundness as set out at Paragraph 35 of the National Planning Policy Framework ('NPPF'), namely that the Local Plan is:

- Positively prepared;
- Justified;
- Effective; and
- Consistent with national policy.

2.3. The focus of this representation is the viability evidence prepared by the Council in support of the emerging Local Plan. The Council has appointed Keppie Massie ('KM') to prepare a Local Plan Viability Assessment ('LPVA') to assess the viability of the emerging Plan proposals and policy requirements.

2.4. According to the LPVA, the aim of the study is to test 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 Local Plan at risk.

2.5. In accordance with the NPPF and the Planning Practice Guidance for Viability ('PPGV'), it is imperative that all local policy requirements are based on sound viability evidence with appropriate market-facing assumptions, to ensure that the proposed policies, sites and scale of development within the Local Plan are deliverable, and that policy requirements are set at realistic and achievable levels which do not compromise site viability.

2.6. The purpose of this representation is to set out our comments in respect of the approach to assessing viability and the proposed appraisal assumptions in the LPVA. We highlight where we consider that modifications are required and/or where further evidence needs to be provided to justify the approach and/or assumptions. The suggested changes are intended to improve transparency and to determine appropriate levels of viability based on market-facing inputs.

2.7. This representation is therefore intended to provide further information and observations to assist the Council as it progresses the Local Plan towards submission, where the Plan must be considered against the tests of soundness in accordance with the NPPF. Our Clients reserve the right to participate at the forthcoming Examination in Public ('EiP').

Structure

2.8. This representation is structured as follows:

- Section 3 – RICS Financial Viability in Planning: Conduct and Reporting (May 2019)
- Section 4 – Summary of Relevant National Policy and Guidance
- Section 5 – Viability Assessment – Proposed Approach and Assumptions
- Section 6 – Viability Assessment – Results
- Section 7 – Emerging Local Plan Policy Drafting
- Section 8 – Conclusions
- Section 9 – Disclaimer

2.9. Due to the reduced time period for responding to the viability evidence, which was not published until 15th February 2022, we have limited our comments to those areas of the LPVA which are directly relevant to our Clients' interests. We have then focused our comments on a series of "core" issues.

2.10. Our absence of comment on particular aspects of the evidence base and/or assumptions does not imply our agreement and we reserve the right to submit further representations at the next stage of the process as necessary.

Representation Authors

2.11. This representation has been prepared by:

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Market Conditions Explanatory Note: Novel Coronavirus ('COVID-19')

2.12. The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly, and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty.

2.13. This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

3. Financial Viability in Planning: Conduct and Reporting (May 2019)

3.1. This representation has been prepared in accordance with the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) (May 2019) ('the Professional Statement').

3.2. The Professional Statement 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 should be arrived at.

3.3. Sections 2.1 to 2.14 of the Professional Statement set out fourteen mandatory reporting and process requirements for all FVAs and representations prepared on behalf of, or by applicants, reviewers, decision-makers and plan-makers.

3.4. We confirm that this representation has been carried out in accordance with Sections 2.1 to 2.14. The relevant mandatory reporting requirements are set out at Appendix 1.

4. Summary of Relevant National Policy and Guidance

4.1. Within the LPVA, KM summarise relevant national guidance relating to viability testing. It is not necessary to repeat this guidance however it is pertinent to highlight some key principles particularly relating to stakeholder engagement.

4.2. The revised NPPF and PPGV set out the key requirements in respect of the overall approach, the methodology and the assumptions to be adopted in FVAs prepared at the plan-making and decision-taking stages.

4.3. A key change brought about by the revised NPPF and PPGV is the shift in focus away from site-specific FVAs at the application stage towards viability testing at the plan-making stage ("front-loading" viability).

4.4. As such, it is crucial that the inputs utilised in the Copeland LPVA are robust and market-facing to ensure that the viability of development is accurately assessed. This will help to ensure that policy requirements are set at an appropriate level and that the plan and its objectives are therefore deliverable.

4.5. Importantly, the PPGV was updated in May 2019 to emphasise the need for meaningful engagement between plan makers and industry stakeholders when formulating viability assumptions and policy requirements.

4.6. Paragraph 2 of the PPGV 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".*

4.7. Paragraph 4 of the PPGV further states that plan makers will:

> *"…engage with landowners, site promoters and developers and compare data from existing case study sites to help ensure assumptions of costs and values are realistic and broadly accurate…. Plan makers may then revise their proposed policy requirements to ensure that they are creating realistic, deliverable policies".*

4.8. The RICS has recently updated its viability guidance note with the publication of *Assessing viability in planning under the National Planning Policy Framework 2019 for England (2021)* which provides further guidance relating to consultation and stakeholder engagement in plan-making.

4.9. At paragraph 3.4.1. the RICS guidance states that:

> *"Stakeholder engagement and consultation are key components of transparency and accountability, and help LPAs reach sound judgments on the deliverability and policy compliance of proposed allocations".*

4.10. The guidance note (paragraph 3.4.12) further advises that:

> *"Assessors should update the FVA if the consultees provide new information that causes the assessor, using their professional judgement, to adjust their assumptions, inputs and outputs. Any reassessment should be based on an open and transparent process with the LPA and other engaged stakeholders providing further evidence in a timely way and being kept fully briefed on the revised outputs"* (C&W emphasis).

4.11. These principles of stakeholder consultation are similarly reflected in the publication *Viability Testing in Local Plans – Advice for Planning Practitioners* (June 2012) (LGA/HBF – Sir John Harman) ('The Harman Report'). Although dated, the Harman Report still provides useful advice in respect of the methodology for viability testing and suggested approaches to defining the various appraisal inputs.

4.12. The Harman Report advises that:

> *"By working closely with developers and others in the development industry, planning authorities will benefit from a sound understanding of the factors that impact on development costs.*
>
> *This should not mean that inputs proposed by developers will not be subject to critical challenge and discussion. However, it should avoid common errors that would otherwise be contested at a later stage or overlooked to give an unrealistic picture of viability".*

4.13. Such stakeholder engagement is crucial to ensure that the viability assumptions are appropriate and grounded in market-facing evidence. This will facilitate accurate viability testing which, in turn, will help to ensure that policy requirements for new development are realistic and deliverable.

4.14. In relation to the above, the NPPF and PPGV both emphasise the importance of robust evidence in informing the plan-making process. Paragraph 31 of the NPPF 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".*

4.15. Paragraph 10 of the PPGV further states that:

> *"Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers".*
>
> *The transparency of the evidence and assumptions is crucial in determining the weight to be attributed to the FVA (be it an area-wide or site-specific study) as confirmed in the PPGV (Paragraph 8):*
>
> *"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 viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment".*

4.16. Section 2.6 of the RICS Professional Statement also clearly states that *"all inputs into an FVA must be reasonably justified".*

4.17. In our view, as currently drafted the LPVA does not fully accord with the NPPF, the PPGV and the RICS requirements as a number of the key assumptions are non market-facing and/or insufficiently evidenced. We highlight the key issues and evidential gaps in the following section of this representation.

5. Viability Assessment – Proposed Approach and Assumptions

5.1. Within this section, we comment on the key issues which we have identified in respect of the proposed approach to the viability testing and the appraisal assumptions in the LPVA. We highlight where we consider that modifications are required and/or where further evidence needs to be provided to justify the approach and/or assumptions.

5.2. For ease of reference, we have structured this section of our representation according to the headings identified in the LPVA.

Gross to Net Site Areas

5.3. KM have based the LPVA typologies on the proposed site allocations and have applied individual gross to net site area ratios for each allocation. KM state that they have adopted *"a flexible approach that takes into consideration the characteristics and constraints of the particular site"* (paragraph 4.4.7). No further detail or evidence is provided to explain and justify the assumptions.

5.4. We have identified concerns relating to the assumptions for one site (ref: HWH5) as part of a separate site-specific representation on behalf of Persimmon Homes and we suspect that similar issues could arise for other sites.

5.5. In the absence of any further supporting evidence or justification, we do not consider that the gross:net ratios for each site are fully substantiated. In addition, further due diligence carried out for each site at the application stage could reveal additional constraints or circumstances which justify different assumptions.

5.6. Therefore, not every site will align with KM's assumptions and there is a need for flexibility and review on a site-specific basis. We request that KM acknowledge this principle in their revised LPVA.

Housing Mix and Unit Sizes

5.7. KM state that the dwelling mixes are based on their analysis of planning applications in Copeland and the Council's SHMA, and that they have sought to adopt 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.

5.8. We support the analysis of recent planning applications to inform the housing mix assumptions and also the unit sizes. Analysis of recently consented and 'live' new build schemes in each local market across Copeland is crucial to understand the types of scheme and product being, and to be delivered in different locations, and to ensure that the assumptions are reflective of development that has, and will come forward in the different areas.

5.9. However, KM's assumptions do not accord with the market evidence as they have assumed provision for 1 bed units (5%) and 2 bed units (25%) at considerably greater levels than demonstrated by the planning application analysis (0% and 10% respectively).

5.10. Whilst the requirements of the SHMA are noted, we are concerned that there is insufficient market demand for the form of development tested and consequently that the LPVA is not providing an accurate assessment of likely development in Copeland. We recommend that the housing mix assumptions are reviewed in light of the market evidence and that there is closer alignment with the consented evidence.

5.11. Notwithstanding the above, there is a lack of clarity in respect of the schemes analysed by KM, including no dates for each consent and some of the names do not enable identification of each site/scheme/developer. The sample is also relatively small and focused on smaller schemes, and would thus benefit from additional analysis of more recent consents in Copeland or, in the absence of this information, in neighbouring authorities to ensure up-to-date market trends are captured.

5.12. Another key issue is that KM have not varied the assumed mix and unit sizes by market area. The type of scheme and unit sizes delivered in, for example, the existing settlements would be different to that delivered in the higher value rural markets, with the latter characterised by a greater proportion of larger house types. It is not appropriate to assume the same 'blanket' mix and unit sizes across the entire district. This will lead to inaccurate viability testing.

5.13. We recommend that the mix and unit sizes are varied in line with the evidence from recently consented schemes in the different market areas. If there are limited recent planning permissions in certain locations, we suggest that KM analyse planning consents from neighbouring authorities in similar markets as this would still constitute useful and relevant evidence.

5.14. Notwithstanding the above comments, the LPVA cannot reflect every eventuality and it is not practical to adopt a differentiated housing mix and unit sizes for every site. It follows that the actual proposed housing mix and unit sizes could differ from those assumed in the LPVA and in these instances, there could be a different impact on site viability which could influence the scale of planning obligations that are achievable from each site.

5.15. It will therefore be necessary for the Council to consider each planning application "on its own merits", taking into account relevant evidence including up-to-date market demand. We would stress that this does not mean that KM should not be adopting a more robust position in the first instance as recommended above.

Market Housing Values

5.16. KM have assessed individual sales values for each allocation which generally range between c. £200 – £220 psf, with slightly higher and slightly lower revenues adopted for certain sites.

5.17. Whilst the overall average range of values is considered to be broadly reasonable for residential development across Copeland, we have identified a number of issues associated with the evidence base which mean that we cannot confirm our full support for the assumptions for each allocation at this stage, and the revenues for certain sites may be overstated.

5.18. We reserve the right to comment again on the revenue assumptions following receipt of the clarifications and the necessary further evidence as recommended under the sub-headings below.

Land Registry Data

5.19. As the first element of their revenue analysis, KM have undertaken a high level review of overall average house prices in Copeland based on Land Registry average values for new build and second hand housing.

5.20. KM suggest that based on this information, new build house price growth between December 2017 and September 2021 in Copeland has been double that of existing stock (26% vs. 12.2%). However, KM do not acknowledge any of the potential limitations associated with the current Land Registry evidence base.

5.21. We are not disputing that house prices have increased over the time period however we would recommend that any Land Registry indexation analysis and suggested levels of price growth (particularly between pre-pandemic and post-pandemic months/years) is treated with some caution.

5.22. Based on our recent analysis of new build sales data in other locations where we have compared the Land Registry indexed price of earlier sales to the most recent achieved values on the same scheme, we have found that this approach can suggest that values have increased by a greater extent based on the Land Registry growth rates, and quite considerably greater in some instances, compared to what the developer is actually achieving at that scheme for the most recent achieved sales.

5.23. We understand that part of the reason for the potential indexed price overstatement may relate to the fact that the Land Registry datasets are transaction based. The datasets are weighted by transaction volumes rather than housing stock. The attached commentary from well-respected research consultancy BuiltPlace (Appendix 2) highlights the issues which this can create with the Land Registry indices in terms of potentially overstating growth rates.

5.24. Essentially, as a result of the widely documented "race for space" and reassessment of housing needs in light of the COVID-19 pandemic and increased working from home, we understand that there has been a shift in the profile of housing sales towards larger semi-detached and detached properties with higher sales values. This would increase the overall average values recorded by the Land Registry each month (and therefore the HPI figure for that month), based on the sample of properties which sold in that month.

5.25. It follows that when comparing the Land Registry average monthly values in 2021 and 2022 to the average monthly values in pre-pandemic years, the comparison may not be entirely "like for like" as the sample of stock underpinning the average values in the pre-pandemic years may contain fewer of the larger and higher value properties which have been selling most frequently since the pandemic. This is summarised in Appendix 2.

5.26. Arguably the bigger issue which is impacting on the reliability of the Land Registry data is the time lag and partial sample sizes. Based on our review of the data, we are finding that at each monthly release date, the most recent months of Land Registry data (particularly new build) are characterised by small sample sizes due to the backlog of sales still to be registered.

5.27. The aforementioned consultancy BuiltPlace have covered this issue in detail (Appendix 3) and have demonstrated the impact in that each latest monthly release by the Land Registry typically now only covers a small number of sales that actually occurred in the latest month it covers.

5.28. The lag and partial samples mean that the original datasets for any given month are likely to be based on a small sample of sales. According to BuiltPlace, we could therefore see some significant revisions to the index and the average price figures reported, especially at smaller geographies.

5.29. This trend is apparent in our analysis of the Copeland Land Registry data which KM have relied on as part of their revenue evidence base. When reviewing the latest Land Registry HPI for Copeland as at the date of this representation, it is apparent that the sample size for the new build data is very small.

5.30. This is illustrated in the table below for the 6 months up to September 2021 (the date at which KM have measured house price growth):

Sales Volumes (Units Per Month) – Land Registry HPI Copeland

	New Build Housing	Existing Housing
Apr-21	2	110
May-21	2	90
Jun-21	3	121
Jul-21	4	104
Aug-21	2	79
Sep-21	5	96

Source: Land Registry

5.31. This highlights the minimal sample sizes upon which the new build Land Registry HPI is based when compared to the existing stock. KM place weight on this evidence in informing their revenue assumptions, noting that a key theme arising from their analysis is *"a relatively significant rise in house prices as evidenced by Land Registry average house price data has taken place over the last 18 months"* but do not acknowledge the above issues and potential limitations associated with the recent Land Registry datasets.

5.32. In our view, the sample sizes for the new build data are too small from which to draw reliable conclusions. We consider that the existing HPI data is a more robust measure of house price growth and this information suggests much lower growth than that which KM have based their revenue conclusions on.

5.33. Further, and notwithstanding the larger sample size for the re-sale data, the above issues still suggest that at present, the Land Registry data may not necessarily represent the most appropriate measure for assessing the extent of price growth in every instance. KM are requested to note this key principle particularly in any future site-specific FVAs where the Council may seek that the applicant refers back to / indexes the plan-wide assumptions.

Modern Re-sales

5.34. KM have not relied solely on the Land Registry indexation to inform their revenues and have considered recent new build evidence and second hand evidence in Copeland which is an appropriate approach.

5.35. It is recognised that there is limited recent new build evidence in Copeland and we therefore support KM's analysis of modern re-sales in each settlement area to further inform the revenue assumptions.

5.36. Nevertheless, care needs to be had in assuming that new build properties always achieve a premium over modern re-sales as KM suggest. We would also strongly question the average 40.2% new build premium referenced by KM based on "research by Unialch". No details of the study are provided nor any evidence to confirm how this percentage figure was derived. We assume that this is a UK-wide average which is not necessarily reflective of Copeland or even the wider North West.

5.37. A "typical" new build premium does not exist as the level of uplift that can be achieved over local second hand stock will depend on a wide range of factors including (but not limited to) prevailing market conditions, level of competition, quality of specification, site location, affordability / ceiling values in each local market and so on.

5.38. Nevertheless, in our experience, the new build premium will generally range between 10-20% above the values for *average* second hand stock (rather than modern stock where a lower premium would typically be expected). This is reflected in research by BuiltPlace (Appendix 4) where they analysed the new build premium and identified that:

> *"The existence and size of the new-build premium can be contentious due to the difficulties in accurately measuring it. That there is a premium when new homes are first built appears to be backed up by simple analysis of published house price indices. For example, Fig 2 shows the apparent premium according to three different measures.*
>
> *Based on the ONS house price index, the premium has been consistently around 20% since the mid-1990s, while the Nationwide house price index suggests it was at this level in the 1990s but has fallen to around 10% in recent decades. Meanwhile, unweighted data taken from the Regulated Mortgage Survey shows there is considerable variation in the premium, even turning negative"* (C&W emphasis).

5.39. The graph below further illustrates that none of the indices analysed by BuiltPlace come anywhere near close to the 40% premium referenced by KM:



Source: BuiltPlace

5.40. BuiltPlace emphasise that it is very difficult to provide a meaningful measure of the new build premium, however if the indices generally suggest a 10-20% premium over average second hand values, the premium over more modern stock would be lower as acknowledged by KM.

5.41. According to our analysis of the revenue assumptions for each allocation, KM have generally applied a reduced premium to the average values achieved for the more modern second hand properties as shown in the table below, albeit the premium for the allocations in a number of areas including Egremont, St Bees and Seascales is c. 10% or more and the land at West Cumberland Hospital is priced at a significant premium of c. 29%:

LPVA Revenue Assumptions – New Build Premium vs. Modern Stock

Settlement	Ref	Allocation	LPVA Assumption (£ psf)	Modern Re-sale (£ psf)	New Build Premium
Whitehaven	HWH1	Land at West Cumberland Hospital and Snekyeat Rd	£215	£167	28.74%
Whitehaven	HWH2	Red Lonning and Harras Moor	£230	£217	5.99%
Whitehaven	HWH4	Land south and west of St Mary's School	£220	£211	4.27%
Whitehaven	HWH5	Former Marchon Site North	£210	£194	8.25%
Cleator Moor	HCM1	Land at Jacktrees Road	£215	£201	6.97%
Cleator Moor	HCM2	Land North of Dent Road	£220	£201	9.45%
Cleator Moor	HCM3	Former Ehenside School	£200	£201	-0.50%
Egremont	HEG1	Land North of Ashlea Road	£220	£196	12.24%
Egremont	HEG2	Land at Gulley Flatts	£220	£196	12.24%
Egremont	HEG3	Land to south of Daleview Gardens	£220	£196	12.24%
Millom	HMI1	Land west of Grammerscroft	£215	£200	7.50%
Millom	HMI2	Moor Farm	£215	£200	7.50%
Arlecdon	HAR1	Land East of Arlecdon Road	£220	£191	15.18%
Distington	HDI1	Land south of Prospect Works	£210	£188	11.70%
Distington	HDI2	Land south west of Rectory Place	£195	£188	3.72%
St Bees	HSB1	Land adjacent Abbots Court	£225	£207	8.70%
St Bees	HSB3	Fairladie Extension	£230	£207	11.11%
Seascales	HSE2	Fairways Extension	£215	£195	10.26%
Seascales	HSE3	Town End Farm East	£215	£195	10.26%

5.42. There is a lack of consistency in respect of the premium applied and no clear explanation as to why some allocations have a higher/lower uplift in comparison to others. Clarification is requested with a clear explanation of the pricing methodology.

5.43. Further, KM have analysed modern re-sales by settlement area rather than focusing on the value profile relevant to each specific allocation, save for Whitehaven where more refined analysis has been carried out across a series of different sub-areas.

5.44. At paragraph 5.2.40, KM note that:

> *"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. We have provided at Section 6 and Appendix 8 details of the specific value assumptions made for each of the allocations tested".*

5.45. We agree with this statement and that values will vary depending on site-specific location and characteristics. We do not consider that this has been fully accounted for in the LPVA as KM have undertaken modern re-sale analysis within settlement areas rather than a focused site-specific radius of each allocation.

5.46. The revenues may therefore require site-specific review as the values for modern re-sales within each settlement area as a whole may not reflect the specific value profile of the immediate location of each allocation.

5.47. We recommend that KM undertake focused analysis of recent re-sale transactions around each allocation to provide an indication of local second hand values in each specific location. It is crucial that KM first obtain a sample of all second hand data within the vicinity of each site and then refine this data to analyse the more modern transactions within the sample.

5.48. When analysing the data, we recommend that KM identify any "one-off" high value transactions within the samples, and also separate out the bungalows in each sample as these properties will achieve higher rate psf values in comparison to two storey estate housing.

5.49. Based on our market experience, we would typically expect new build properties to command a premium over the average values for second hand housing in most markets, with a larger premium over more dated and lower quality re-sale stock and a lesser premium over the better quality properties.

5.50. This is however dependent on factors including the age and quality of the existing re-sale stock, current levels of supply and ceiling values in the local market, which could mean that new build properties may only command a small premium, or may be priced equal to, or at a discount to local re-sale units.

5.51. In particular, it is important to have regard to ceiling values in the local market and that any new build premium does not breach affordability in a given location otherwise the properties may not sell, as purchasers could choose to buy the perceived more affordable second hand stock in the locality.

5.52. It is therefore vital that both the overall average values across the wider sample of second hand stock, and the overall average values across the modern sample only are analysed and reported. Although the modern evidence is most useful to inform the assessment of achievable new build values, it is still very important to understand the value profile of the immediate local market based on all second hand data in each area as this will exert an influence on the achievable new build pricing at each site.

5.53. If KM had based the LPVA on an assessment of generic hypothetical typologies in the different settlement areas as is typically carried out at the plan-making stage, then their revenue approach could be regarded as reasonable. However, as KM have elected to undertake site-specific assessments of each allocation and the specific location of each site is therefore known, this enables more focused revenue analysis to be undertaken and more robust revenue assumptions to be formulated.

Non-cash Incentives and Extras

5.54. Another issue relevant to KM's analysis and revenue assumptions is the impact of non-cash incentives and extras. KM have acknowledged that the Land Registry transactional data for new build housing represents the gross sales value for each unit before any adjustment for non-cash incentives and extras which are not reflected in the Land Registry figures.

5.56. Despite acknowledging this principle, KM have not accounted for the impact of incentives in their analysis of the transactional data or asking prices, and have derived their revenue assumptions without accounting for any incentives provision. All of the new build achieved values and asking price data which KM have analysed represents the gross Land Registry values and/or the gross asking prices before any allowance for cash and non-cash incentives.

5.58. To justify their approach, KM state that *"at the present time our experience is that such incentives are limited"* (paragraph 5.2.19). No evidence is provided to substantiate this assertion and we consider that KM's position is contradictory to market realities.

5.57. By way of example, we submitted a site-specific FVA for a scheme in Copeland in February 2022 where we highlighted that the transacted values and asking prices which we had analysed did not account for any non-cash incentives and extras offered by developers to secure sales.

5.58. Examples of such incentives include, but are not limited to, payment of mortgage deposit, legal fees, estate agent fees, removal fees, flooring, turfing, upgraded kitchens and Part Exchange. It is important that an appropriate adjustment is made to the Land Registry reported new build prices and the gross asking prices to reflect the likely net achieved value for each dwelling.

5.59. Based on our experience, the non-cash incentives and extras can range between 0% – 5% or more of the achieved purchase price depending on the particular site and plot characteristics, purchaser demand and residential market conditions at the point of marketing and sale. Below we copy an extract of the text from our submitted FVA based on data gathered in February 2022.

> *"The use of incentives in the local market is evident from our analysis of currently active schemes. By way of example, although located a considerable distance from the subject site and therefore not directly relevant from a pricing perspective, Gleeson Homes are offering incentives including upgraded kitchens and flooring packages at their Florence Drive scheme in Egremont (Appendix 4).*
>
> *We have also been advised by Genesis Homes that flooring packages have been offered at their Beckstones scheme in Frizington and the developer is also offering Part Exchange as shown at Appendix 4".*

5.60. The extracts from Appendix 4 of the FVA are provided at Appendix 5 of this representation. Further, Persimmon Homes advised in their initial representation dated 4th November 2021 (appended to the LPVA) that the average incentive allowance on their site in Workington is just over £4,000 per unit.

5.61. Based on our extensive market experience and actual net sales data provided by developers across a wide range of sites in the North West, we have found that non-cash incentives and extras typically range up to 2% – 5% of the Land Registry purchase price or more depending on specific market conditions prevailing at the date of plot release, the characteristics of each plot and so on. We have seen higher incentives based on actual net achieved sales data provided by our housebuilder clients for other sites in the North West.

5.62. Whilst we are aware that the use of non-cash incentives has reduced due to the strength of market activity over the past 12 – 18 months, we do not consider that it is appropriate to base the LPVA on the assumption of nil incentives provision across the entire district particularly as the "heat" appears to be coming out of the market at this present time.

5.63. We recommend that the comparable evidence in the LPVA and the sales values adopted by KM are reviewed and appropriate adjustments made to assess realistic net values, where the revenues account for cash and non-cash incentives and extras which are likely to be required to secure sales.

Summary

5.64. Notwithstanding the comments raised in this sub-section, in the absence of up to date, directly comparable new build market transactional evidence in Copeland which comprises the best evidence to inform the achievable sales values, we consider that the revenues for all allocations should be viewed as provisional assumptions, and further detailed site-specific review may be required at the application stage based on up to date available evidence as at the date of the assessment.

Affordable Housing Revenues

5.65. The affordable housing revenues are a key component of the viability testing and must be set at a realistic level which are reflective of current market conditions. KM have assumed transfer values of 45% of OMV for Affordable Rented units and 70% of OMV for Shared Ownership units.

5.66. KM state that the affordable housing values have been derived based on "evidence" provided to them by housebuilders and RPs in reviewing and preparing FVAs in the North West region, as well as the transfer values adopted in other area-wide FVAs. KM also state that the transfer values were subject to consultation.

5.67. No actual evidence of any of the information sources referred to by KM nor the consultation are provided to enable stakeholders to understand the supporting evidence base for the transfer value assumptions. This is inconsistent with the transparency of information requirements in the PPGV and RICS guidance as identified in Section 4.

5.68. We request that KM provide full details of the evidence base on an open and transparent basis as it is not possible to verify or support the proposed assumptions without this information.

5.69. Notwithstanding the lack of supporting evidence, the average Affordable Rented transfer values are regarded as broadly reasonable based on our Clients' experience of average transfer values in the North West and the assumptions which we typically see in area-wide studies of this nature.

5.70. However, the Shared Ownership transfer value of 70% of OMV is regarded as excessive if assuming that the affordable housing units are delivered via S106 and therefore no grant funding would be obtainable.

5.71. In all our recent market experience including disposing of a substantial number of residential development sites for public and private sector clients and reviewing developer land bids with actual affordable housing offers from RPs, we rarely see RP offer evidence for Shared Ownership units at such levels of value.

5.72. We would also highlight the recent national changes to the Shared Ownership model in April 2021. Under the new model, the repairs and maintenance liabilities have shifted from the tenant to the RP, the minimum initial equity stake has been lowered from 25% to 10% and individuals are able to staircase in 1% increments.

5.73. Several RPs active in the North West have confidentially advised us that, based on their initial internal modelling, the changes are likely to impair viability and the transfer values which they are able to offer for Shared Ownership units under S106 package deals. At this stage, we cannot disclose further details of this advice as it has been provided on a confidential basis.

5.74. The trend of impaired viability is further evidenced in the recent news article by leading social housing publication Inside Housing, who report that government are to consider bids for higher grant funding rates to build new model Shared Ownership units in acknowledgement of the *greater viability burden imposed by the new requirements*[7].

5.75. In addition, the recent publication *Delivering a Step Change in Affordable Housing Supply* (March 2022, L&G and SPF) notes that:

> *"Recent policy announcements around shared ownership – including the requirement of the Registered Provider to cover the cost of repairs for the first 10 years, are expected to increase the subsidy requirement by up to £10,000 per home. In turn, this reduces even further the number of new affordable homes that can be delivered without incurring an economic loss compared to market returns".*

5.76. There is very limited evidence of affordable housing transfer values in Copeland due to the scarcity of on-site provision and as such it is difficult to benchmark to local market evidence to support a reasonable assumption.

5.77. In this respect, and noting that all new Shared Ownership units in Copeland will be constructed under the new model, we recommend that KM consult a range of local RPs regarding the assumptions to test whether the assumed transfer values are considered acceptable under the new affordable housing regime. We request that full details of the engagement are provided in the updated LPVA to enable stakeholders to assess the robustness of the evidence base and the resulting justification.

Build Costs

5.78. To inform their assessment of the build costs in the LPVA, KM have advised that they have relied on their own "in house" build cost database rather than following standard industry practice for plan-wide viability testing by utilising the BCIS.

5.79. KM have provided a Cost Report at Appendix 11 which sets out the build cost methodology and assumptions for each of the typologies. It is stated that the construction costs have been prepared by KM's Quantity Surveyor Jon Adams MRICS.

5.80. KM begin their report at Appendix 11 by providing some commentary as to why they do not consider that the BCIS is appropriate for the purposes of the plan-wide viability testing, despite the BCIS being a recognised publicly available independent data source which is open to full scrutiny.

5.81. The limitations of the BCIS put forward by KM primarily centre on the data being "historic" and not comparable to the size and types of scheme which are expected to come forward in Copeland, with the BCIS samples often being based on relatively small schemes.

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7 https://www.insidehousing.co.uk/news/news/government-to-consider-bids-for-higher-grant-rate-to-build-new-model-shared-ownership-72022?utm_source=dlv.it&utm_medium=twitter

5.82. In describing their internal evidence base which has been used to inform the build cost assumptions, KM state that (paragraph 1.6):

> *"We have an extensive database of local construction costs derived from information provided to us by the housebuilders actively undertaking development in the North of England and more locally within West Cumbria. This provides extensive appropriate data in relation to construction costs based on market conditions and in line with the PPG has been used to inform the construction cost assessments".*

5.83. KM state that their database has been used as a guide to benchmark the rates assumed in their Cost Plans which have been prepared for each typology. It is further stated that each typology has a "bespoke" Cost Plan according to Appendix 11 and that the Cost Plan rates were *"refreshed/market tested to reflect current market rates as at April 2021 using our supply chain contacts within the industry combined with feedback from actual costs from Developer schemes previously assessed"* (paragraph 2.12).

5.84. The first key issue is that KM have not actually published their internal dataset upon which they have relied for stakeholder review and independent scrutiny. KM have advised that the information is considered to be confidential and cannot be published in its full form. KM have also not provided any details of the assumed rates or "market-testing" referred to above.

5.85. The supporting evidence base and the full details of the cost assumptions are therefore absent. By consequence, KM's cost assessments are insufficiently evidenced at present. It is not possible for stakeholders to fully comment on the reasonableness of the cost assumptions without sight of the supporting evidence base.

5.86. We request that KM's in-house dataset and details of the market-testing are disclosed as a matter of urgency. The database should be shared in a format which protects confidentiality but enables proper analysis of the data. **Our Clients reserve their right to comment again on the cost assumptions once the necessary information has been disclosed on a full and transparent basis.**

5.87. Secondly, based on our extensive experience of preparing and reviewing area-wide and site-specific FVAs across the North West, the base build costs are typically derived from BCIS data as this represents the only independent, nationally recognised and publicly available database which is maintained by the RICS.

5.88. Both the PPGV and The Harman Report (2012) state that build costs should be based on "appropriate data" such as the BCIS. The use of the BCIS has also been confirmed and supported in numerous recent appeal decisions[7].

5.89. In addition, recent research by Lichfields (Appendix 6) analyses the key assumptions adopted in a wide range of LPVAs across the country in order to identify consistencies in terms of best practice. In respect of build costs, Lichfields identified that **95%** (77 studies) of area-wide studies relied on the BCIS. Lichfields highlight the accessibility and transparency of the BCIS database in endorsing its use for the purposes of viability testing.

[7] See for example: Land North of Coventry Road, Long Lawford – APP/E3715/W/21/3268628 (01/09/21); Land next to School Lane, Milford on Sea, Lymington – APP/B1740/W/16/3200706 (08/09/17); Land at Sordo Farm, Lower Herne Road, Herne, Kent – APP/J2210/W/16/3151144 (25/09/17).

5.90. Within the sample researched by Lichfields, the remaining 5% of studies utilised a combination of BCIS and other sources of evidence, whilst only Barrow-in-Furness moved completely away from the BCIS. Upon review, we have identified that KM carried out the Barrow-in-Furness LPVA.

5.91. Accordingly, KM are the only consultant to have departed from the BCIS based on the Lichfields research. Indeed, in all our experience, we have not come across any other consultant whom has utilised another source for the purposes of assessing the base build costs in an area-wide FVA which has been found sound. This is because there is no other recognised independent industry database.

5.92. The adoption of KM's "in-house" database which is not open to full stakeholder and public scrutiny is therefore considered highly irregular. If KM are departing from the use of the BCIS and are utilising another source to inform their assumptions, it is essential that the cost database is market-tested, based on local market data and comprises recent cost information from a range of schemes and reliable / accountable sources.

5.93. This is crucial to ensure that the cost database is comparable and reflective of the local market, and that the assumptions are therefore based on appropriate market-facing evidence as required by the PPGV.

5.94. The need for the construction cost database to be based on local evidence is arguably even greater for the Copeland LPVA given the more isolated location and that build costs are inevitably higher in this area in comparison to other North West authorities. By way of example, Persimmon Homes advised in their initial representation dated 4th November 2021 (appended to the LPVA) that their base build costs are a minimum of c. £3 psf higher in West Cumbria when compared to sites in Lancashire.

5.95. As stated above, KM have sought to justify the use of their own in-house dataset by suggesting that this comprises more "relevant" and "representative" locally-specific evidence in comparison to the BCIS. In particular, KM state that (paragraph 2.10).

> *"The RICS Guidance Assessing Viability in Planning under the National Planning Policy Framework 2019 for England states that wherever possible cost estimates should be based on evidence from similar developments. It goes on to say that BCIS and other indices are 'appropriate' but are not always reflective of local market conditions. As a result, BCIS can be used if appropriate but supporting evidence of costs and duration in the local market should be used where available. The approach that we have adopted in using cost data based on local market evidence therefore fully accords to the best practice guidance".*

5.96. At this stage, we cannot comment as to whether KM's dataset comprises relevant local market evidence as we have not had sight of the information. We therefore reserve the right to provide further comments on receipt of the database. It is crucial that KM's database contains a wide range of sites in Copeland and neighbouring authorities as stated above.

5.97. We do however note that KM have recently published a partial version of their internal dataset as part of the ongoing St Helens Local Plan Examination. We undertook a detailed review of KM's database on behalf of another developer as part of their recent representations to the Main Modifications consultation in January 2022.

5.92. Based on our analysis of the information provided by KM in St Helens, some of the key limitations which we identified with KM's database are summarised under the sub-headings below.

Limited Information

- Although KM published their St Helens dataset, the information comprised anonymised breakdowns for each scheme in the database which meant that the information was still somewhat restricted in nature and unverifiable, with the database not open to full independent scrutiny. Transparency of assumptions and evidence is a crucial aspect of all viability testing as set out in the NPPF, PPGV and RICS guidance, and fundamental to determining the weight to be accorded to the viability assessment.

Source of Data

- KM did not state whether the build costs in their internal database are based on actual construction costs / tender submissions, in line with BCIS, or estimated build costs based on viability submissions and appraisals prepared by other surveyors / consultants.
- Based on the comments at paragraph 2.16 of the St Helens Cost Briefing Note and experience from another Local Plan examination, it appears that the costs are based on estimates from viability submissions rather than actual cost data relevant to the local area as provided by the BCIS.

Cost Definitions / Components

- Based on the cost breakdowns provided, KM compiled the assumed estimated costs for substructures, superstructures, preliminaries, external works within and beyond curtilage, drainage, incoming services, abnormals, fees and contingencies to arrive at a total build costs for each scheme within their dataset. KM did not provide a clear definition for each cost element to enable stakeholders to understand which costs are included under each heading.
- In addition, this approach to the analysis relies on KM correctly identifying and inputting the costs for each element for every individual scheme. As the full source of the costs and the scheme details are not provided, it is not possible for stakeholders to check the calculations for accuracy. Therefore, stakeholders cannot be certain that KM have correctly compiled and inputted the data for each scheme.
- Further, how can KM be certain that the estimated build costs adopted for each scheme have been assessed on a like-for-like basis following the exact same definitions in terms of which cost items have been included in the standard build costs and abnormal costs, and within each of their own identified individual cost categories?
- In summary, the analysis is subjective and reliant on considerable judgement / interpretation.

Sample Sizes and Site Sizes

- Based on the information provided for St Helens, the sample sizes were small for a number of categories with very few or just one scheme in the sample. For example, there was only **one** scheme in the 25 – 49 dwelling category. This is not a sufficient sample size from which to draw reliable conclusions.

- In relation, KM made the same statements for the St Helens dataset as they do for Copeland, in that they consider their dataset to be more representative of the local market in comparison to the BCIS. However, in our view, the KM dataset was not representative of the local market in St Helens and suffered the same limitations as the BCIS in that there was a dearth of data for larger sites.
- Within the St Helens dataset, half of the schemes were within the 0 – 24 dwellings category. Only 5 schemes were in excess of 150 units, and only 2 schemes were in excess of 200 units. One of these schemes had standard build costs of £952 psm according to KM's analysis, and the other had standard build costs of £1,359 psm. This represents a very wide range of costs and it is not possible to draw reliable conclusions from this information.

Sample Dates – Historic Information

- In relation to the above, KM's cost database presented in St Helens comprised a significant number of dated schemes from 2012 – 2015. For example, none of the schemes in excess of 150 units were from within the last three years, and the single schemes in the 225 – 499 and 500+ dwelling bands were from 2015 and 2013 respectively. The single scheme in the 25 – 49 dwelling category was from 2012.
- The cost information is therefore dated, meaning that the majority of the schemes are not actually reflective of current build and design standards or market specifications.
- By contrast, we understand that the BCIS data can be refined so as to limit the cost submissions to the most recent 5 years, thereby helping to ensure that the costs are based on the most recent data and should therefore be more reflective of the current market and specifications. This approach is consistent with the recent appeal decision in respect of Land next to School Lane, Milford on Sea, Lymington (reference: APP/B1740/W/18/3209706, April 2019) where the Inspector favoured the use of the BCIS 5 year data.
- As well as the above issues, KM state that they have updated and adjusted the costs for each scheme for time/date and location using the BCIS TPI and location factors. No details of the calculations were provided to enable stakeholders to check that the adjustments have been accurately undertaken.

5.99. In summary, based on our analysis of KM's dataset published as part of the ongoing St Helens Local Plan Examination, we have concerns as to the robustness of the information for the purposes of informing the build cost assumptions in the LPVA.

5.100. If KM have relied on a similar database to inform the cost assumptions in the Copeland LPVA, we do not consider that KM's database fully complies with the NPPF, PPGV and RICS requirements relating to appropriate and transparent market-facing evidence for the reasons identified in our St Helens analysis and summarised above.

5.101. For the purposes of the St Helens LPVA, it was therefore considered inappropriate for KM to depart from the use of the only independent, publicly available and transparent base build cost database (BCIS) which is widely accepted for the purposes of assessing site viability.

5.102. At present, it is not clear if the database upon which KM have relied for the Copeland LPVA suffers the same limitations as their dataset published as part of the St Helens LPVA. In the absence of this clarity, it is our view that the LPVA assumptions cannot currently be relied on.

5.103. It is therefore essential that the Council do not seek to hold applicants to KM's assumptions when preparing site-specific FVAs at the application stage. Our Clients reserve their right to comment on the build cost evidence at the next stage of the process once the necessary information and evidence base has been shared on an open and transparent basis.

5.104. We remain of the view that the BCIS database represents a more robust independent source for assessing the base build costs. Sufficient justification has not yet been provided to depart from the BCIS which is utilised in the vast majority of area-wide FVAs and has been endorsed in multiple recent appeal decisions and industry guidance.

5.105. As well as the methodological and evidential issues as summarised above, there are certain other limitations associated with the build cost assumptions which we outline under the sub-headings below.

Table 6.5

5.106. At Table 6.5 of the LPVA, KM provide a summary of the "total build costs" assumed for each typology based on the Cost Report at Appendix 11. The costs are stated to be inclusive of contingencies, professional fees, on-site open space and play provision but exclusive of abnormal costs and EVCs.

5.107. It is not possible to analyse the standard build costs only from this information, nor comment on the reasonableness of the assumptions, as the total figures are inflated by the addition of contingencies, professional fees and the POS / play provision, the latter of which would be regarded as a site-specific abnormal cost in our view. The standard build costs are the key figures which need to be specified on a full transparent basis to enable comparison to the standard build cost data which we have obtained through our extensive viability, valuation, expert witness and land agency work.

5.108. In addition, KM have omitted to state that the costs in Table 6.5 also include Part L costs which would increase the "standard" build costs even further. Our Clients are concerned that the actual total standard build costs before any of the aforementioned additions may be too low given the figures presented, as the costs would be much lower when the contingencies, fees, on-site open space, play provision and Part L costs are removed.

5.109. We request that the total standard build costs before any of the above additions (contingencies, fees, POS / play provision, Part L) are specified for each typology on an open and transparent basis. For clarity, the standard build costs would include the base build cost (substructure and superstructure), preliminaries, standard plot external works, standard estate roads and sewers, and plot service connection costs. We recommend that the cost of garages is stated separately for transparency.

5.110. We reserve the right to comment on the cost assumptions once the standard build costs have been stated on a full transparent basis to enable proper analysis and benchmarking to the BCIS for comparison purposes.

Garages

5.111. KM state that garage costs are included in the testing but the specific cost assumptions for each garage type (i.e. the cost per garage) are not clearly specified in Appendix 11. It is also stated that garages are applied to detached houses only but the number of detached units (and therefore the number of garages) in each typology is not clearly set out in the main report.

5.112. Clarification is requested and we reserve the right to comment on the garage costs once known. Notwithstanding the lack of clarity, KM advise that they have adjusted the garage costs for economies of scale. This approach is not supported, and we are not aware of any market evidence to demonstrate that garage costs reduce as scheme size increases. In our experience, developers build up and calculate their standard cost allowance for each garage type across their schemes with no variance for site size.

5.113. KM's approach is also a little contradictory as they have taken another "typical" scheme cost of plot service connections which they have applied *"based on a typical average cost per dwelling, regardless of size"* (paragraph 2.29).

5.114. KM are requested to provide full justification for the economies of scale adjustment for garages. The approach departs from recognised best practice and the garage cost assumptions in other LPVAs where there is no variance for site size. In the absence of any justification, we consider that a standard allowance should be applied to garages across all typologies based on a reasonable evidence-based cost for each type in accordance with other plan-wide studies.

Plot Service Connections

5.115. At paragraph 2.29, KM state that plot service connection costs have been applied based on a typical average cost per dwelling as noted above. The average cost does not appear to be specified in the report. Clarification is requested as it is not possible to comment on the reasonableness of an unknown assumption.

Terminology

5.116. Throughout KM's Cost Report, there is reference to "Base Build Costs" (capitalised) and "Oncosts" in several different places. It is not clear which costs each term specifically relates to.

5.117. In our experience, the "base build cost" relates to the dwelling footprint or the "box" cost only but KM may be applying a different definition as their allowance could be inclusive of external works and POS based on the drafting in parts of the Cost Report. It is certain that Part L costs have been included which should be stated separately to avoid inflating the base build cost figures for the purposes of any comparison to the BCIS for example, as should garage costs.

5.118. In this respect, it is not regarded as appropriate or transparent for KM to set out a table of "Base Build Costs" on page 2 of Appendix A where the costs appear to represent the base "box" cost only, and to use the same term "Base Build Costs" in the summary table on page 9 of Appendix A where the costs are inclusive of the base "box" costs and garages and Part L costs. This is misleading and the Part L / garages costs must be stated separately.

5.119. In addition, the term "Oncosts" appears to be used interchangeably and is stated to include contingencies and professional fees in some parts of the Cost Report, but then may also include external works and preliminaries based on the drafting in other parts.

5.120. The drafting and terminology is therefore ambiguous. We request full clarification with transparent definitions provided for all terms utilised in the report and the individual cost elements reported separately to enable stakeholders to properly understand and analyse the cost assumptions.

BCIS Comparison

5.121. At the very end of the final bullet point at paragraph 2.48 of the Cost Report, it is stated that page 11 contains *"the assumed rate of discount that should be applied to BCIS Average Rates data"*. KM have benchmarked their build cost allowances to the BCIS data in order to assess the reasonableness of their assumptions (Appendix B of the Cost Report) and conclude that their allowances are generally above the Lower Quartile and Median rates (and therefore assumed to be reasonable).

5.122. KM state that they have applied a **10%** discount to the BCIS figures. KM state that this discount is an adjustment for Developer's overheads and profit and scale.

5.123. The application of significant discounts to the BCIS figures is not regarded as appropriate for the purposes of cross-checking the reasonableness of build cost assumptions at the plan-making stage. We have never seen such an approach adopted by any other viability consultant or QS when preparing an LPVA.

5.124. It is also not clear as to which specific costs KM are comparing to the BCIS figures. As stated above, the terminology in the report is ambiguous. It appears that KM have taken the "Base Build Costs" plus preliminaries in the breakdowns on page 9 of Appendix A but both **garages and Part L costs** are included in these "Base Build Cost" figures as noted above.

5.125. We understand that the BCIS figures are inclusive of the base house "box" cost and preliminary costs only. It is not appropriate to include garages and Part L costs in the "Base Build Costs" as the comparison to the BCIS figures is not like-for-like. Full clarification is requested and any comparison to the BCIS must be carried out on a directly comparable basis otherwise the benchmarking is distorted and inaccurate.

5.126. In addition, the build costs should not be adjusted for developer's profit as this is a separate assumption in the viability testing. We assume that this is a typo and that the correct reference should be contractor's profit which is embedded in the BCIS base build costs. Clarification is requested.

5.127. As set out in the aforementioned recent research by Lichfields (Appendix 6), in order to reflect potential cost efficiencies on larger sites which would likely be developed by established housebuilders, a common approach at the plan-making stage is to adopt the BCIS Lower Quartile figures for these sites rather than the Median.

5.128. If this approach is adopted, the Lower Quartile should not then be further adjusted for overheads and profit and scale. In our view, the use of the Lower Quartile is already intended to implicitly reflect a scale / cost efficiency adjustment, yet KM have applied a further 10% discount to the Lower Quartile figures. This will understate the BCIS costs for the purposes of the comparison.

5.129. Our Clients are therefore concerned that the base build costs, and by consequence the total standard build costs, have been set at an unrealistically low level in the LPVA. As above, we request that KM clearly set out the total standard build costs for each typology to enable proper analysis and comparison to the relevant unadjusted BCIS figures.

5.130. In addition, it is considered inappropriate to benchmark the build costs for smaller allocations to a discounted Lower Quartile figure as the same (or even any) economies of scale will not be achievable on the smaller sites. Any comparison and conclusions drawn from this analysis are therefore not regarded as relevant.

Professional Fees

5.131. KM state that professional fees have been applied on a sliding scale of 8% – 6.5% with the allowance decreasing as site size increases. Care needs to be had in applying a sliding scale where the base build costs have also been varied by site size, as the reduced professional fee allowance is applied to a reduced base build cost for larger sites which could have the effect of understating the total capital sum for professional fees.

5.132. Importantly, KM have applied the professional fees to the "Base Build Costs" only, which means that the actual allowances are lower than their stated sliding scale. For the larger sites of 250+ units, the professional fee allowance equates to 5.8% of the total build costs as shown at Appendix A, whilst the allowance for the vast majority of sites is 6.6% or less.

5.133. The percentage figures stated at paragraph 2.30 of Appendix 11 are therefore somewhat misleading and not a true reflection of the assumptions in the testing. The professional fees are incurred on all build costs rather than the base build costs only. We therefore recommend that the percentage allowances are applied to the total build costs including abnormals in accordance with market practice.

5.134. Based on the professional fee allowances we typically see adopted in other area-wide FVAs, we would suggest a minimum 7% allowance is applied in the LPVA so as to not test the margins of viability at the plan-making stage in accordance with recognised best practice.

5.135. A higher allowance may potentially be appropriate for the more complex and technically challenging sites to reflect the additional planning, technical and promotional costs incurred on these sites. This should be explored in dialogue with the relevant stakeholders of the larger site allocations including the Former Marchon strategic site.

Contingencies

5.136. The same issue is apparent for the contingency assumptions which have also been applied to the "Base Build Cost" only. We support the 5% allowance for contingencies which represents a reasonable plan-wide assumption consistent with other LPVAs.

5.137. As with the professional fees, we recommend that the contingency allowance is applied to the total build costs including abnormals as there is potential for additional costs and inflationary pressures across all build cost items, rather than the base build costs only.

Abnormal Costs

5.138. KM have adopted provisional abnormal cost assumptions for each of the allocations in the LPVA. According to our analysis, the assumed abnormal costs including contingencies and professional fees equate to c. £5,000 – £30,000 per plot.

5.139. Whilst KM appear to have adopted reasonable provisional sums for some allocations, the allowances for many typologies are still regarded as too low, with **17 of the 30** typologies having abnormal costs of c. £9,000 per plot or less.

5.140. In particular, in respect of greenfield sites, we disagree with the principle of applying a lower abnormal cost to these sites in comparison to brownfield sites. We have seen other consultants adopt a similar approach seemingly on the assumption that greenfield sites are "not contaminated" and therefore the abnormal costs are lower. In our experience, greenfield sites often have higher abnormal costs when compared to brownfield sites due to the need to address issues such as drainage, ground levels, abnormal foundations and the enabling infrastructure required to facilitate development of the site.

5.141. KM will be aware of this principle having been involved in viability reviews for a wide range of sites including C&W site-specific viability submissions where greenfield sites have had much higher abnormal costs than brownfield sites on a number of occasions.

5.142. In fact, within Appendix 11, KM contend that:

> *"Abnormal development works on a 'greenfield site' are those works that are regarded as additional to an ideal undeveloped site that has good ground conditions and no other causes for additional costs. Greenfield sites typically range from £25,000/net acre up to £150,000/net acre"*

5.143. This statement is wholly unsubstantiated, and we seldom see any greenfield site with abnormal costs at the upper end of the range stated by KM, let alone the lower end of the range which would equate to a cost of less than £2,000 per plot based on an average site density of say 14 units per net acre.

5.144. To further demonstrate this point and the abnormal cost insufficiencies in the LPVA for numerous allocations, we refer to our internal abnormal / extra over cost database where we have monitored the costs which we have recently experienced on a wide range of residential development sites (including greenfield and brownfield) as part of previous land disposals, expert witness work and site-specific FVAs which we have been involved in and/or are aware of.

5.145. KM were involved in a number of these sites where they were acting as viability reviewer of the C&W site-specific viability submissions on behalf of the LPA, including reviewing the submitted abnormal costs.

5.146. The abnormal / extra over costs within the sample sites cover a wide range of cost heads including but not limited to remediation, ecological mitigation, abnormal drainage, acoustic mitigation, abnormal foundations, cut and fill, retaining walls and abnormal services costs.

5.147. The range of abnormal costs and the overall averages across the different site sizes are shown in the table below. Please refer to Appendix 7 for the full schedule. Site details have been anonymised for confidentiality reasons to prevent specific identification of the data[4].

Abnormals / Extra Over Costs – Example Sites

	Site Size (Units)	Abnormals / Extra Over Costs Per Net Acre	Abnormals / Extra Over Costs Per Plot
0 – 99 Units			
Maximum	43	£482,000	£36,000
Minimum	98	£132,000	£11,000
Average	**69**	**£304,571**	**£23,143**

[4] Please note that abnormal cost information has to be provided from internal confidential data sources as there is no publicly available database for abnormal costs as there is for the standard build costs, such as the BCIS. This is why the information has to be anonymised.

	Site Size (Units)	Abnormals / Extra Over Costs Per Net Acre	Abnormals / Extra Over Costs Per Plot
100 – 249 Units			
Maximum	100	£483,000	£52,000
Minimum	120	£120,000	£8,000
Average	**158**	**£313,050**	**£22,524**
251 – 550 Units			
Maximum	272	£458,000	£36,000
Minimum	334	£251,000	£12,000
Average	**379**	**£316,500**	**£22,333**
551+ Units*			
Average	**784**	**£223,000**	**£15,000**
Overall Average	**211**	**£309,867**	**£22,395**

Source: C&W Internal Database based on Housebuilder and Cost Consultant Data

*Costs have been rounded to the nearest £1,000. Note that there is only 1 site in the 551+ unit category.

5.148. The abnormal / extra over costs across the greenfield and brownfield sites within the sample range from c. £120,000 – £485,000 per net acre / £8,000 – £52,000 per plot. The overall average across the entire sample of 38 sites equates to c. **£310,000 per net acre / £22,000 per plot.**

5.149. There is no clear trend to suggest that greenfield sites have lower abnormal / extra over costs than brownfield sites with both site types having a range of total costs, nor is there any trend of decreasing abnormal costs with increasing site size. What is also evident from the data is that the costs vary significantly across the sites due to site-specific differences in terms of technical constraints and infrastructure / enabling works requirements.

5.150. We are not suggesting that the abnormal costs in a plan-wide study should be set at the same level as we often see in site-specific viability submissions at the application stage as the LPVA cannot account for every eventuality nor fully eliminate site-specific FVAs and indeed this is not the purpose of a plan-wide study.

5.151. However, this does not downplay the importance of adopting a more robust position at the plan-making stage in the first instance. If a reasonable provisional abnormal cost allowance is not included for all typologies, there is a risk that site viability will be overstated, and policy requirements may be set at unrealistic levels. This will inevitably defer viability to the application stage for many sites which will lead to delays in schemes being brought forward for development, as housebuilders / landowners will have no choice but to submit site-specific FVAs to challenge the inaccurate assumptions in the LPVA and negotiate more reasonable policy requirements based on the true viability of the site.

5.152. In light of the above evidence, we do not support the reduced abnormal cost allowances for a large number of the allocations with no evidence-based justification. Further, based on the summary abnormal cost schedules in the appendices, key abnormal costs have been omitted for many sites including abnormal foundations and retaining walls.

5.153. Whilst KM have made provisional high level allowances for abnormal costs at this stage which is accepted in the absence of detailed site due diligence, it is not regarded as appropriate to omit likely abnormal cost heads. The resultant allowances for many sites at less than c. £9,000 per plot is regarded as an unrealistic assessment in light of the above analysis.

5.154. We therefore recommend that KM revisit the adopted allowances and ensure that a reasonable provisional assumption is applied to all sites at the plan-making stage at a minimum of say c. £15,000 per plot for non-strategic sites, subject to the addition of contingency and professional fees. The larger, more strategic sites will need to be the subject of a more fine-grained analysis with appropriate allowances made based on known information at this stage of the process.

5.155. Even after revising the assumptions, it is still imperative that there is sufficient flexibility in the relevant policies and the ability to revisit viability at the application stage where necessary, in order to account for site-specific circumstances where the actual abnormal costs are higher than adopted in the LPVA. This will inevitably be the case for some sites as demonstrated through the example cost evidence in the table above.

5.156. KM have acknowledged this principle to an extent, noting that (paragraph 6.3.13):

> *"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".*

5.157. It is recognised that all abnormal cost assumptions at the plan-making stage will be necessarily provisional as detailed due diligence has not been undertaken on each site to accurately assess the site abnormal costs. As such, the abnormal costs will require site-specific review on a site-by-site basis as further due diligence is carried out. If the actual cost allowances differ from those assumed in the LPVA, this may result in the need for a site-specific FVA to test the true viability of the site and the policy requirements which can be supported.

5.158. As above, it is still imperative that the abnormal cost assumptions are revisited and more realistic provisional allowances included at this stage of the process, so as to at least try to provide a more realistic assessment of site viability to inform the setting of appropriate policy requirements and to help to limit the number of site-specific FVAs at the application stage.

Future Homes Standard / Part L – Building Regulations

5.159. KM state that they have adopted costs associated with the new Part L requirements (31% reduction in CO2 emissions) ranging from £4,845 for a terraced house to £6,838 for a detached house which we understand are based on the government guidance[5]. The source and cost allowances are regarded as fair and reasonable.

5.160. KM have also set out costs ranging from £3,454 – £9,963 per unit for the Future Homes Standard ('FHS') which is, as yet, an undefined standard. It is not clear if these costs have been factored into the testing as part of the sensitivity analysis or indeed anywhere else in the report as there appear to be no other references to this scenario in the LPVA.

5.161. Clarification is requested and we reserve the right to comment again on the cost allowances following receipt of this clarity. If KM are including the costs in the testing, an appropriate, evidenced assumption with a full breakdown should be included rather than speculative allowances.

[5] The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings: Impact Assessment (MHCLG, October 2019)

5.182. We agree with KM that there is a lack of certainty as to the extent of the government's requirements and the nature of the improvements needed to achieve the FHS given that less due diligence has been carried out on this element of the regulation changes. Any cost assumption at this stage may therefore need to be refined as more clarity and market evidence emerges.

5.183. We would however note that KM assumed a cost of £12,960 per plot for the FHS in the emerging St Helens Local Plan Update (August 2021) based on a study by Currie and Brown and AECOM (2018) which is considerably in excess of the LPVA allowances.

5.184. Moreover, whilst the FHS will not be implemented for a number of years, the Council must recognise that certain larger sites will be affected by the changes hence additional policy flexibility may be required for these sites. If and when a site-specific FVA is submitted at the application stage for larger sites, such costs will need to be factored into the assessment. We request that KM acknowledge this principle in the LPVA.

Vehicle Charging Points

5.185. KM have adopted a cost of £581 per unit for vehicle charging points. Based on our Clients' experience in West Cumbria, this cost is regarded as potentially slightly low with an allowance of c. £600-750 per unit more reflective of the actual costs which they incur in this region.

5.186. Policy CO7PU of the emerging Local Plan does not define the required specification for the charging points. This is an important consideration as the cost of charging points can vary quite substantially depending on the specification and type of charger. For example, rapid charging facilities can lead to the requirement for additional sub-stations, whilst upgraded cabling is often necessary even for more basic charging points to cope with the additional demand on the electricity supply network.

5.187. We request that the required specification is clarified as a matter of urgency and that wording to this effect is added to Policy CO7PU. If the specification differs from that which KM have assumed, the LPVA assumption will need to be amended as there will be a different impact on viability.

5.188. In relation to the above, KM have explicitly stated that no allowance has been made for any infrastructure costs which may be needed in future if the chargers are used on a large scale. In this respect, it would be prudent for the Council to engage with the main energy suppliers in order to determine network capacity in Copeland to accommodate any adverse impacts if all dwellings have a charging facility.

5.189. If charging demand became excessive, there may be constraints to increasing the electric loading in an area because of the limited size and capacity of existing cables and new sub-station infrastructure may be necessary even if the charging points were not super-fast charging. The cost of such infrastructure would not be covered by a nominal allowance per dwelling and could adversely impact on site viability depending on the scale and cost of the requirements.

5.190. We would expect the LPVA to acknowledge this principle and to advise that policy flexibility is therefore crucial for those sites which do require network reinforcements. This is more likely to be the case for larger sites where the greater number of new charging points will put more pressure on the grid.

S106 Contributions

5.171. KM have adopted provisional allowances for S106 contributions based on contributions towards transport improvements only. Our Clients are concerned that contributions towards other infrastructure requirements such as health and education have not been factored into the testing.

5.172. This approach is regarded as inappropriate particularly in the context of emerging Policy DS5PU which lists 13 different categories of infrastructure that will be funded by planning contributions and confirms that additional contributions beyond highways/transport improvements will be requested from development.

5.173. Further, the Copeland Transport Improvements Study which has informed the highways contributions in the LPVA is considered flawed as it fails to account for junction improvements. As such, there is likely to be a significant underestimate of the off-site highways costs for all allocations.

5.174. It is imperative that the Local Plan is based on sound viability evidence and a proportionate assessment of the cumulative cost of all relevant policy requirements which demonstrates that the total cumulative policy burden does not cause development to be unviable.

5.175. As such, we strongly recommend that a higher allowance for S106 contributions is included in the "base" viability testing to reflect likely mitigation requirements for both highways and other infrastructure. A failure to incorporate the full estimated cost of policy requirements will overstate site viability and could mean that policy requirements are set at unrealistic levels. The current assumptions thus risk increasing the number of site-specific FVAs at the application stage, due to certain sites potentially being unviable when the true costs are factored into the viability appraisal.

Biodiversity Net Gain

5.176. It is stated that the construction cost assessments are inclusive of the costs associated with achieving 10% biodiversity net gain ('BNG') but there are no allowances set out anywhere in the report as far as we can see.

5.177. Clarification is requested with a clear evidence-based cost provided for each allocation. We reserve the right to comment on the assumption once known.

5.178. Notwithstanding the above, it is very difficult to comment on the appropriate allowance for BNG costs at the plan-making stage as the requirements will be entirely site-specific depending on the specific measures required to achieve the necessary improvements on each site. In some instances, this could involve off-site contributions / off-setting which can result in substantial costs.

5.179. The actual costs to achieve BNG could therefore be higher or lower than assumed in the testing. As such, it is vital that there is sufficient flexibility in the Local Plan policies to enable other policy requirements to be relaxed if the actual BNG costs are higher than initially assumed in the LPVA.

Developer's Profit

5.180. One of the most significant issues in the LPVA is the developer's profit assumptions which are set at 15% of market housing GDV for smaller sites, 18% of market housing GDV for larger sites and 6% of GDV for affordable housing.

5.181. This is not an acceptable level of return for the purposes of plan-wide viability testing in Copeland particularly in the context of recommended best practice to adopt a conservative approach which does not test the margins of viability to avoid compromising delivery.

5.182. In respect of market housing, at the plan-making stage it is widely recognised that a developer's profit of 20% of GDV is the minimum reasonable return for the purposes of testing Local Plan viability. In a residential location such as Copeland where the sales market is weaker in comparison to other authorities across the North West, this profit level is regarded as the absolute minimum return at the plan-making stage.

5.183. To support our position, we firstly refer to the developer's profit assumptions adopted for market housing in other recent area-wide FVAs across the North West, Yorkshire, the North East and the Midlands (published between June 2017 and August 2021) which we have monitored over recent years.

5.184. Of the 35 studies which we have reviewed, **29** of the studies adopted a developer's profit for market housing of **20% of GDV**. Pertinent examples from the North West are shown in the table below. We note that all of the below studies were prepared by KM which demonstrates the inconsistency in respect of their proposed approach in the Copeland LPVA:

North West LPVAs – Developer's Profit Assumption (Market Housing)

Local Plan / CIL Viability Assessment	Developer's Profit on Market Housing
Cheshire East CIL VA (August 2017)	20% of GDV
Wyre LPVA (October 2017)	20% of GDV
Cheshire West LPVA (December 2017)	20% of GDV
Liverpool LPVA (October 2018)	20% of GDV
St Helens LPVA (December 2018)	20% of GDV
Fylde LPVA (February 2020)	20% of GDV
Rossendale LPVA (February 2021)	20% of GDV

5.185. Further to this, we also refer to a wide range of other recent Local Plan and CIL Charging Schedule examinations where a developer's profit of 20% of GDV for market housing has been deemed appropriate.

5.186. In interpreting this evidence, it is important to note that many of these areas in southern geographies would be regarded as stronger markets in comparison to Copeland where house prices and land values are lower.

Local Plan / CIL Charging Schedule Examinations

Local Plan / CIL Report	Date	Reference	Examiner	Para.	Developer's Profit (Including Overheads) for Private Housing
Ipswich (Local Plan)	17/02/2022	PINS/R3515/429/7	Karen Baker	98	20% of GDV
Darlington (Local Plan)	28/01/2022	PINS/N1350/429/9	William Fieldhouse	-	20% of GDV
Hambleton (Local Plan)	19/01/2022	PINS/G2713/429/8	Matthew Birkinshaw	-	20% of GDV
Havant (CIL)	27/08/2021	No reference specified in Examiner report.	Andrew Seaman	28	20% of GDV
North Warwickshire (Local Plan)	20/07/2021	PINS/R3705/429/6	Thomas Bristow	-	20% of GDV
Vale of White Horse (CIL)	02/07/2021	No reference specified in Examiner report.	Keith Holland	25	20% of GDV
Worthing (CIL)	27/05/2021	PINS/M3835/429/8	Jameson Bridgwater	8	20% of GDV
Bromley (CIL)	17/02/2021	No reference specified in Examiner report.	Keith Holland	16	20% of GDV
Runnymede (CIL)	08/12/2020	No reference specified in Examiner report.	Philip Staddon	41	20% of GDV
Harrogate (CIL)	19/05/2020	PINS/E2734/429/8	Jameson Bridgwater	7	20% of GDV
London Legacy Development Corporation (Local Plan)	24/04/2020	PINS/M9584/429/3	Mike Fox	-	20% of GDV
Kirklees (CIL)	10/01/2020	PINS/Z4718/429/8	Katie Child	24	20% of GDV
Rushcliffe (CIL)	25/06/2019	No reference specified in Examiner report.	Terrence Kemmann-Lane	17	20% of GDV
Waverley (CIL)	28/09/2018	PINS/R3650/429/9	Philip Staddon	39	20% of GDV
Gloucester, Cheltenham and Tewksbury (CIL)	31/07/2018	PINS/B1605/429/1	Elizabeth C Ord	34	20% of GDV

5.187. We would also highlight the aforementioned recent research by Lichfields (Appendix 5) where a profit of 20% of market housing GDV is recommended to be applied for plan-wide viability testing on the basis that this assumption was adopted in the vast majority of the 93 studies analysed.

5.188. Only 10 studies analysed by Lichfields adopted a lower profit margin. Lichfields do not specify the location of the 10 studies but it may be that some (or all) of these studies were situated in southern geographies in stronger market areas and/or where the predominant form of development that was tested was high rise apartment schemes which can have different return metrics depending on the assumptions adopted in relation to pre-sales for example.

5.189. Lichfields further advise that flexibility should be built into the profit assumption particularly for larger, strategic sites where significant upfront investment is required and where their delivery could be integral to Local Plan delivery.

5.190. On this basis, the proposed developer's profit allowance in the Copeland LPVA falls below the guideline range set out in the Lichfields research and the other market-based evidence referred to above.

Market Risk and Uncertainty

5.191. In formulating appropriate profit assumptions for both area-wide and site-specific FVAs, consideration needs to be given to economic and residential market conditions as at the date of the assessment.

5.192. At the time of drafting this representation, there is uncertainty affecting the economy and the residential market due to a wide range of market and economic risk factors including the emerging cost of living crisis, rising interest rates, build cost inflation, the forthcoming end of the Help to Buy scheme as well the continued disruption associated with the COVID-19 pandemic.

5.193. In respect of the former issues, general consumer inflation (as measured by the CPI) has risen to a record 30-year high, hitting 5.5% in the 12 months to January 2022[5], driven by soaring food costs and the energy bills crisis. Analysts are predicting that worse is to come, with inflation now expected to exceed 8% in April 2022[6].

5.194. The inflationary pressures brought forward the first interest rate rise which took place in December 2021, with a further rate rise to 0.5% in February 2022. Although the first rate rises are modest, it is expected that there will be further increases over 2022 and 2023 to combat inflation which will represent somewhat "unchartered" territory for prospective new homes purchasers who have generally lived in a low-rate environment for a prolonged period.

5.195. It is also important to note that the residential market is no longer supported by the SDLT holiday whilst the Help to Buy reforms commenced in April 2021 whereby regional price caps have been introduced and the scheme is limited to first time buyers only. This will be followed by the withdrawal of the scheme in 2023.

5.196. The price cap for the North West is **£224,400.** It is widely recognised that Help to Buy has been a driver of activity in the new build sales market, supporting c. 38% of all new build sales since the scheme was introduced in 2013[7]. As such, the impending restrictions, followed by the removal of the scheme, have the potential to negatively impact on the new build residential market across Copeland.

5.197. This could increase the sales risk associated with the delivery of future dwellings and further justifies a higher profit than currently proposed by KM, particularly when combined with the ongoing uncertainty relating to the cost of living crisis as well as the COVID-19 pandemic, the risk of future variants and the associated economic disruption which this could cause.

5.198. We would finally note that these market headwinds are coinciding with build cost inflationary pressures which further adds to the development risk. This is evidenced in the BCIS' latest five-year forecast (Appendix 8) which reported that tender prices are under pressure from the rising materials prices and site labour rates, together with stronger demand. This has resulted from a combination of factors including supply chain bottlenecks due to global demand shocks, container shortages, increased port administration due to the UK-EU Trade and Cooperation Agreement and sharp rises in shipping costs.

[5] https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/january2022
[6] The Living Standards Outlook 2022 (Resolution Foundation, March 2022)
[7] Help to Buy: Equity Loan Scheme – Progress Review (June 2019) – National Audit Office

5.199. The full BCIS analysis is attached at Appendix 8 and sets out a series of headline statistics and forecasts including an increase in materials prices and labour rates of 16.9% and 10% respectively in Q3 2021 compared with a year earlier.

Summary

5.200. In light of the above evidence, we consider that a developer's profit of 20% of market housing GDV represents the minimum acceptable return for the purposes of testing plan-wide viability in Copeland. We strongly recommend that KM amend the testing assumptions to reflect a more market-facing and reasonable position.

5.201. It is worth highlighting again that recommended best practice for area-wide viability testing is to adopt a cautious approach so as to not test the margins of viability, with the developer's profit representing a key assumption that should be set at an appropriate level in order to provide sufficient headroom and flexibility to accommodate changes in market conditions. We consider that the lower profit for smaller sites in particular will significantly risk SMEs being pushed out of the market in Copeland.

5.202. We would further note that for those sites which are subject to viability testing at the application stage, there will be a need to consider the profit requirement for each site on a site-specific basis, having regard to all relevant circumstances including the site-specific market and development risks at the point of assessment based on the nature of the site and proposed scheme, and prevailing market conditions.

5.203. It is not possible for a single plan-wide profit assumption to reflect the required return for all sites and as such it should be recognised that different profits may still be applicable for certain sites in Copeland.

Development Period and Cash Flow Assumptions

5.204. The development period for each typology needs to be based on an accurate and realistic lead-in period having regard to the site size and the need for necessary infrastructure and enabling works, followed by a realistic build and sales period based on an appropriate sales rate. These are key assumptions which, together with the cash flow profiling, have a significant impact on the finance cost and the viability of a scheme.

5.205. KM have adopted a sales rate of 3 units per month across market and affordable housing, with the first sales taking place between 9 and 11 months after a start on site. The sales rate is regarded as reasonable based on the blended position across the different tenures.

5.206. KM assert that they would expect the sales rate of 3 units per month to apply to market housing only and that they have adopted a conservative approach. This assertion is not supported by any market evidence or analysis of the sales pace at active new build schemes in Copeland. We therefore do not support the unsubstantiated comment and justification is requested.

5.207. Based on the date at which first sales are assumed to take place, if allowing a standard 6 month initial build period to construct the first houses prior to first sales, KM have allowed a lead-in period of 3 – 5 months.

5.209. This could represent a reasonable assumption for the smaller typologies however a longer lead-in period is required for the larger sites to reflect the greater time needed to deliver the necessary infrastructure and enabling works to facilitate development. It is unrealistic to assume the same lead-in period – save for a 2 month variation – across sites ranging from 20 units to 532 units in size.

5.208. We recommend that the lead-in assumptions are refined, and that KM provide clear reasoning and justification for the adopted approach for each typology. We are not suggesting that each typology needs to have an individually defined lead-in period but that reasonable assumptions should be adopted for different site size categories.

5.210. In addition, as far as we can see, no details are provided as to how abnormal costs and policy costs are profiled in the cash flow models. We suggest that the abnormal costs should be weighted towards the beginning of development to reflect the enabling works and the timely delivery of upfront infrastructure required to facilitate development, otherwise the finance cost may be understated, and, by consequence, site viability may be overstated.

5.211. For the policy costs, the profiling is very important and should be aligned with the likely payment triggers which the Council will set in future S106 Agreements. We expect that infrastructure contributions are likely to be requested upfront by the Council, for example. If upfront payments were required and KM have not reflected this assumption in their cash flows, this would negatively impact on site viability.

5.212. Full clarification is requested alongside clear reasoning and justification for the adopted approach, to enable stakeholders to assess the robustness of the cash flow modelling and that the finance cost and resultant land value outputs have been accurately calculated. We reserve the right to comment on the development period and cash flow assumptions once the above information has been shared.

5.213. For transparency, for each typology we request that the following information is specified:

- Lead-in period;
- Main construction period;
- Total sales period; and
- Timing of abnormal costs and S106 contributions.

5.214. KM do not explain how the site-specific assessments have been carried out but we would expect the appraisals to have been prepared using Argus Developer software in accordance with standard industry practice. No copies of the appraisal print outs are provided. We request that this information is disclosed on a transparent basis for independent scrutiny and verification that the assumptions have been accurately inputted.

Benchmark Land Value

5.215. The final element of the LPVA where we have some concerns at this stage is the proposed benchmark land values ('BLVs') adopted by KM.

5.216. The PPGV provides the framework for assessing the BLV and requires the use of the EUV+ method. Where appropriate, market evidence can be used to cross-check the BLV arrived at using the primary approach of EUV+.

5.217. The key principle in the PPGV is that the BLV should provide a reasonable incentive for the landowner to sell their land for development while allowing a sufficient contribution to fully comply with policy requirements. It is implicitly acknowledged that a careful balance must be struck so as to ensure that the BLVs do not place land delivery at risk, and that landowners are appropriately incentivised to bring land forward for development.

5.218. KM have not varied the assumed BLVs by typology or value area but have adopted the same BLV of £150,000 per net acre for all greenfield and brownfield typologies, irrespective of the site-specific circumstances including the assumed revenues and the assumed provisional abnormal costs.

5.219. The BLVs have been derived by applying a fixed multiplier of 15 x EUV for greenfield land and 50% above the EUV for brownfield land.

5.220. The methodology does not accord with the PPGV and RICS requirements whilst the proposed BLVs are regarded as too low for many sites when considering realistic landowner expectations in Copeland and when viewed in the context of the policy requirements and abnormal cost allowances proposed by KM.

5.221. We summarise our concerns in respect of the assumed existing use values ('EUVs') and the landowner premiums under the sub-headings below. Before doing so, we firstly highlight the key methodological issues which we have identified.

Methodology

5.222. We regard the use of arbitrary "fixed" multipliers / percentage uplifts to determine the BLVs as inappropriate. Such an approach is not an accepted basis of valuation and does not reflect the workings of the market, as a landowner does not formulate their expectations of minimum return based on an arbitrary multiplier or percentage uplift.

5.223. This is reflected in the RICS guidance (paragraph 5.3.3) which states that there is no "standard amount" for the landowner premium. In determining the premium, the PPGV (Paragraph 16) further states that:

> *"This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration".*

5.224. The use of a narrow range of arbitrary fixed multipliers / percentage uplifts does not capture these requirements and may result in BLVs that are set at an unreasonable level. Our Clients therefore object to this approach.

5.225. Of particular concern with the multiplier / percentage uplift approach is that the resultant BLVs are set at an artificially low level without due consideration to all influencing factors which should inform the BLV as set out in the PPGV, notably comparable market evidence and landowner expectations in light of other options available to them (ie. withholding land) if the BLVs are considered too onerous.

5.226. It is also important to highlight that a crucial requirement in the RICS Professional Statement is for the assessor to "stand back" and apply a "viability judgement" to their appraisal assumptions (including BLV) and outputs, in that "an objective, rational and experienced opinion is formed".

5.227. KM have undertaken a series of cross-checks against different sources of market evidence to inform the landowner premiums which is an appropriate approach. That said, KM still appear to have defaulted to the fixed multiplier / percentage uplift approach to determine the BLVs. We have also identified some concerns relating to KM's cross-checks as detailed later in this section.

Lack of Typology Variation

5.228. Another key methodological issue is that the BLVs have been applied as a flat rate across the plan area, with no differentiation for revenues and/or abnormal cost assumptions.

5.229. This does not accord with the PPGV (Paragraph 4) which sets out the following guidance in respect of the typology approach to testing viability at the plan-making stage:

> *"The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan. Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology"* (C&W emphasis).

5.230. In respect of revenues, it is recognised that the land value has a direct relationship with the achievable sales values and it would be unreasonable to assume that, for example, a landowner of a site in a higher value Copeland location would release their site for the same value as a landowner in a lower value area, assuming that all other circumstances are similar (eg. similar abnormal costs, policy requirements, house type mix etc). This approach of differentiating BLV by value area has been adopted in the Council's Stage 1 LPVA and other area-wide FVAs across the North West as shown in Table 6.2 of the LPVA.

5.231. In addition to the above, the PPGV (Paragraph 14) requires the BLV to "reflect" the implications of abnormal costs and site-specific infrastructure costs. For those sites with higher abnormal costs, the BLV would therefore be reduced in comparison to a less impaired site, again assuming that all other circumstances are similar.

5.232. For clarity, however, we would not expect the BLV for any sites to be reduced below the current provisional assumption of £150,000 per net acre unless the site was impaired by an exceptional level of abnormal costs and was situated in a low value area. In our view, based on the evidence presented in the LPVA and expanded on below, and having regard to the policy requirements (notably 10% affordable housing) this would tip the land value past the point of providing the minimum incentive for a reasonable landowner to release their site for development in accordance with the PPGV.

Existing Use Values

5.233. KM have referred to various data sources to support the assumed EUVs for greenfield and brownfield land including the RICS and RAU Farmland Market Directory of Land Sales North West Prices, local agricultural land comparables, regional industrial land comparables and the MCHLG (2019) Land Value Estimate for Policy Appraisal. The range of data sources is regarded as appropriate.

5.234. In respect of greenfield land, KM have adopted an EUV of £10,000 per acre which represents a reasonable assumption for "typical" greenfield sites at the plan-making stage. This is comparable to the EUVs assumed in other LPVAs for greenfield land.

5.235. It is not practical to adopt varying EUVs for all different site sizes and locations in a plan-wide FVA however there will be a wide range of different sites brought forward for development throughout the plan period and the EUVs of these sites could vary. KM acknowledge this principle in part, stating that (paragraph 6.2.21):

> *"It is probable during the local plan period that greenfield sites of differing quality and size will come forward for development. Some will have more limited existing use values as evidenced by the data in table 5.18, whilst others, particularly those of a smaller lot size, will be suitable for use as "pony paddocks" and will consequently command a higher existing use values".*

5.236. As such, certain sites which come forward for development over the plan period could have an EUV which is higher than £10,000 per acre, particularly smaller scale "paddock" or amenity greenfield sites. This should be acknowledged at the application stage on a site-specific basis as necessary, and applicants should not be held to KM's single average plan-wide assumption in every instance where up-to-date local market evidence supports a higher EUV.

5.237. In respect of brownfield land, KM have adopted a district-wide EUV of £100,000 per acre. We would question whether this figure is a realistic reflection of secondary brownfield industrial land in Copeland.

5.238. There is a dearth of transactional evidence for brownfield industrial sites within the local area according to our enquiries and the LPVA. KM have sourced details of only two land sales at Lillyhall on the boundary with Copeland, both of which are very dated. Details of the sales are provided below:

Location	Date	Size (Acres)	Price Paid	Price Paid (Per Acre)	Comments
Lillyhall Industrial Estate	30/10/2014	2.9	£175,000	£60,345	Sale to Arnold Clark
Lillyhall Business Park	01/12/2013	4.09	£186,000	£45,968	Sale to Energy Coast UTC

Source: Copeland Draft LPVA (February 2022)

5.239. The sales are very historic, and it is widely recognised that industrial land values have moved on since 2013/2014, particularly over recent years as the structural changes affecting the retail market and the growth of e-commerce continue to drive increased occupier demand in this sector. This increased demand together with lack of supply supports industrial land value growth as can be seen by the trend of increasing industrial land values across the North West (and wider UK) over recent years.

5.240. This is evidenced in the recent B8RE North West Market Report (January 2022) which shows that land values have moved on due to the combination of strong occupier demand, limited development pipeline, rental growth and yield compression, with B8RE claiming that industrial land values in the North West have "doubled" over the last 12 months for prime sites:

Industrial Site Type	Value Per Acre	% Increase From 2020
Super Prime Site	£2,000,000	-
Prime Site	£1,500,000	100%
Secondary Site	£500,000 – £700,000	55%
Tertiary Site	£300,000 – £400,000	50%

Source: B8RE Market Update Report (January 2022)

5.241. KM do not refer to the B8RE Market Report in the Copeland LPVA when they referred to this evidence as part of their Blackburn LPVA (January 2022) which was produced at a very similar time period.

5.242. As a result of the lack of transactional evidence, KM have sourced a small number of employment development opportunities within the wider west Cumbria area as set out in the table below:

Address	Size (Acres)	Asking Price (Per Acre)	Comments
Clay Flatts Industrial Estate, Workington	2.94	£25,424	Guide Price for Auction on 16/3/22
Nelson Street, Carlisle	4.25	£188,235	Former Mill demolished to slab. Historic residential consent.
Risehowe Industrial Estate, Maryport	3.36	£81,845	99 year long leasehold interest.
Former Troutbeck Auction Market, Nr Keswick	1.33	£167,910	On A66 potential for mixed use development.

Source: Copeland Draft LPVA (February 2022)

5.243. The site at Clay Flatts Industrial Estate is marketed for a very low asking price which is inconsistent with the other price data. We have spoken with the agent of this site who has advised that the likely key issues include that not all of site will be developed, unknown ground conditions and unknown planning potential. The agent further advised that the asking price has been set at this level to stimulate bidding and that it is very difficult to assess what the site will eventually sell for.

5.244. We therefore consider that limited weight can be applied to this piece of evidence. If the site was excluded from the analysis, the overall average asking price across the other three sites would equate to c. £146,000 per acre. We have identified that the site at Risehowe Industrial Estate, Maryport comprises an industrial complex with yard area and is therefore not necessarily a directly relevant land comparable.

5.245. The overall average asking price across the two other comparables equates to £163,000 per acre although these sites are situated in different geographies.

5.246. KM state that they would expect brownfield sites which come forward for residential development in Copeland to be lower quality and that the land value would be reflective of this position. We do not disagree with the principle that employment use is likely to represent a "suboptimal" use on those brownfield sites which come forward for residential development otherwise the landowner is unlikely to release their site for an alternative use, as the EUV may be higher than the alternative residential use. Nevertheless, the EUV still needs to be set at a fair and realistic level with an appropriate premium to incentivise residential land sales.

5.247. KM imply that the prices paid / asking values for the secondary industrial sites referenced in the LPVA include an element of "hope value". No evidence is provided to substantiate this comment. Based on the levels of value which these sites have transacted at, and the considerable discount to the "tertiary" values stated in the B8RE report, we do not consider it is reasonable to assume that the prices include hope value as the land values are already set at a low level.

5.248. KM further suggest that (paragraph 8.2.26):

> *"Across the North West of England it is our experience that area wide viability assessments will typically adopt EUVs for brownfield sites in the range of £247,000 to £494,000 per hectare (£100,000 to £200,000 per acre).*
>
> *At the present time EUVs at the higher end of this range are normally assumed for brownfield sites in locations that are close to major motorway connections for example in relation to the area wide FVAs prepared for St Helens and Warrington".*

5.249. C&W prepared the Warrington LPVA and KM have taken the assumed EUV for brownfield land out of context in their comments above. In Warrington, we assumed an EUV of £200,000 per acre for secondary employment land. KM state that this EUV *"reflects the strategic location of Warrington in the context of the national motorway network"* (paragraph 6.2.44).

5.250. At no point did we make this statement in Warrington. Rather, we stated that:

> *"We would expect any brownfield land brought forward for residential development to be of relatively low quality which may have even become obsolete for employment purposes and this would not represent the optimum use. It follows that the EUV applied to brownfield land should be reflective of this position"* (paragraph 7.353).

5.251. This accords with KM's assumption relating to brownfield land in Copeland. We agree that secondary brownfield EUVs in Copeland would not be set at the same level as Warrington.

5.252. In light of the evidence in the LPVA and the way in which industrial land values have increased over recent years, and taking KM's assumption of basing the brownfield EUVs on industrial land values, we consider a minimum EUV of £125,000 – £150,000 per acre would be appropriate for low quality brownfield sites across the district. If the values are set any lower, we consider that these types of site may not be released for development as landowners are unlikely to transact for values below the adopted EUV.

5.253. Certain sites in better areas could command a higher EUV and as with the greenfield EUVs, this principle should be acknowledged at the application stage on a site-specific basis as necessary, and applicants should not be held to the revised average plan-wide assumption in in every instance where up-to-date local market evidence supports a higher EUV.

Landowner Premium

5.254. The second key issue associated with the BLV assumptions relates to the proposed landowner premiums. The premium represents *"the minimum return that would persuade a reasonable landowner to release the land for development, rather than exercise the option to wait or any other options available to the landowner"* (RICS guidance note, paragraph 5.3.2).

5.255. KM have assumed fixed landowner premiums at 15 x EUV for greenfield land and 50% above EUV for brownfield land. This results in BLVs of £150,000 per net acre for all typologies.

5.256. The PPGV sets out a range of factors to be considered in assessing the landowner premium (Paragraph 16). There is a need to reflect abnormal costs and the requirements of planning policy, but there is also a need to consider a reasonable minimum return in order to incentivise landowners to release their land for development. This inevitably requires a balance to be struck between the aspirations of landowner, developer and LPA (PPGV, Paragraph 10).

5.257. There is no one-size-fits-all approach to determining the premium or "typical" range of "acceptable" values. The assessment of the premium is inherently subjective and is a matter of professional judgement. We have highlighted the issues relating to KM's "fixed" uplift methodology earlier in this section.

5.258. Our Clients are concerned that, in the context of the abnormal costs assumed in the LPVA and the policy requirements, the proposed BLVs could be regarded as too low for many development sites in Copeland and will not provide landowners with sufficient incentive to release their land for development.

5.259. This could restrict land supply due to insufficient landowner returns whilst the viability of development may also be overstated, and policy requirements could be set at unrealistic levels. Both of these factors present a risk to site deliverability.

5.260. To inform the assessment of landowner premium, we would typically seek to analyse relevant market evidence of policy compliant residential land values based on local land transactional evidence.

5.261. The approach of utilising policy compliant market evidence to inform the landowner premium is consistent with the PPGV and RICS guidance, and has been adopted by many other qualified viability consultants in both site-specific and area-wide FVAs we have seen and reviewed since the changes to the national viability guidance in 2018.

5.262. This is crucial to ensure that the adopted premium is fair and realistic when benchmarked against local market activity, rather than simply applying an arbitrary uplift.

5.263. According to our enquiries and the evidence in the LPVA, however, there are no recent new build schemes in the local market which have delivered full policy requirements and for which full land transactional data is available.

5.264. It is acknowledged that it is difficult to accurately adjust the non-policy compliant transactions to reflect the cost of policy compliance in accordance with the PPGV, particularly as the full site information is not publicly available. It therefore follows that, rather than attempting to adjust each non-compliant transaction which would introduce significant subjectivity into the analysis, greater weight should be attributed to the policy compliant land transactions.

5.265. In the absence of this evidence, KM have had to consider other market evidence, the core component of which is the BLVs adopted in other recent North West LPVAs. This is regarded as relevant market evidence as specified in the PPGV and RICS guidance.

5.266. When analysing the BLVs adopted in other LPVAs, KM state that (paragraph 6.2.37):

> *"To enable a direct comparison with the sales prices today in Copeland as outlined in Section 5, we have rebased the sales prices assumed in the respective FVAs. This has been carried out with reference to Land Registry data and is based on the increase in average new build prices over the period from publication of the particular FVA. The adjusted value figure on a per sq.ft basis is shown in the first column. For St Helens the value figures are taken from the August 21 Update Report prepared following the examination hearings. The Warrington values are the unadjusted values taken from the August 21 FVA".*

5.267. For the reasons outlined earlier in this representation, we have concerns over the accuracy of the Land Registry indexation to assess house price growth and the resultant indexed values may therefore be overstated.

5.268. This is particularly the case for the new build Land Registry data where the sample sizes are much smaller in comparison to the existing property data as illustrated above in relation to Copeland.

5.269. By way of further evidence, below we highlight the sample sizes for a number of the other LPVAs referenced by KM as part of their BLV analysis, based on the Land Registry data available as at March 2022:

New Build Sales Volumes (Units Per Month) – Land Registry HPI

	Rossendale	Pendle
Jan-21	1	2
Feb-21	No value	9
Mar-21	No value	9
Apr-21	No value	7
May-21	1	6
Jun-21	No value	5
Jul-21	No value	4
Aug-21	No value	4
Sep-21	1	4
Oct-21	No value	3

Source: Land Registry

5.270. This again highlights the minimal sample sizes upon which the new build HPI is based for these areas. We request that KM disclose a copy of the HPI datasets for each location / LPVA which they have analysed so that the sample sizes for the new build data can be reviewed and assessed for robustness.

5.271. Further, KM do not advise of the date to which they have indexed the new build values in each of the studies analysed. Clarification is requested but it appears that the values have been indexed to the same date as the evidence analysed by KM in the Blackburn LPVA (January 2022), being July 2021.

5.272. For ease of reference, we have copied a very similar table from the Blackburn study below:

Blackburn LPVA – BLV Analysis (January 2022)



Table 6.2: Local Plan PVA Benchmark Land Value Summary

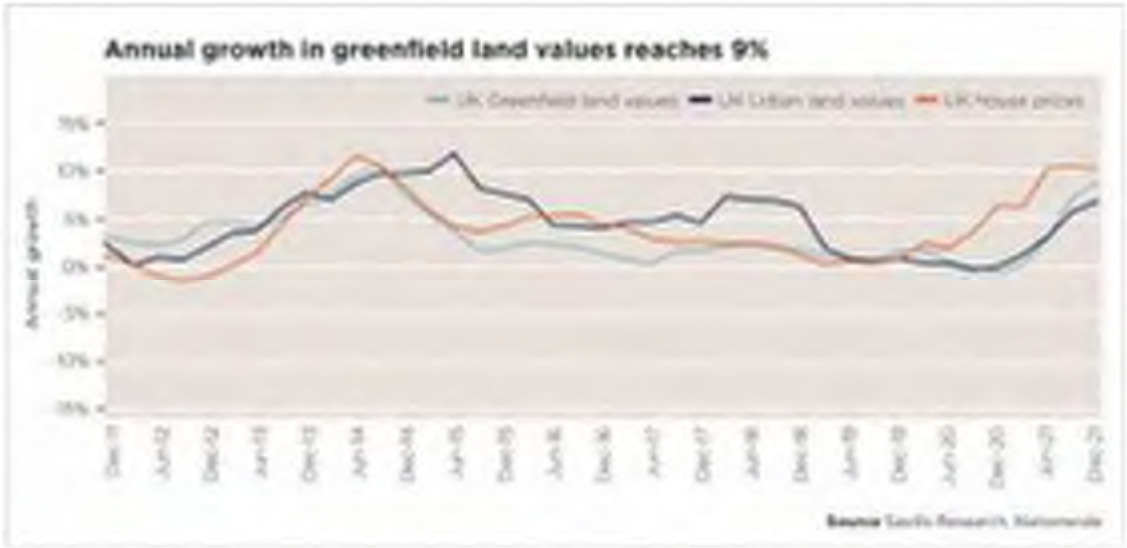
Source: Blackburn LPVA (January 2022)

5.273. The table illustrates that KM have omitted the second line of the Rossendale LPVA analysis from the Copeland LPVA when, in our view, this information illustrates the potential inaccuracies in the current Land Registry indexation, as the indexed values equate to **£263 psf** which is not regarded as representative of new build values in this area. KM are requested to provide on the ground market evidence of new build housing transacting at this level in Rossendale as at July 2021 to verify the Land Registry indexation.

5.274. KM have sought to utilise the indexed values and BLV analysis to justify their assumed BLVs of £150,000 per net acre across the entire district. As above, it cannot be stated with certainty that the indexation analysis is robust and the conclusions drawn from this analysis therefore carry very limited weight in our view.

5.275. Further, KM's analysis is unbalanced and flawed as they have indexed the sales values in each LPVA but have not indexed the assumed BLVs. This is contradictory to market realities as land values will generally rise in line with sales values. This trend has been highly apparent over recent years with increased house price growth supporting higher land values.

5.276. By way of example, the graph below taken from the latest Savills *Residential Development Land Index Q4* 2021 depicts the trend of residential land value growth, reaching 9% on an annual basis in 2021:



Source: Savills

5.277. If KM are indexing the sales values as part of their analysis of other LPVAs – which we do not support for the reasons outlined above – then the BLVs must also be indexed to prevent distortion of the figures.

5.278. KM refer specifically to their recent LPVA in Rossendale where premiums of 50% and 60% were applied to the assumed brownfield EUVs. KM highlight that this LPVA was recently found sound in December 2021. Importantly, the policy requirement for affordable housing in Rossendale is 30%. We would expect this additional policy burden to be reflected in a reduced BLV when compared to Copeland which has a 10% affordable housing requirement.

5.279. Despite this, KM have adopted the same BLV as the lowest value area in Rossendale which is not regarded as appropriate. The same comments apply to KM's analysis of their Allerdale LPVA.

5.280. Another study referenced by KM is their St Helens LPVA which is currently subject to Examination. Several stakeholders have submitted detailed representations to the St Helens Local Plan highlighting their concerns with respect to the assumed BLVs which are regarded as too low for many typologies particularly when considering the reduced abnormal cost allowances in the study. This information does not yet comprise "evidence" as the BLVs have not been found sound.

5.281. Finally, KM refer to the recent Warrington LPVA (August 2021) prepared by C&W however their analysis of the assumed BLVs in this study is inaccurate. As above, KM have taken the assumed EUV for brownfield land out of context.

5.282. Secondly, KM have presented a distorted analysis of the premiums assumed in the Warrington LPVA. KM have presented one assumed BLV only rather than the full range of BLVs for brownfield and greenfield land.

5.283. For clarity, the assumed BLVs for the generic typologies and the site allocations (excluding the four largest strategic sites with much greater infrastructure costs) ranged as follows:

- Greenfield: £250,000 – £350,000 per acre
- Brownfield: £240,000 – £325,000 per acre
- Brownfield Town Centre: £525,000 per acre

5.284. This reflects a premium ranging between 16 – 38 x EUV for greenfield land and 20% – 63% above EUV for brownfield land, although we stress that the Warrington BLVs were not assessed using any such arbitrary multiplier or percentage uplift approach.

5.285. Further, in Table 6.2, KM have referred to a greenfield BLV of £150,000 per acre in the Warrington LPVA based on sales values of £230 / £240 psf. This is an error as this level of BLV was not assumed for any generic greenfield sites with these sales values. The only sites with a BLV assessed at £150,000 per acre were the large scale strategic greenfield sites with substantial abnormal costs and S106 contributions totalling c. £47,000 – £51,000 per plot as well as 30% affordable housing. This is not at all comparable to the level of costs and policy requirements assumed in the Copeland LPVA.

5.286. Moreover, and in relation to the above, the policy requirements and abnormal / extra over costs assumed in the Warrington LPVA are considerably above those assumed by KM in the Copeland LPVA. The affordable housing requirement for Warrington is 30% and the total abnormal / extra over costs and S106 contributions equate to c. £44,000 – £65,000 per plot across the 4 strategic sites, c. £31,000 – £38,000 per plot across the other allocations and c. £24,000 – £26,000 per plot across the majority of the generic typologies.

5.287. Again, this is far in excess of the allowances adopted in the Copeland LPVA. The additional affordable housing and policy costs would be reflected in a reduced BLV, yet KM's BLVs for all typologies in Copeland are below those assumed in Warrington, save for the strategic sites with the significant abnormal / policy cost impairment. We acknowledge that achievable revenues in Copeland are lower in comparison to Warrington, however we do not consider that this would support the significantly reduced land values proposed by KM.

5.288. Based on their analysis of the other LPVAs, KM conclude that (paragraph 6.2.48):

"Evidence from Local Plan FVAs shows landowner premiums ranging from 20% to 75% although it is our experience that landowner premiums are reducing across the North West as the viability requirements and guidance in the PPG start to take effect. This is certainly evident from the assumed premiums in the Warrington FVA which are at 20%".

5.289. This is regarded as a partial and distorted summary which does not reflect the true circumstances in Warrington.

5.290. In addition, the sample of previous LPVAs reviewed by KM to inform their assumed BLVs is partial. It is apparent that KM have reviewed the Warrington LPVA yet they have overlooked the table of BLVs presented in this report which is repeated below for ease of reference. KM prepared all of these LPVAs and we would therefore expect each study to be referenced as part of their evidence base for Copeland:

North West Area-Wide FVAs – Benchmark Land Values

Local Plan / CIL Viability Assessment	Assumed Market Housing Sales Values	BLV (per net acre)	Affordable Housing Requirement
Cheshire East CIL VA (August 2017)	£150 – £275 psf	£150,000 – £650,000	30%
Wyre LPVA (October 2017)	£170 – £220 psf	£250,000 – £400,000	30%
Cheshire West and Chester LPVA (December 2017)	£150 – £275 psf	£150,000 – £550,000	30%
Liverpool LPVA (October 2018)	£150 – £250 psf	£150,000 – £450,000	20%
St Helens LPVA (December 2018)*	£170 – £225 psf	£150,000 – £350,000	30%
Fylde LPVA (February 2020)	£250 – £340 psf	£200,000 – £450,000	30%
Rossendale LPVA (February 2021)	£175 – £240 psf	£150,000 – £350,000	30%

*Local Plan currently subject to examination

5.291. Some of these studies are now dated and both sales values and land values will have moved on. That said, for the reasons stated above, we do not consider that it is appropriate to index the sales value assumptions in the other studies utilising the Land Registry indexation. Further, if a level of indexation is applied to "update" the figures, this would need to be applied to both the sales values and the BLVs.

5.292. When analysing this wider evidence, it is noted that KM's assumed BLVs are either equal to or fall below the minimum BLVs assumed in all of these studies despite the lower affordable housing requirement of 10% in Copeland and the higher assumed revenues for numerous sites.

5.293. For clarity, we are not suggesting that the BLVs assessed in the other studies were necessarily all appropriate for those specific locations (and indeed the St Helens assumptions have been challenged by stakeholders as noted above), however this does provide further evidence of the range of BLVs adopted by KM in other North West local authority areas and the potential landowner premiums, subject to adjustment for the policy requirements and the site-specific abnormal and extra over costs assumed in Copeland.

5.294. It is acknowledged that there is generally a trend of reducing BLVs across the more recent assessments as the impacts of the new viability guidance begin to filter through. That said, some of the sales values in most of the more recent assessments are lower which we would expect to be reflected in reduced BLVs. We remain concerned that the proposed BLVs are too low for many sites in the context of the policy costs and reasonable landowner expectations in Copeland.

5.295. It is also important to note that KM's approach in Copeland is inconsistent with their approach in the recently published Blackburn LPVA (January 2022). In Blackburn, KM have assumed greenfield BLVs of £200,000 per net acre for sites with average assumed revenues of £220 psf (which we did not necessarily support for all typologies). This was based on a fixed multiplier of 20 x EUV.

5.296. As above, we do not support the arbitrary multiplier methodology however if KM are assuming a BLV of £200,000 per net acre in Blackburn where the key policy requirement for affordable housing is higher at 20% and the abnormal cost allowances for the greenfield sites are relatively low, it is regarded as inappropriate and inconsistent to adopt lower BLVs in Copeland based on the assumptions in the LPVA.

Holts Lane, Poulton

5.297. By way of further evidence to support reasonable BLVs, we refer to KM's approach in a recent appeal (April 2020) relating to Land off Holts Lane, Poulton-le-Fylde (reference: APP/U2370/W/19/3241233) (Appendix 9) whereby the Inspector concluded that the FVA prepared by KM on behalf of the Council was *"consistent with the guidance set out in the viability section of the Planning Practice Guidance"* (Paragraph 12).

5.298. The Holts Lane site comprised a parcel of greenfield land and in determining the BLV, KM stated that *"typically an uplift of 15-25 times EUV is applied for greenfield sites"* (paragraph 4.21). In the Holts Lane matter, given the extent of the abnormal costs affecting the site, KM applied a premium of just under 15 to the assumed EUV of £8,000 per acre to arrive at a BLV of approximately £117,000 per gross acre / £151,000 per net acre.

5.299. KM assessed the abnormal costs for the site at approximately **£453,000 per net acre / £35,000 per plot.** This is substantially above the abnormal costs proposed in the LPVA for the majority of sites whilst the policy requirements for the Holts Lane site equated to 30% affordable housing and S106 contributions totalling c. £5,000 per plot. The market revenues were assessed at £218 psf.

5.300. This appeal decision therefore demonstrates that, in the context of the much lower abnormal cost and S106 allowances in the Copeland LPVA for the majority of sites, and the lower affordable housing requirement, KM's proposed BLVs for many sites are too low and contradictory to their approach recently adopted elsewhere.

Site-Specific Flexibility

5.301. Another key point to note and reinforce is that the assessment of BLV is a matter of judgement and the premium required to incentivise release of each site will vary on a site-by-site basis depending on the specific circumstances affecting that particular site. It is not possible to reflect all site-specific circumstances at the plan-making stage through the average BLV assumptions.

5.302. As such, it needs to be recognised that even after revising the plan-wide assumptions in line with stakeholder recommendations, different BLVs may still be applicable for certain sites in Copeland where, for example, the EUV differs to that assumed in the LPVA, and/or if there are specific circumstances (eg. lack of competition from alternative sites, restrictive covenants / easements, condition, obsolescence, significant abnormal costs etc) which support a higher or lower landowner premium.

Abnormal Costs

5.303. The final key point to highlight is KM's approach in relation to abnormal costs. Within Section 6 of the LPVA, KM state that they would expect sites with "significant" abnormal costs to have a downward adjustment to BLV. Further, at paragraph 7.2.93, KM suggest that the BLV should be "adjusted accordingly" to take into consideration additional abnormal costs in excess of the allowances assumed in the LPVA.

5.304. The PPGV (Paragraph 14) requires the BLV to "reflect" the implications of abnormal costs and site-specific infrastructure costs. It is fully acknowledged that for those sites with higher abnormal costs, the BLV would be reduced in comparison to a less impaired site, assuming that all other circumstances are similar (eg. similar revenues, policy requirements, house type mix etc).

5.305. KM's comments are a little ambiguous and could be implying that for any sites with higher abnormal costs at the application stage, the additional abnormal costs (and/or S106 contributions) need to be deducted from the BLV which requires clarifying. In our view, the phrase "reflect" in the PPGV does not equate to "fully deduct". If the PPGV required abnormal costs to be fully deducted from the BLV on a pound-for-pound basis, the guidance would have stated this clearly.

5.306. To demonstrate this point, we again refer to the recent case of Land off Holts Lane, Poulton-le-Fylde (reference: APP/U2370/W/19/3241233). As stated above, KM assessed the abnormal costs for the site at c. £453,000 per net acre and adopted a BLV of c. £150,000 per net acre. KM stated that the BLV of £250,000 per net acre in the Wyre LPVA hypothetically assumed a greenfield site free from abnormal costs (paragraph 4.18).

5.307. We do not agree with the approach of excluding abnormal costs from the LPVA as this will overstate the viability of development. Notwithstanding this, the Holts Lane case illustrates that KM reduced the BLV by only c. £100,000 per net acre to reflect the extent of the site abnormal costs, despite the full abnormal cost impairment being c. £453,000 per net acre.

5.308. In this matter, KM inherently recognised that the full abnormal costs could not be deducted as the resultant land value would not provide sufficient incentive for the landowner to sell (indeed it would have been negative). The methodology adopted by KM in the appeal was endorsed by the Inspector. Based on the comments in the LPVA, KM may now be advocating a different position.

5.309. Clarification is requested and we would not support any methodology which deducts abnormal costs from the assumed BLVs on a pound-for-pound basis. This is because for all sites, there remains a minimum value below which a landowner will not be incentivised to release their site for development. If deducting the abnormal costs tips the BLV past the point of providing a sufficient incentive and leads to land values which mean landowners will not sell, then this conflicts with the PPGV.

5.310. If KM and/or the Council contend that any additional abnormal costs and/or S106 contributions above the allowances in the LPVA will be fully deducted from the BLV in a site-specific FVA, then the landowner premium and the "starting" BLVs must be set at higher levels to allow for additional costs to be deducted and for the resultant BLVs to remain at a reasonable level which provides landowners with adequate incentive to sell.

5.311. This is crucial to ensure that there is a continued supply of land for development in Copeland, that new homes continue to be built and that the Local Plan and its objectives can accordingly be delivered.

Other Assumptions

5.312. The proposed assumptions for finance, sales and marketing costs, affordable housing legal fees and land acquisition costs as set out in Table 6.7 are considered reasonable.

6. Viability Assessment – Results

6.1. KM set out the results of the testing in Section 7 of the LPVA. Based on the comments in this representation, we would expect the results to be different when based on more realistic assumptions for all of the appraisal inputs as recommended in Section 5.

6.2. We have therefore provided some initial comments on the results but do not consider that meaningful weight can be attributed to the findings until the necessary revisions to the assumptions have been made.

Presentation Format

6.3. When presenting the results for each typology, KM set out the "surplus" or "deficit" figures only rather than the calculated residual land values, the assumed BLVs and the surplus and deficit figures.

6.4. We consider that the presentation lacks transparency, and that the full information should be provided for every typology in accordance with standard practice for plan-wide viability testing to enable cross-checking of the results.

Sensitivity Analysis

6.5. As part of their results, KM have undertaken sensitivity analysis based on variations in developer's profit, BLV, revenues and build costs. The sensitivity testing is welcomed and provides an indication of the impact on viability with changes to the key inputs.

6.6. For the reasons explained in Section 5, we consider that a developer's profit of 20% of market housing GDV should be adopted for the purposes of the plan-wide testing. If this assumption is adopted, the sensitivity testing illustrates that many of the typologies are unviable with the full policy requirements in this scenario, even with no changes to the BLVs or the other assumptions which we have concerns over.

6.7. In our view, this demonstrates that the total cumulative policy burden has not yet been robustly tested as viable and deliverable.

6.8. The relevant plan policies contain flexibility in relation to viability and permit site-specific FVAs to be submitted at the application stage to negotiate a reduction in policy requirements where necessary. Whilst this policy flexibility is welcomed and is requisite irrespective of the plan-wide assumptions, the NPPF and PPGV establish the importance of having a robust and up-to-date assessment of viability at the plan-making stage so as to limit the need for viability testing at the application stage as far as possible.

6.9. If the current assumptions are adopted, we consider that the LPVA fails short of this central requirement and will overstate development viability, with policy requirements likely to be set at unrealistic levels as a consequence. It is therefore probable that site-specific FVAs will continue for many residential sites in Copeland as the total cumulative policy burden may compromise site viability.

6.10. This will lead to delays in sites being brought forward for development, as housebuilders / landowners will have no choice but to submit site-specific FVAs to challenge the unreasonable assumptions and to negotiate more reasonable policy requirements based on the true viability of the site.

6.11. It is therefore regarded as essential that KM revisit the testing assumptions based on the recommendations in this representation.

Build Costs

6.12. KM have carried out sensitivity testing on reduced build costs as part of their analysis, and claim that the construction costs on which the viability testing is based are "conservative". KM further assert that the costs have (paragraph 7.2.91):

> *"..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) shows that even a 5% reduction in costs leads to a fairly significant improvement in viability in many cases".*

6.13. We disagree with KM's assertions that the build costs are conservative based on our analysis in Section 5 of this report and we have identified key issues associated with the BCIS benchmarking. There is a need for full transparency regarding the cost assumptions before any weight can be attributed to these sensitivity scenarios.

6.14. If the build costs have been understated, the sensitivity testing with a 5% increase in costs shows that many typologies would be unviable based on the full policy burden.

BLVs

6.15. KM have carried out sensitivity testing with an increase and decrease in BLV of £50,000 per acre for each typology.

6.16. For the reasons outlined in Section 5, we consider that nil weight should be attributed to the sensitivity tests with decreased BLVs as the resultant values would not reflect the minimum incentive required for the landowner to sell in the context of the policy requirements, the allowances for abnormal costs and S106 contributions.

7. Emerging Local Plan Policy Drafting

7.1. The emerging Local Plan contains various policies relating to viability and associated supporting text. The flexibility in relation to viability in the emerging policies is welcomed by our Clients particularly in the context of the current deficiencies in the viability evidence base. However, we have identified a number of issues associated with aspects of the drafting as summarised below.

7.2. At paragraph 6.3.4, it is stated that:

> *"Viability testing through the Local Plan process, removes the need for further viability assessment at planning application stage. In rare cases however an applicant may wish to demonstrate that particular circumstances have changed and this justifies a need for a more up-to-date site specific assessment. In such cases, national guidance should be considered and detailed evidence should be submitted".*

7.3. Our Clients do not support this statement. Plan-wide viability testing does not remove the need for further viability testing at the application stage.

7.4. The revisions to the national viability guidance in 2018 were driven by the government's aspiration to "upstream" viability testing to the plan-making stage so as to limit the need for site-specific viability testing at the application stage as far as possible.

7.5. Whilst it is critical that the Local Plan is underpinned by a robust LPVA to limit the need for site-specific FVAs, the nature of area-wide viability testing means that even the most robust LPVA can only provide a relatively high level overview of viability across the district, as it is based on standardised assumptions across a sample of sites.

7.6. At the plan-making stage, it is not possible or indeed practical to undertake the detailed testing required, including investigating site-specific abnormal costs, in order to accurately reflect the viability of every potential site across the district.

7.7. Therefore, even where the LPVA is based on robust assumptions for all key inputs – which is not currently the case in Copeland – it is not possible to account for every eventuality and all site-specific circumstances at this stage of the process.

7.8. This represents one inevitable limitation / tension associated with the government's aspirations to "frontload" viability testing to the plan-making stage. This is reflected in the LPVA where, in relation to abnormal costs for example, KM note that (paragraph 6.3.13):

> *"At the present time there is no substantive information about the quantum of abnormal costs across the various allocations".*

7.9. For this reason alone, the drafting at paragraph 6.3.4 of the Local Plan is regarded as inappropriate and misleading, and inconsistent with the assumptions in the LPVA which are necessarily provisional in respect of abnormal costs. It is quite possible that the actual abnormal costs required to deliver each site will differ from the high level provisional allowances in the LPVA which would result in a different viability position for each site.

7.10. Further, even if full detailed due diligence had hypothetically been carried out for each and every site at this stage, the Local Plan extends over a c. 15-year time period, meaning that changes in market conditions and legislation over the plan period will likely render the area-wide assessment out of date relatively quickly. For larger sites in particular, the actual costs required to deliver the scheme could change over the lifetime of the development.

7.11. There is, therefore, an inherent tension between market and practical realities and government aspirations to upstream viability testing to the plan-making stage.

7.12. This principle is highlighted in the aforementioned research published by Lichfields (Appendix 6) where they stress the need for sufficient flexibility to account for changing circumstances over plan periods of 10 – 15 years, noting that:

> *"…the cyclical nature of the economy brings the need for flexibility into sharp focus"* and that *"this might result in the need for local authorities to be adaptable in their application of planning obligations and policy requirements so that development might continue to come forward… throughout the plan period"*.

7.13. As such, it will be necessary for site viability to continue to be assessed at the application stage to account for site-specific circumstances where these differ from the LPVA. Our Clients consider that the drafting in the Local Plan should be amended to reflect the above principles.

7.14. In addition, the above circumstances do not preclude or downplay the importance of having a robust LPVA with fully evidenced and market-facing assumptions in plan-making, so as to limit the extent of site-specific viability testing at the application stage and the associated delays in delivering new housing in Copeland.

Exceptional Circumstances

7.15. At paragraph 13.11.16, the Local Plan states that:

> *"In accordance with the NPPF, Policy H8PU does allow developers to provide alternative levels of affordable housing in exceptional circumstances"*.

7.16. The reference to "exceptional circumstances" is regarded as inappropriate drafting which is not consistent with the NPPF and PPGV.

7.17. Whilst it is critical that the Local Plan is underpinned by a robust LPVA, the nature of area-wide viability testing means that even the most robust LPVA can only provide a relatively high level overview of viability across the district as noted above. Site-specific FVAs will therefore be required at the application stage in many instances and not in "exceptional circumstances" only.

7.18. The PPGV does not refer to exceptional circumstances. Instead, the PPGV (Paragraph 7) refers to "particular circumstances". This is an important difference. The PPGV goes on to list a range of potential circumstances which may justify a site-specific FVA, including but not limited to:

> *"Where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force"*.

7.19. We would note that the list of potential circumstances is not exhaustive. By deviating from the national guidance and referring to "exceptional" circumstances only, the current drafting in the Local Plan will set expectations for local communities and elected members that the vast majority of sites should be viable "by default".

7.20. Our Clients consider that the drafting should be amended with a reference to the PPGV (Paragraph 7) as to when viability should be assessed in decision-taking. In addition, the "particular circumstances" should not only be limited to the suggested non-exhaustive examples in the PPGV.

8. Conclusions

8.1. To conclude, our Clients have a number of concerns regarding the viability approach and the key assumptions currently proposed in the LPVA. By consequence, our Clients are concerned that the total cumulative policy burden in the Local Plan has not been robustly tested or demonstrated as deliverable.

8.2. In order to ensure a continued supply of residential development land in Copeland and that new homes continue to be built, it is imperative that the adopted assumptions are realistic and market-facing to ensure that the viability of development is accurately tested and that policy requirements are set at realistic levels which do not compromise site deliverability.

8.3. The NPPF and PPGV further establish the importance of having an up-to-date assessment of viability at the plan-making stage so as to inform the preparation of a deliverable plan with achievable policy requirements, which will help to limit the need for viability testing at the application stage. This requirement is central to the government's aspirations to "frontload" viability testing to the plan-making stage as far as possible (noting that site-specific FVAs cannot be fully eliminated no matter how robust the plan-wide viability evidence as the LPVA cannot test every eventuality or accurately account for all site-specific abnormal costs).

8.4. For the reasons explained in this representation, we consider that the LPVA falls short of this central requirement with a number of assumptions being insufficiently evidenced and/or not reflecting a realistic market-facing position for the purposes of assessing the viability of residential development in Copeland at the plan-making stage.

8.5. In our opinion, if the current inputs are maintained, the LPVA will not provide an accurate or robust viability assessment but will serve to overstate the viability of many sites in Copeland. This, in turn, could compromise site deliverability as policy requirements may be set at unrealistic and unachievable levels.

8.6. At present, therefore, we consider that the LPVA does not constitute robust viability evidence upon which to base Local Plan policy requirements. We recommend that KM and the Council revisit their proposed approach and assumptions, and give due consideration to the issues raised in this representation. It is considered that several key amendments are required for the viability evidence to be found sound.

8.7. Furthermore, irrespective of the revised viability findings, for the reasons outlined in this representation – notably Section 7 – it is still regarded as essential that there is sufficient flexibility in the relevant policies to enable viability to be reassessed at the application stage where necessary and for policy requirements to be relaxed where robustly justified on viability grounds. Our Clients support the flexibility in the relevant policies at this stage.

8.8. We trust that this representation is clear and comprehensive. In refining the LPVA, our Clients welcome the opportunity to work positively and collaboratively with KM and the Council to support robust viability testing and would be happy to assist with any queries.

8.9. Our Clients respectfully request to be kept informed as to the progress of the LPVA and the revised outputs in accordance with the PPGV and RICS guidance relating to stakeholder consultation and transparency. Our Clients reserve the right to comment again on the LPVA once the necessary revisions have been made and all points of clarification have been addressed.

9. Disclaimer

9.1. We have prepared this representation having regard to relevant RICS guidance. However, the representation and the advice provided do not constitute a formal valuation and should not be relied upon as such.

9.2. This representation is for the purpose of the Clients and should not be reproduced in part or in full without our prior consent. No responsibility is accepted to any other party in respect of the whole or any part of its contents.

9.3. Some of the data referenced in this representation has been obtained from third party sources and we cannot guarantee the accuracy of the data obtained from other parties. Cushman & Wakefield shall not be liable for any indirect or consequential damages arising from the use of this representation.

9.4. This representation should not be relied upon as a basis for entering into transactions without seeking specific, qualified, professional advice. Whilst facts have been rigorously checked, Cushman & Wakefield can take no responsibility for any damage or loss suffered as a result of any inadvertent inaccuracy within this representation.

Appendix 1: RICS Professional Statement: Financial Viability in Planning – Mandatory Reporting Requirements

The relevant mandatory reporting requirements specified in the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (1st edition) are set out below.

Section 2.1: Objectivity, Impartiality and Reasonableness Statement

We confirm that this representation has been prepared by RICS members who have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information.

We further confirm that the RICS members are suitably qualified practitioners and RICS Registered Valuers with sufficient skills, expertise and knowledge to provide a robust and objective representation.

The RICS members have extensive experience in advising on FVAs across the North West and up-to-date knowledge of the planning system gained through previous viability experience and work alongside our local and national Planning Teams.

Section 2.2: Confirmation of Instructions and Absence of Conflicts of Interest

Our terms of engagement are appended to the rear of this representation.

We are currently advising, and have previously advised some of the Clients on site-specific FVAs in support of planning applications for residential development. We are also currently advising, and have previously advised some of the Clients in respect of representations to area-wide viability FVAs.

However, 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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.

Section 2.3: No Contingent Fee Statement

In preparing this representation, no performance-related or contingent fees have been agreed.

Section 2.5: Confirmation Where the RICS Member is Acting on Area-Wide and Scheme-Specific FVAs

As outlined above, we are currently advising, and have previously advised some of the Clients on site-specific FVAs in support of planning applications for residential development and/or representations to area-wide FVAs.

We are advising the following LPAs in respect of the area-wide FVA to assist in formulating policy in their emerging Local Plans:

- Warrington Borough Council
- Wakefield Council
- South Tyneside Council
- Solihull Metropolitan Borough Council

We are also advising developers in respect of representations to the following area-wide FVAs:

- Halton Local Plan Viability Assessment
- Greater Manchester Places for Everyone Viability Assessment
- Eden Local Plan Viability Assessment
- Lancaster Local Plan Viability Assessment
- Hyndburn Local Plan Viability Assessment
- St Helens Local Plan Viability Assessment
- Wyre Local Plan Viability Assessment
- Blackburn Local Plan Viability Assessment

Again, however, 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.

Section 2.6: Justification of Evidence

All inputs into this representation have been reasonably justified as explained in further detail throughout this document.

Section 2.10: Engagement

We confirm that we have advocated, and will advocate reasonable, transparent and appropriate engagement between the parties at all stages of the viability process.

Section 2.14: Timescales

We confirm that adequate time has been allowed to produce this representation having regard to the scale of this particular project.

Section 4: Duty of Care and Due Diligence

We confirm that this representation has been carried out in accordance with Section 4 – Duty of Care and Due Diligence of the Professional Statement and that full consideration has been given to the matters referenced in Section 4.

Appendix 2: Market Commentary (BuiltPlace, June 2021)

Market Commentary

Residential Analysts

Powered by BuiltPlace

United Kingdom – June 2021

- **Rampant House Price Growth**
- **Weighting and Wondering**
- **First Time Buyer Squeeze**

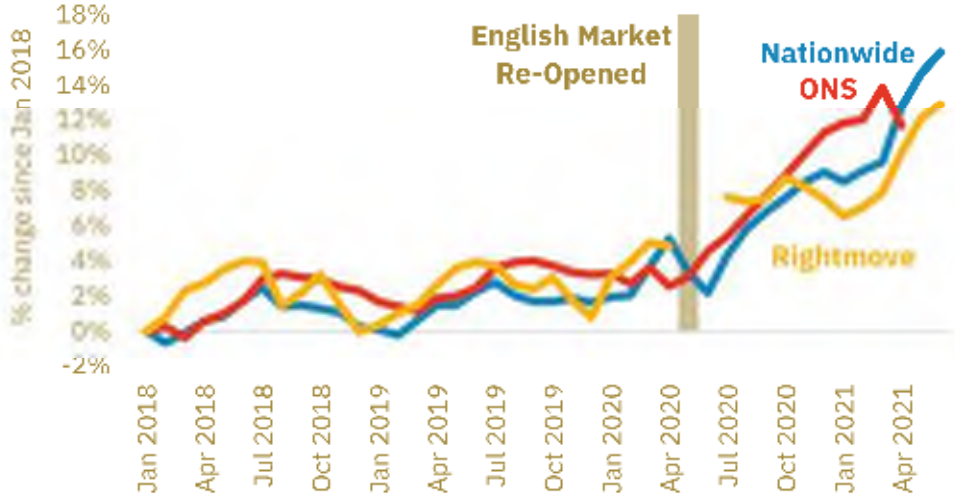
House prices are still rising rapidly and market activity is higher than pre-pandemic levels. But the temporary cuts to property transaction taxes have now ended or are in the process of being tapered off. This should bring greater clarity on the drivers of the current housing boom but it appears the higher than normal levels of market activity and rampant house price growth could continue past their end. However, there are some issues with the house price growth rates currently being reported that could mean price growth is lower than they suggest. Meanwhile, new data provides further detail on the squeeze that has been facing first time buyers since the pandemic started.

Rampant House Price Growth

House prices are rising rapidly and each month brings news of new record highs. The Nationwide index reported an annual house price rise of 13.4% in June while the ONS reported annual growth of 8.9% for April. Rightmove's index was suspended this time last year but it too is reporting rapidly rising prices. As Fig 1 shows, after two years of relatively low house price growth through to the end of 2019, the pandemic has set off a housing boom. We've explored the possible drivers of the current boom in previous commentaries (e.g. April 2021) and the end of the temporary property transaction tax cuts (Wales & Scotland) and tapering off (England & Northern Ireland) will bring further clarity on how much of a role they have had in driving the current boom. Meanwhile, evidence suggests activity is continuing at higher than normal levels, even for those that will miss out on the tax cuts. For example, Rightmove reported that sales agreed in May were 17% higher than the same month in 2019. They also reported the number of sales agreed on homes priced over £500k was 49% higher. It is increasingly clear that, along with evidence of international housing booms, the pandemic and resulting economic conditions has led to a upwards revaluation of housing independent of the tax cuts. However, only time will tell how much of that revaluation is possibly temporary (e.g. low interest rates & government support) and how much is permanent (e.g. the capitalisation of commuting costs into house prices).

Fig 1: Change in UK House Price Indices Since Jan 2018

Source: Rightmove, Nationwide, ONS

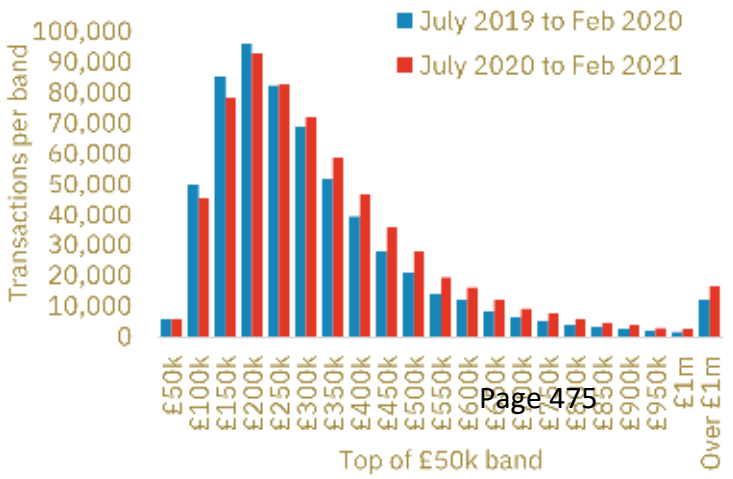


Weighting and Wondering

It is clear that there is a housing boom but the image presented by some of the house price indices is murkier than might initially appear. For example, we estimate that around 4 percentage points of the 13.4% annual growth reported by Nationwide in June is due to negative valuer sentiment last year. Meanwhile, we've previously reported on the challenges faced by ONS due to the lag in Land Registry registrations. Another possibly important factor is that all the above mentioned indices are weighted by transaction volumes. As Fig 2 shows, there's been a big shift towards higher value transactions since last summer which could lead to higher reported house price growth. Meanwhile, the Zoopla index is stock rather than transaction weighted and reported annual house price growth of 4.7% in May.

Fig 2: Sales by Price Band, England

Source: HM Land Registry, HMRC



Market Commentary

Powered by BuiltPlace

First Time Buyer Squeeze

Prospective first time buyers have been hit hard by the pandemic, economic fallout, credit crunch, and current housing boom. Until now there was limited public information on what had happened to them during the pandemic. But thanks to new data released by the FCA this week, we now have a much better understanding of what has happened. This section looks in more detail at some of the trends highlighted by the FCA data and other sources since the pandemic hit. There is more analysis of the FCA data in our Digging Deeper slide deck.

The FCA data shows mortgage completions by first time buyers had recovered at a similar rate to mortgaged movers in the summer and autumn of 2020. However, since Nov 2020, their numbers have stayed high but not experienced the further growth seen by mortgage movers. Our estimates suggest this gap widened in Q1 2021. This situation raises two inter-linked questions:

How have first time buyer numbers recovered to pre-pandemic levels despite the challenges they face but why have they not grown to the same levels as mortgage movers.

Fig 3: Monthly Mortgage Sales by Borrower Type

Source: FCA PSD, FCA/BoE MLAR, & ONS Regulated Mortgage Survey

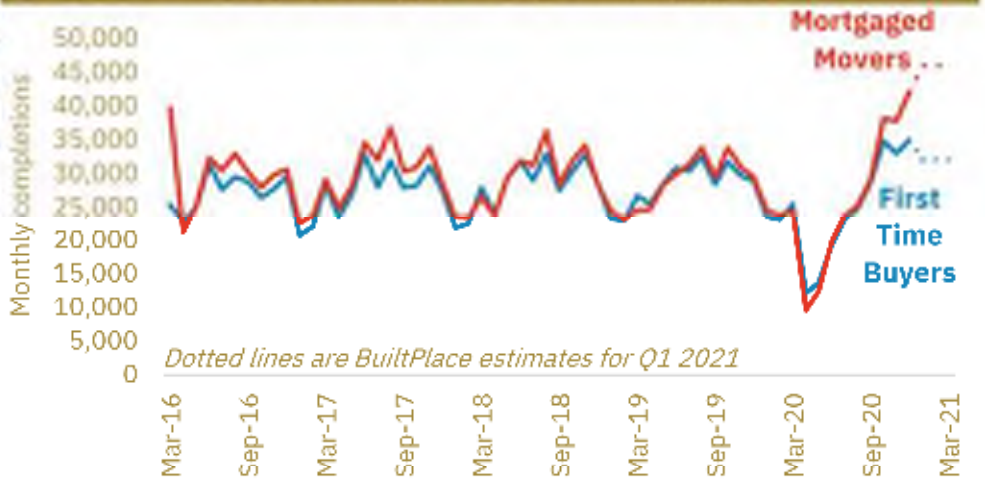
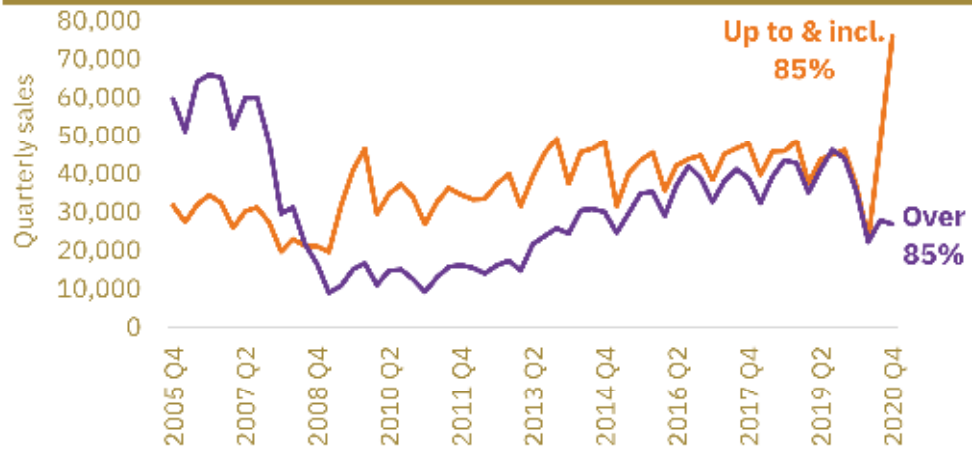


Fig 4: Quarterly First Time Buyer Sales by LTV Band

Source: FCA PSD

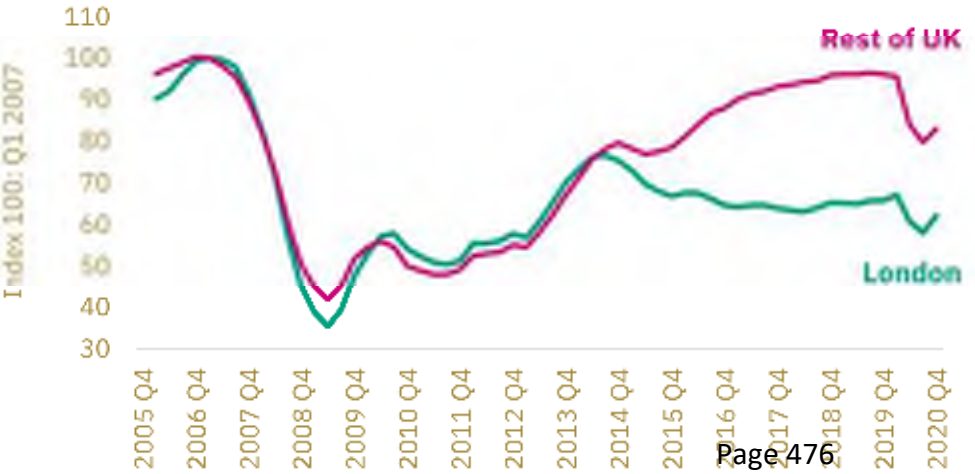


The answer to the questions lies in the balancing act between market activity and affordability. As Fig 4 shows, the credit crunch dramatically reduced sales at higher LTV ratios which should've reduced activity. But, possibly thanks to the unique circumstances of the pandemic, the fall in first time buyer sales above 85% LTV was more than compensated for by the rise in sales with LTVs of up to 85%. It is not yet clear if this was thanks to first time buyers able to increase their deposit and bring down their LTV or the housing boom bringing in new borrowers with higher deposits.

Given the wider trend in rising household savings, it's possible that many prospective first time buyers saved enough during lockdown to make up the difference. However ONS data shows the average income of a first time buyer has risen rapidly since the pandemic which suggests a change in who is buying. Irrespective of which is correct (a bit of both), the total number in both groups will be limited. Therefore, the recovery in the higher LTV mortgage market will be essential. Meanwhile, as Fig 5 shows, there are some markets where the balance between affordability and first time buyer activity is more finely balanced at much lower numbers.

Fig 5: Annual First Time Buyer Sales by Region, Indexed

Source: FCA PSD



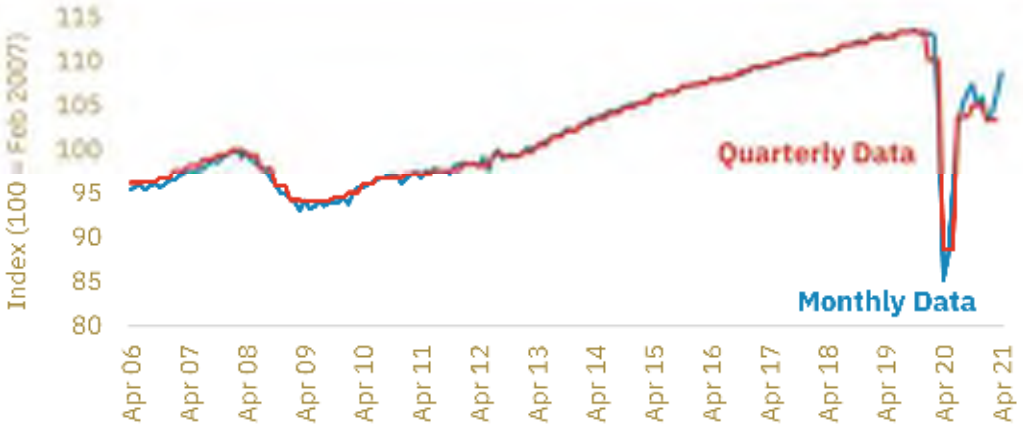
Market Commentary

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Market At A Glance

Economy - UK

The ONS reported a 2.3% monthly rise in GDP during April though the economy is still 4.0% smaller than January 2020. The second estimate of GDP for Q1 2021 reported a 1.6% fall in the quarter (prev. -1.5%) though this reflects the lockdown in January and February. This data will almost certainly be revised in coming months and years.



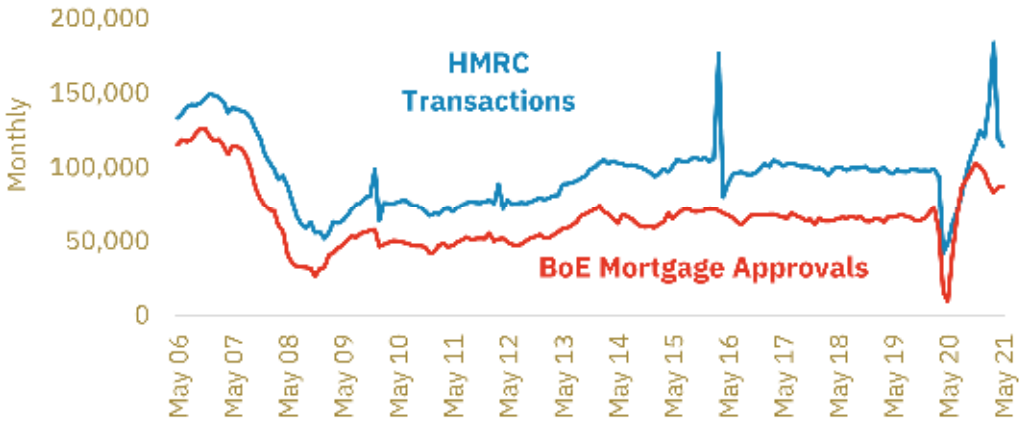
House Prices - UK

Rightmove reported another record high in asking prices in June. We are unable to calculate annual growth as their index was suspended last year. Nationwide index reported a 13.4% annual rise in their mortgage approval based index over the same period and the ONS is reporting growth of 8.9% in the year to April 2021.



Transactions – UK

HMRC provisionally reported 114,940 transactions in May, a 4% fall compared to last month. However, they were still 16% higher than the 2013-19 average. Meanwhile, the Bank of England reported a small rise (0.7%) in mortgage approvals for house purchase in May when compared to the previous month.



New Supply - England

There are issues with MHCLG's quarterly data though we have used it to suggest the potential path of completions (dotted line). The best leading indicator for supply is Energy Performance Certificates (EPCs) for new build homes with data for Q1 2021 showing a return to normal levels and total new build EPCs of 221,000 in 2020/21.



Appendix 3: Digging Deeper: Land Registry Lag and Coronavirus (BuiltPlace, February 2021)

Digging Deeper

Residential Analysts Ltd

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Land Reg Lag & Coronavirus

- **Pandemic Leading to Longer Time Lags in Registration**
- **Creates Problems With Short-Term Data & House Price Indices**

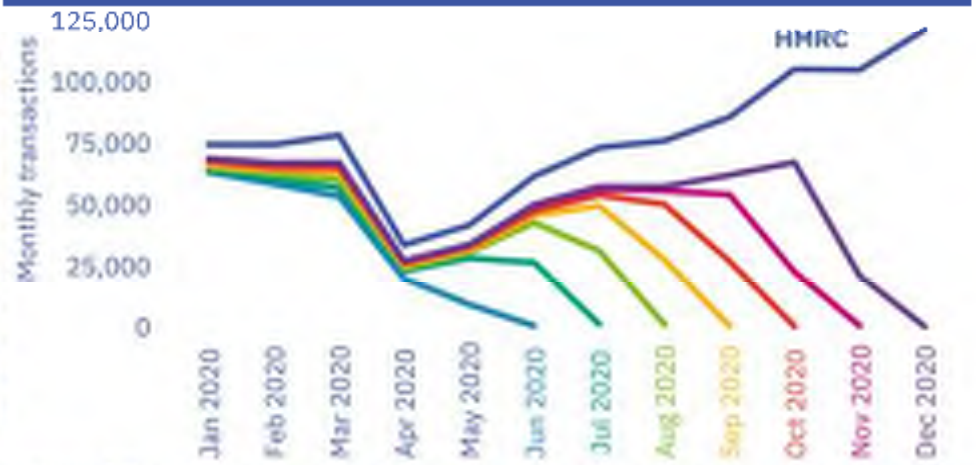
There has always been a time lag in when transactions are registered with HM Land Registry but the pandemic has increased it. The increased lag creates a short-term constraint on our understanding of the housing market with less comprehensive transaction data and could lead to larger revisions in the ONS house price index.

There is a time lag in when transactions are registered with HM Land Registry and the pandemic has made it worse. The lag in registrations means that the latest data release from Land Registry only covers a fraction of transactions that actually occurred in the latest month it covers. This lag and partial sample of transactions has caused problems in the past. For example, the revision period of the ONS house price index was extended from three to twelve months and numerous people have mis-interpreted the limited number of transactions in the Price Paid Data as a massive collapse in housing market activity when it was just the lag. Normally we can make allowances for the lag but, unfortunately, the pandemic has worsened it and this has implications for the data.

The chart opposite shows the impact of the lag on sales in the Land Registry's Price Paid Data. It shows limited sales in the most recent month's release slowly increasing towards the number recorded by the HMRC with each release. For example the first count of sales in Sep 2020 was just 880 and had increased to 62k by the Dec 2020 release. However, the HMRC data reports nearly 86k sales in Sep and so the Land Reg data will continue to close towards this level over time, though it never quite reaches the same level due to differences in data coverage.

Figure 1: Monthly Transactions by Release

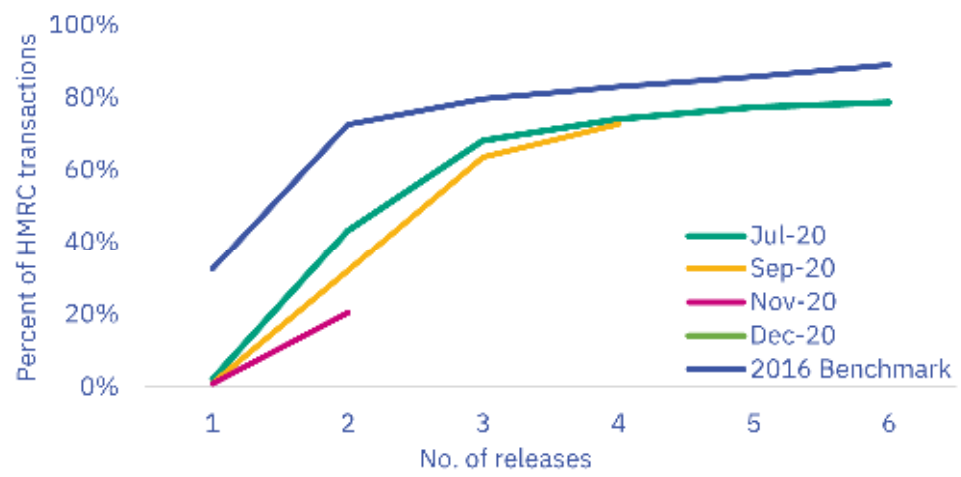
Source: HMLR, HMRC – England & Wales



Unfortunately, it appears that a combination of the pandemic and rising transaction numbers have worsened the lag in recent months. The increasing lag can be seen in Figure 2 below which looks at what proportion of sales (based on HMRC data) have been registered for the month by the number of data releases covering that month. For example, it shows 43% of HMRC sales in July 2020 had been registered by the second release of data covering that month but the second release for November covered just 20% of sales. Meanwhile, a comparison with data for 2016 shows that we would've expected around 73% of sales to appear in the second release.

Figure 2: Percent of Sales Registered by Month

Source: HMLR, HMRC – England & Wales



Hopefully this increased lag is just a short-term effect reflecting the challenges faced by Land Registry during the pandemic and a boom in transactions. There are, however, some serious consequences while it lasts. The increased lag means that the number of sales in the third release for any given month will still be a substantial undercount (this is when ONS release sales data). It also implies the first ONS house price index for any given month is based on a very small sample of sales. We could therefore see some significant revisions to the index, especially at smaller geographies.

Appendix 4: Digging Deeper: The Problem with the New Build Premium (BuiltPlace, October 2021)

Digging Deeper

Residential Analysts Ltd

Powered by BuiltPlace

The Problem With The New-Build Premium

The new-build market has a mortgage problem. Mortgage lenders are less willing to lend at high loan-to-value ratios on new-build homes than existing ones. They have concerns over the pricing of new-build and how well the price of a new home will hold relative to the market over time. Our analysis looks to investigate whether these concerns are appropriate, the role of the Help to Buy equity loan scheme in bridging the gap between lenders' concerns and market demand, and what might happen to the new-build market when Help to Buy ends.

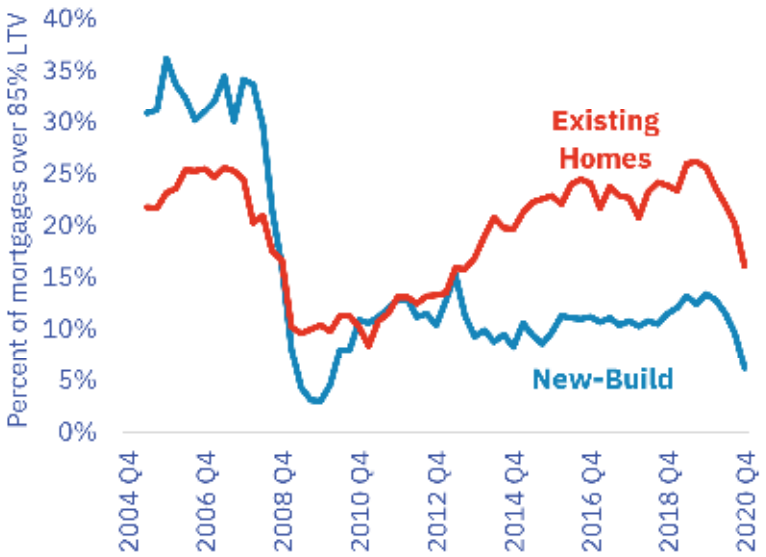
New-Build's Mortgage Problem

At the core of the mortgage problem is the new-build premium and the cautious approach lenders may take when the support offered by the Help to Buy equity loan scheme reduces. This could limit the housebuilding sector's ability to build new homes.

Much if not most of the political and policy attention tends to be focussed on the inputs and processes of housebuilding and planning. But it is also important to consider the size of the market for buyers of new housing – the numbers who can afford to buy the new homes that will be built, which may be homeowners, buy-to-let investors, or increasingly institutional investors. For housebuilders selling to homeowners, much of that demand is determined by mortgage availability and affordability. The challenge for housebuilders is, as Fig 1 shows, mortgages at higher loan-to-value ratios are more constrained for new-build homes than in the wider market.

Fig 1: High LTV Mortgages

Source: FCA Product Sales Data, UK



The reason mortgage lenders are less willing to lend at higher loan-to-value ratios on new-build stems from concerns about the new-build premium. The case for a new-build premium is clear. Simply put, many buyers of second-hand homes need to invest further money making repairs or doing up the homes to tailor them to their taste and needs. They may also have to buy new appliances. This is clearly less of an issue for new homes. But critically, the money spent by buyers of second-hand homes after purchase generally comes from a separate pot than the mortgage. Whereas, for new-build it is wrapped up in the price, which may, in the eyes of lenders, have been raised further by any incentives used to encourage buyers.

When looking at a new home lenders concerns are based on two questions. Firstly, whether the price paid for the new home that their loan is secured against is an appropriate value. Secondly, if this value will be sustained over time or if the new-build premium will be eroded. This can lead to greater depreciation relative to existing homes in the local market and result in buyers not building an equity buffer as quickly as their peers in the wider market. Lenders' approach to the new-build market is grounded in their own analysis of the risks. While we cannot know exactly what analysis they have done, we have used our own approach to assess what happens to the price of new-build homes after they have been sold by the developer.

Importantly, the results of our analysis suggest that lenders' concerns about the new-build premium and longer-term values are well founded. The research shows an under-performance in the change in value of new-build homes relative to local market benchmarks. It finds that, while new-build homes may appreciate faster than the local market benchmark in the short-term, this premium can disappear within a couple of years.

Over the longer-term, there is evidence for an under-performance in total price growth relative to the local market. For some homes, typically houses, this would effectively be regarded by lenders as a one-off discount to the market reflecting the disappearance of the new-build premium over seven years or so. However, for other homes such as flats, there is evidence from our research, which is likely to be mirrored in lenders' data, for a continued and growing discount relative to the local market benchmark.

These findings suggest lenders are right to be concerned about the longer-term value of the homes their lending is secured against. The findings also highlight the importance of the Help to Buy equity loan scheme in narrowing the gap between lenders' risk aversion and the public's appetite for buying new-build homes. This risk gap is further highlighted by Nationwide's announcement this week that they will be lending on new-build homes via the Deposit Unlock scheme, a private sector insurance scheme that aims to bridge this gap.

Digging Deeper

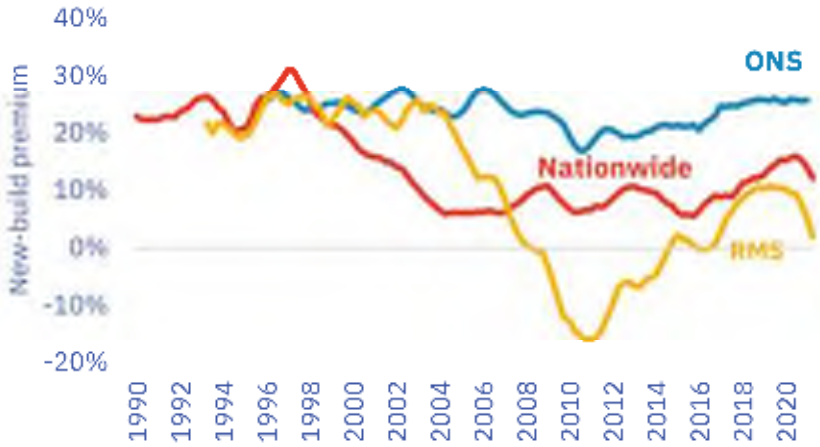
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Measuring the New-Build Premium

The existence and size of the new-build premium can be contentious due to the difficulties in accurately measuring it. That there is a premium when new homes are first built appears to be backed up by simple analysis of published house price indices. For example, Fig 2 shows the apparent premium according to three different measures. Based on the ONS house price index, the premium has been consistently around 20% since the mid-1990s, while the Nationwide house price index suggests it was at this level in the 1990s but has fallen to around 10% in recent decades. Meanwhile, unweighted data taken from the Regulated Mortgage Survey shows there is considerable variation in the premium, even turning negative. However, this tends to reflect changes in the mix of new-build homes. So, a shift to more flats being built during the mid-2000s reduced the average new-build price.

Fig 2: New-Build Premium

Source: ONS (Eng. & Wales), Nationwide (UK), RMS (UK)



The truth is none of these measures provide a meaningful measure of the new-build premium, as they are affected by several issues. These include the changes in the mix of homes being built over time and the initial starting price of the indices. There is also the question of what measures are used. Measurement could be based on total price, price per bedroom or price per square metre. A premium on one measure could easily reflect a compromise on another.

Adding to the complications is the need to compare the actual net price of the home sold. This has been a constant concern of valuers and lenders over many years, given the fluctuating use of sales incentives in the new-build market.

Accurately identifying a new-build premium at the point of sale can be challenging, irrespective of the chosen approach. Automated and traditional valuations can help but the priority for lenders is to understand what the value of the home might be in the event they have to take possession of the property at some point in the future.

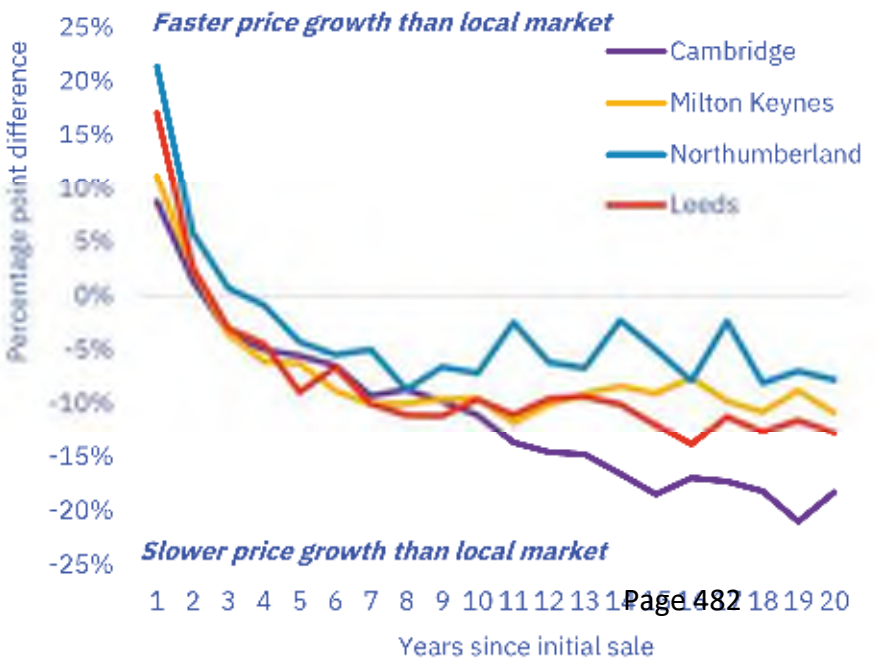
Therefore, to assess the risks lenders might see in new-build, we have chosen to analyse the price performance of new-build homes after they have been built relative to prices in the wider housing market. If new-build prices follow a similar or higher trajectory to prices of existing homes this would suggest lenders' concerns about new-build may be misplaced. If they under-perform then lenders may be rightly cautious that their money is secured against potentially under-performing assets that might struggle to sell, especially if house prices in the wider market had been static or falling over the period of ownership since the homes were first built.

Our methodology for assessing the performance of the new-build premium is based on identifying new-build property prices from the HM Land Registry price paid data and assessing how prices for those properties have changed over time in subsequent sales. We then compare the change in price of the new-build property to a benchmark based on the average change in prices across the local market during the same period. This allows us to assess how individual new-build properties have performed relative to the benchmark.

The results for selected markets are presented in Fig 3. It shows the percentage point difference in price change for new-build relative to the benchmark by length of ownership. A positive result shows new-build homes resold for prices higher than suggested by the local benchmark. A negative result shows new-build has under-performed the local benchmark when resold.

Fig 3: New-Build Versus Benchmark

Source: HM Land Registry, BuiltPlace



Digging Deeper

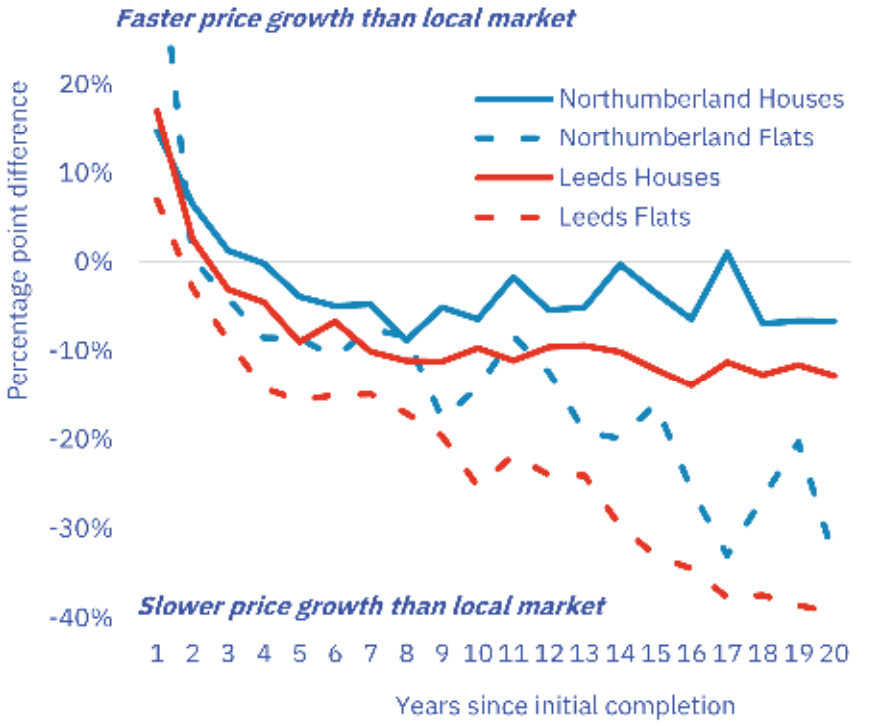
The results of our analysis reinforce the concerns held by lenders. Interestingly, the analysis shows that over the very short-term (three years or less), recent new-build homes tend to sell for a higher price than suggested by local price trends. However, this rapidly reverses in the following years with resales of new-build homes under-performing the benchmark. Although in most cases they will have still risen in actual price. Fig 3 shows that new-build homes sold seven years after their first sale had, on average, under-performed the local benchmark by around 10 percentage points. For example, if house prices in the local market had risen by 30% over the period, then the price of new-build had only risen by 20% since completion. Fig 3 also shows that the under-performance varies by location, with some areas experiencing continued declines in relative price. This is also the case when repeating the analysis by type.

Repeating our analysis with a split between flats and houses shows significant variation between the two broad property types. Fig 4 shows the result for Northumberland and Leeds. It illustrates the longer-term underperformance of new-build houses as the new-build premium is lost but it appears to be a one-off cost that does not increase beyond around seven years. The results for flats, especially in Leeds, are more severe with a continued decline relative to the benchmark over the period of our analysis.

For example, flats that were new in 2000 had under-performed the Leeds benchmark by 40 percentage points when sold 20 years later compared with 25 percentage points when sold 10 years after completion. This continued decline in flat prices relative to the benchmark is concerning and supports lenders' more conservative approach to risk when lending on new-build flats than new-build houses. Whatever the detailed reasons for the performance, to a lender it represents risk.

Fig 4: New-Build Versus Benchmark

Source: HM Land Registry, BuiltPlace

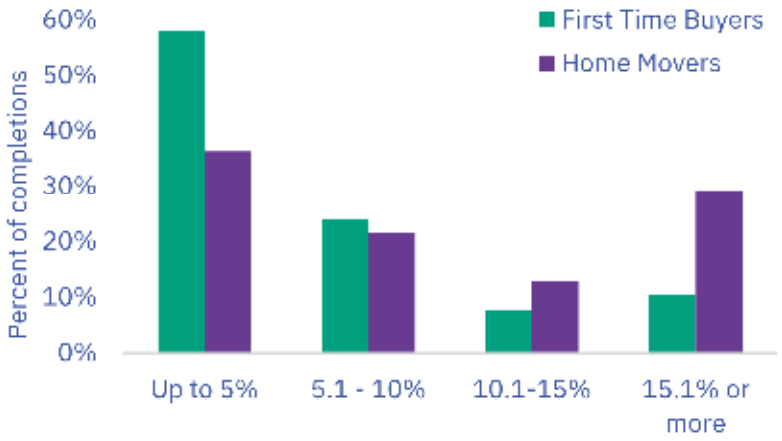


The Importance of Help to Buy Equity Loan

Our analysis suggests that lenders are right to be cautious about the longer-term value of new-build homes. Thankfully, for lenders and housebuilders, there is a policy that bridges the gap between mortgage lenders' reduced risk appetite for new-build and the public/government's aspirations for housebuilding and homeownership: Help to Buy equity loan. The equity loan scheme was launched when the overall market for higher loan-to-value lending was constrained following the credit crunch. Since then, it has been extremely successful in allowing deposit constrained buyers to purchase new-build homes. However, unlike the mortgage guarantee scheme that was launched around the same time, the equity loan scheme has remained in place.

Fig 5: H2B Deposit as % of House Price

Source: MHCLG, England



It is almost impossible to know what might have happened to the new-build mortgage market if the equity loan scheme had ended sooner. However, we do know what has actually happened. So far, it has helped people buy over 300,000 homes with 82% of purchases by first time buyers. As Fig 5 shows, most of those buyers had deposits of just 5% of the purchase price. That suggests, in the absence of the scheme, they would have required a 95% loan to value mortgage to buy their new home. However, one of the scheme's nicknames (help to buy bigger) hints at the challenges in accurately assessing the impact of the scheme as many buyers changed their property preferences to larger homes based on their improved borrowing capacity through the scheme.

Digging Deeper

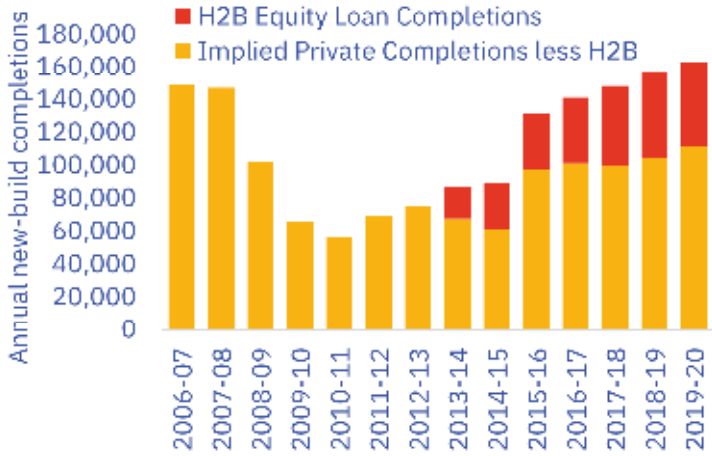
Fixing The Premium Problem

Our analysis suggests that mortgage lenders are rightly cautious about lending on new-build homes but the end of the existing Help to Buy equity loan scheme is rapidly approaching. That presents a serious problem for the housebuilding sector and government. Simple analysis of new-build activity in England compared with overall market activity suggests that private housebuilding completions could fall by around a third in the absence of a suitable replacement (Fig 6). In terms of replacements, it is unlikely that First Homes or shared ownership will be able to fill the hole left by the disappearance of Help to Buy equity loan. However, there is more hope offered by the private sector Deposit Unlock scheme, with Nationwide announcing their participation this week. The scheme, developed by Gallagher Re and the HBF, provides mortgage indemnity insurance for lenders on new-build homes. The scheme appears to offer buyers access to higher loan-to-value mortgages at similar terms to the mortgages available for existing homes though the small print suggests that not all property types and locations will be covered. While welcome to housebuilders and buyers, the solution highlights the continued reluctance of lenders to offer higher loan-to-value mortgages on new-build. Hopefully the trends highlighted by this research have been factored into the development of the scheme.

There are of course opportunities for housebuilders to create more sustainable new-build premiums that decay slower and, therefore, present less concern to lenders. This would mean building in features that more permanently advantage new homes in comparison with the existing stock. Here, the environmental agenda should help housebuilders, as much of the existing stock needs substantial investment to bring it closer to net zero. How this pans out will rest very much on public attitudes to improving the environmental performance of their homes, how much pressure is put on them to act, and on the path of household energy bills.

Fig 6: Private Housing Delivery

Source: MHCLG - England



Ultimately, this situation suggests the need for greater understanding of what is driving the under-performance of new-build homes over time. Our analysis has clearly shown substantial variation in terms of location and property type. This suggests there may be opportunities for further analysis of new-build resales to identify what helps preserve their value. This knowledge could then be used to help educate lenders and enable them to take more informed approaches to lending on new-build homes.

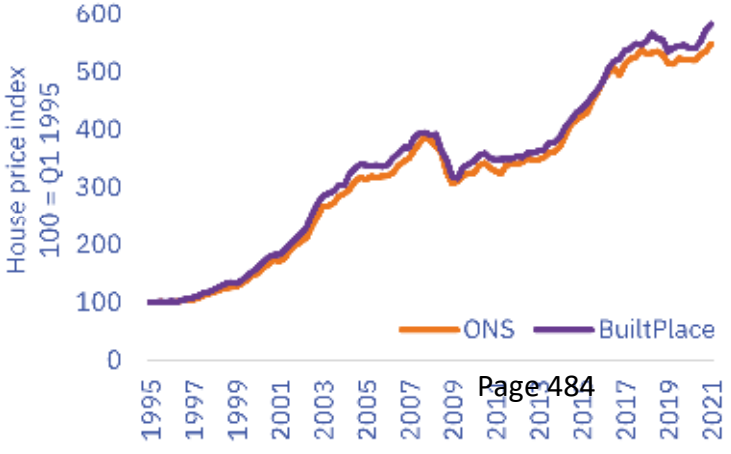
Appendix - Creating a House Price Index

To undertake our analysis of new-build premiums over time, we needed to create our own house price indices. These would provide a benchmark for changes in existing local house prices that we could then cross-reference new-build homes against. We could simply use the ONS indices but, due to differences in methodology, we were not certain that they would be appropriate. To create our own indices, we used HM Land Registry price paid data to create matched pairs of sales and perform a repeat sales regression. This was the approach previously used by HM Land Registry, but the ONS published house price indices now include other data sources that allows them to use a hedonic regression model.

Our repeat sales regression model is simpler and involves identifying properties that have sold two or more times since the data started in 1995. Knowing the initial purchase price, sale price, and holding period, we then filtered the data to exclude any properties that had sold as new-build during the period or been held for very short periods (six months or less). Once we had created a dataset of matched sales for the area in question, we used the modelling software R to perform the actual regression. The results for Milton Keynes are shown opposite compared to the ONS published index. It appears our repeat sales regression closely matches the ONS published data so perhaps we could have saved some effort, but it is a useful test and allows us to create house price indices for bespoke geographies.

Fig 7: Price Index, Milton Keynes

Source: ONS, HM Land Registry, BuiltPlace



Appendix 5: Evidence of Non-Cash Incentives and Extras



Plot 22 – Cork
2 bedroom semi-detached home
Double Detached Shared Garage
£156,995

This home includes carpets and vinyl



Plot 15 – Tyrone
3 bedroom semi-detached home
Driveway
£168,995

This home includes an upgraded kitchen with boiler housing and a shower over the bath



Plot 14 – Fergus
3 bedroom semi-detached home
Single Integral Garage
£183,995

This home includes an upgraded kitchen with boiler housing and a shower over the bath



Plot 20 – Kilkenny
3 bedroom detached home
Single Attached Garage
£199,995



Plot 1 – Kilkenny
3 bedroom detached home
Single Attached Garage
£211,995

Show home - sold as seen with all fixtures and furnishings included

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Appendix 6: Lichfields Insight (August 2021) – Fine Margins: Viability Assessments in Planning and Plan-Making

INSIGHT
AUGUST 2021

Fine Margins

Viability assessments
in planning and plan-making



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Executive summary

The financial viability of development is taking on an increasingly important role in the planning and plan-making process. In this Insight, we have sought to provide a comprehensive overview of the way in which viability assessments are conducted and for the purposes of area-wide viability studies to inform local plan preparation.

Changes within recent years to national planning policy and related practice guidance present some potentially significant challenges for developers and plan-makers to overcome. Principally, these changes relate to the 'frontloading' of viability assessments to the plan-making stage and the implications of a widespread usage of an approach to defining land value with referencing to its Existing Use Value (EUV) plus a premium. The importance of these changes cannot be overstated; recent evidence suggests that the soundness of local plans is increasingly being fought on a viability battleground.

We hope that this Insight – drawing upon several years' worth of evidence from local plan and Community Infrastructure Levy (CIL) viability studies from across England and Wales – will be useful to a wide range of users. Potential users might include those wanting:

1. To gain an overview of the concepts, inputs and outputs that underpin viability assessment in a housing development context;
2. To understand in greater detail the links between viability assessment and planning; and
3. To scrutinise local plan (or CIL) viability evidence (or underpin independent evidence) with reference to a robust national dataset.

To this end, it is Lichfields' intention that this Insight helps to bring greater clarity to an area of practice in which there are frequent misunderstandings and to allow more meaningful debate on this important issue.

	Key finding(s)	Lichfields' perspective
Factors with a common methodology		
Build costs	• Building Costs Information Service (BCIS) widely used	• Transparent and easy to apply in area-wide viability assessment • Best approach in the absence of any more robust, standardised alternative (but be wary of additional costs which may not be factored in)
Sales values	• HM Land Registry price data cross-checked against EPC Register	• Reliant on new build sales evidence (for which there is often a lag) and risk of values rapidly becoming out of date • Straightforward and consistent method to apply in area-wide viability assessment
Factors with a narrow range		
Developer profit	• 20% GDV (market housing) • 6% GDV (affordable housing)	• Flexibility should be built in, to account for varying risk profiles across site typologies
Externals	• 10 - 20% of build costs	• Application of a range necessary to reflect different site typologies
Contingency	• 2.5 - 5% of build costs	• Site typologies and their risk profiles should dictate the use of a flat rate or tiered approach
Professional fees	• 8 - 10% of build costs	• Discretion should be used to apply an allowance that reflects specific site circumstances
Development finance	• 6 - 7% debt interest rate	• Should reflect prevailing economic conditions with reference to LIBOR (or its successor)
Sales and marketing	• 2.5 - 3.5% GDV • Legal fees in addition (c.£750/unit)	• Differentiated rates may be appropriate
Land acquisition	• 1.5 - 2.25% of land purchase price (with SDLT on top of this)	• Combined percentage to cover agent and legal fees
Factors with greater variation		
Abnormals	• Common not to apply an allowance • Brownfield only approach common	• If included, clear justification should be provided, with clear differentiation from other cost allowances • Critical to assess within the context of land value (see Benchmark Land Value)
Opening up costs	• Common not to apply an allowance	• Lack of understanding of what these constitute and how they relate to other cost allowances • Clarity of approach required and detailed breakdown of other costs
Viability buffer	• Not commonly applied • More common for CIL than for development plans	• 'Frontloading' directive puts increased emphasis on a need for buffers in both development plan and CIL viability testing • Where not applied, give consideration to if buffers have been applied to other assumptions to avoid planning to the margins of viability
Land Value		
Approach	• EUV plus a premium ('EUV+') to reflect a 'sufficient' landowner incentive	• Pre-Parkhurst Road judgment, EUV+ was widely embedded within the industry • NPPF/PPG changes in 2019 are a response to this
Premium	• Typical indicative ranges include: • Brownfield: EUV+ 20% • Greenfield: 15-20 times EUV	• A 'standard' level of premium does not exist • Landowner premium ought to be adjusted (downwards) to reflect specific infrastructure and abnormal costs and other site fees

01
Why is viability important?



Viability is a critical but often misunderstood concept, and one that is central to the deliverability of housing sites and the successful implementation of local plan strategies. If developments are not viable, they may not come forward and local plans could fail to deliver in terms of meeting their identified housing requirements, creating new jobs, providing community facilities, and delivering regeneration objectives.

At its most basic level, viability relates to the relative balance between the value generated by development (GDV) and the total costs associated with the delivery of that development. Figure 1 indicates the revenue and cost considerations that a typical viability assessment should take into account.

Having a scheme that functions from a financial perspective provides a sound basis for a development scheme to come forward. If the GDV is equal to or greater than the total costs, then the scheme is viable and can go ahead. If not, then the deliverability of that development may be compromised unless additional funding can be achieved or costs can be reduced. To this end, whilst strategic plans set out policy requirements in respect of affordable housing provision and other development contributions, these have often been subject to negotiation at application stage. Taking a reduced profit could also help to boost the viability of a scheme, although this may not be possible due to the need for the developer to balance risk and reward. A reduction in landowner return can be another mechanism to make a scheme viable, although this also needs to be balanced against the requirement for a sufficient financial incentive to release land for development.

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05	Unpicking the Typologies	13
06	It all comes down to land value	28
07	The viability challenge of garden communities	33
08	Conclusions and Implications	35

Figure I: Viability assessment components



Source: Lichfields analysis

Front-loading viability

To ensure deliverability it is vitally important that local plans and CIL charging schedules are drawn up with a comprehensive understanding of viability. These documents should be based on sound evidence so that development (whether to be delivered on allocated or non-allocated sites) can proceed in such a way that will satisfy the landowner and developer whilst also meeting the relevant policy obligations such as affordable housing, financial contributions, environmental standards and design requirements (see Figure 2).

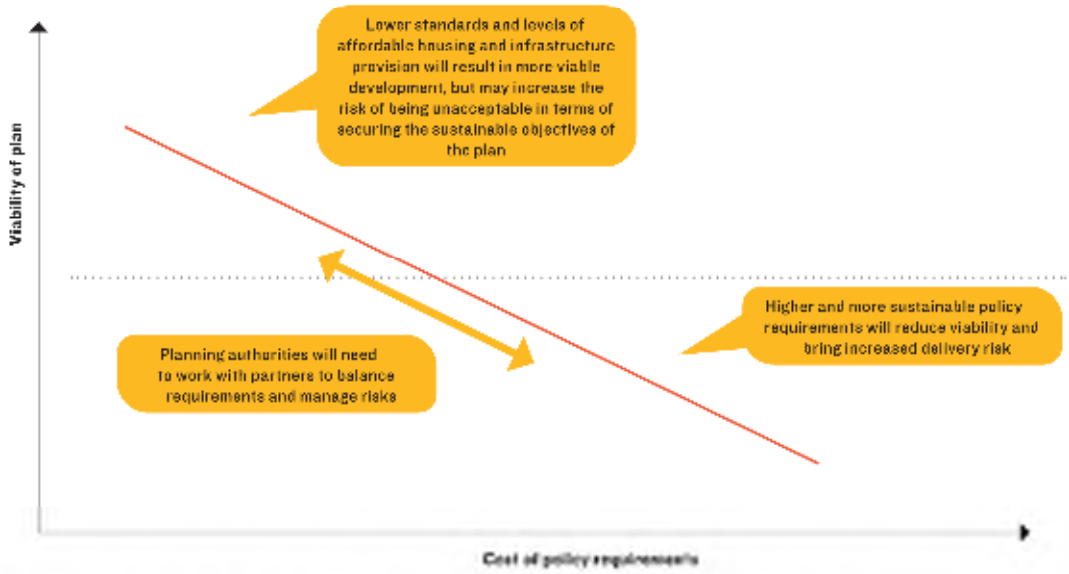
Planning policy in England and Wales now seeks to "front-load" all consideration of development viability so that it is given a much greater emphasis at strategic plan preparation stage. The assumption that flows from this is that developments that accord with the strategic plan will be viable. It will be for an applicant to demonstrate why the viability of their development is compromised because of a change in circumstances since the plan was prepared and adopted.

However, local plans provide a long-term framework for development and it is essential that they are sufficiently flexible to account for changing circumstances, such as rising costs and potential changes in development values over the next 10-15 years. Although some situations – for example, the current Covid-19 pandemic – could not reasonably be anticipated by policymakers, the cyclical nature of the economy brings the need for flexibility into sharp focus. The significance of viability increases at times of economic downturn and this might result in the need for local authorities to be adaptable in their application of planning obligations and policy requirements so that development might continue to come forward in the right places throughout the plan period.

The implication of the new approach to viability is to underline the importance of full engagement in the plan preparation process by those seeking to promote land for development. Attention should be focused on:

1. Demonstration that its site is deliverable from a financial viability and technical perspective;
2. Scrutiny of proposed allocations that are not considered to be viable or deliverable;

Figure 2: Balancing delivery risk and sustainable plan policies



Source: Adapted from the Harman Review (2012) Viability Testing Local Plans - Advice for planning practitioners

3. Ensuring the council's viability assessment takes account of an appropriate range of development typologies and that these are reflective of the local area;
4. Providing robust inputs to the council's viability assessment in respect of costs and development values so that it can inform reasonable policy choices;
5. Ensuring that the viability assessment considers all relevant matters – for example, the viability implications of design standards and environmental requirements – rather than focusing solely on Section 106 and CIL requirements;
6. Ensuring that a balance is struck between the need to satisfy requirements for affordable housing or infrastructure funded by CIL, and the importance of ensuring that the wider deliverability of development is not undermined; and,
7. Setting reasonable expectations in terms of land value for landowners and site promoters.

Is there such a thing as a standardised approach?

The NPPF and PPG both advocate the use of standardised inputs to viability assessments. This was considered by Dove J in *R (Holborn Studios) v London Borough of Hackney* (2020), which revolved around the issue of disclosure of viability assessments. Paragraph 63 of the judgment notes that the PPG "*makes clear the preparation of a viability assessment 'is not usually specific to that developer and thereby need not contain commercially sensitive data'.*"

The standardisation of viability assessments is important in addressing concerns about commercial confidentiality and testing the robustness of assessments put forward by local authorities as part of their strategic plan making process and by developers at application stage. However, neither the NPPF nor the PPG provides much by way of guidance on inputs that should be applied. The PPG merely states that key elements are gross development value, costs, land value, landowner premium and developer return.

In Wales, the Development Plan Manual identifies the viability components that need to be addressed and expressed in the plan's

> The preparation of a viability assessment is not usually specific to that developer and thereby need not contain commercially sensitive data.
>
> Holborn Studios v London Borough of Hackney (2020)



evidence base. It then goes on to set out core modelling considerations which should be taken into account when progressing high level viability testing. The level of detail varies between the various components identified. The most specific level of guidance is provided in relation to developer profit. The Development Plan Manual states at page 145:

"The model will need to include an average profit margin to ensure a realistic developer profit is embedded within the model. The normal range of profit expected by developers and necessary to meet most lenders' requirements is between 15% and 20% of Gross Development Value (GDV) for developments that will be let or sold on the open market. A lower profit margin, based on 6% of cost, is normally applied to the provision of affordable housing. It is important to understand the types of developers operating in an area and how land is brought forward. In rural areas smaller developers work on a different model to large, volume house builders. Larger sites can carry more risk where they take a long time to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not. Developer profit margin is also linked to interest rates charged for finance."

In the absence of any clear guidance regarding all aspects of the standard inputs in England and Wales, this Insight is intended to provide some clarity on the issue. It is based on a review of 93 local plan and CIL viability assessments and Inspector's reports and seeks to:

1. Fill a void in the understanding of the various assumptions and inputs;
2. Identify common themes and approaches in relation to key viability metrics;
3. Prevent continued disagreement in respect of matters for which there is broad alignment and/or to understand why differences arose;
4. Inform scrutiny of local plan viability evidence; and,
5. Underpin independent evidence.

02
Policy overview

Both the English and Welsh planning systems through the National Planning Policy Framework (NPPF) (and Planning Policy Guidance) in England and Planning Policy Wales (and the Development Plans Manual) in Wales have in recent years moved towards a policy of requiring viability assessments for sites at an early stage of the development plan making process.

In England, the Planning Practice Guidance (PPG) (Paragraph 002 Ref ID: 10-002-20190509) states:

"The role for viability assessment is primarily at the plan making stage ... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant."

Similarly, in Wales, planning guidance (PPW) (paragraph 4.2.19) explains that:

"At the 'Candidate Site' stage of development plan preparation land owners/developers must carry out an initial site viability assessment and provide evidence to demonstrate the financial deliverability of their sites."

The rationale behind this approach is to ensure that all sites that are allocated in development plans are deliverable within the timescales of the plan. For a site to be deliverable it clearly needs to stack up from a financial perspective as well as being free from any unresolvable technical constraints.

Typology Approach

In considering potential allocation sites, local planning authorities need to balance the importance of satisfying the requirements of national policy against the proportionality of testing every site and the reality that some information may not be available at plan-making stage. Therefore, guidance explains that it is appropriate for local planning authorities to use a typology-based approach to understand the viability of local plans and to indicate the likely level of planning obligations that sites can accommodate. The PPG states:

"Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies." (Reference ID 10-003-20180724)

Similarly, the Development Plans Manual (DPM) in Wales explains that site specific viability appraisals should be undertaken for those sites which are key to delivering the plan. For other sites, high level testing based on typologies should be undertaken. A hybrid approach of testing notional sites via a typology approach alongside a more bespoke assessment for strategic sites is therefore advocated by planning policy in both England and Wales.

A typology approach seeks to ensure that the policies are realistic and deliverable based on the type of sites that are likely to come forward for development over the plan period. Sites are grouped by shared characteristics such as location, status (brownfield/greenfield), size and nature. Average costs and values are used to make assumptions about the viability of each typology and plan makers can come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.

Having established broad typologies, the PPG then goes on to state that plan makers should:

"engage with landowners, site promoters and developers and compare data from existing case study sites to help ensure assumptions of costs and values are realistic and broadly accurate." (Reference ID 10-004-20190509).

The DPM in Wales similarly emphasises the good practice of involving key stakeholders in the early stages of plan making to ensure broad consensus on key viability inputs. It suggests the formation of a Viability Steering Group to facilitate this process as well as the use of Statements of Common Ground to establish areas of consensus and narrow down areas of disagreement.

This process of constructive engagement is crucial in ensuring the reasonableness and accuracy of the inputs to viability assessments. Even if a developer is not promoting a site for allocation in an emerging development plan, engagement in respect of development viability is still very important. This is because any non-allocated sites for which planning permission might be sought during the lifetime of a development plan will be assessed against the various typologies that are established at plan preparation stage. As detailed below, the bar has been raised in terms of the basis for deviation from such policies at planning application stage – for both allocated and non-allocated sites.

The implication for developers is therefore to work with local planning authorities to ensure that the assumptions that inform their site typologies and the viability assessments that inform their emerging development plans are robust and reasonable. A failure at this stage could be fatal for the future deliverability of a site.

Revisiting viability at application stage

The PPG explains (Reference ID: 10-006-20190509) that it is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. It identifies the following circumstances in which it might be appropriate to revisit viability considerations at the planning application stage:

1. Development is proposed on unallocated sites of a wholly different type to those used in the viability assessment that informed the plan;
2. Further information on infrastructure or site costs is required;
3. Particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or,
4. A recession or similar significant economic changes have occurred since the plan was brought into force.

Where a viability assessment is submitted to accompany a planning application, the PPG states that this should be based upon and refer back to the viability assessment that informed the plan, and that the applicant should provide evidence of what has changed since then. Critically, the weight to be given to the viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including:

1. Whether the plan and viability evidence underpinning the plan is up to date;
2. Site circumstances including any changes since the plan was brought into force; and,
3. Transparency of assumptions behind evidence submitted as part of the viability assessment.

Planning Policy Wales (paragraph 4.2.21) sets out a similar approach and states that it is either for the applicant or the planning authority to demonstrate that particular **exceptional** circumstances exist to justify a viability assessment at application stage. The weight to be given to a viability assessment is again a matter for the decision maker, having regard to the specific circumstances of the case, including whether the development plan and the viability evidence underpinning it are up to date, and any change in circumstances since the plan was adopted.

As set out above, the expectation is that there will be a much greater level of discussion regarding the need for a reconsideration of viability matters at planning application stage during times of economic stagnation and decline. Local planning authorities should be alive to that reality and should seek to support the industry in bringing forward beneficial development. However, the fact that circumstances can change significantly over time will also have the potential to necessitate a review of viability evidence. This underlines the importance of flexibility – at both policy preparation and implementation stages – and ensuring that development plans are kept up to date.

03
Research and methodology

Lichfields has reviewed 93 Local Plan and Community Infrastructure Levy (CIL) viability assessments and Inspector's Reports from across England and Wales to ascertain what assumptions have been made and deemed appropriate by the Inspector in relation to viability. The research, which gains a firm grasp of what is considered a reasonable assumption and why in some cases a more bespoke approach is required, has been undertaken to provide robust evidence for all involved in the preparation and review of plan-wide viability assessments – whether local planning authorities, developers and landowners. It is also designed to inform application-specific viability assessments.

Methodology

Our methodology is based on a thorough review of the viability assessment prepared to underpin a local plan or a CIL charging schedule as well as any comments that the Inspector may have made in relation to viability matters in their report. The evidence base that we tested comprises a wide geographical spread across England and Wales (see Figure 3).

We identified the approach taken in each viability assessment in respect of key assumptions. Comparisons were made between the assessments in order to identify any trends and understand the variations that emerged.

The key metrics that we considered include:

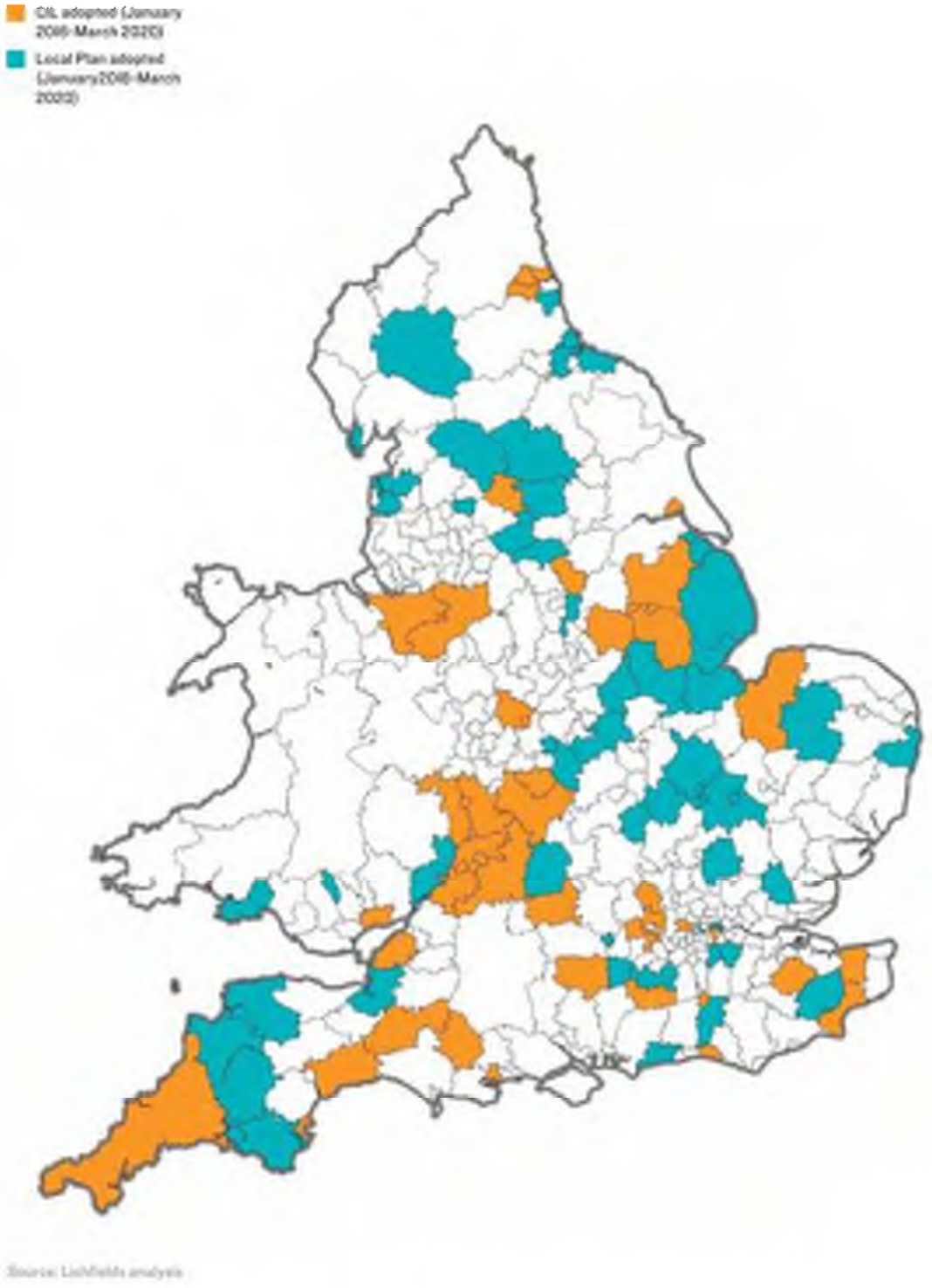
1. Site typologies;
2. Build costs;
3. Externals;
4. Contingencies;
5. Abnormal costs;
6. Opening-up costs;
7. Sales values;
8. Developer profit;
9. Professional fees;
10. Development finance;
11. Sales and marketing costs;
12. Land acquisition fees;
13. Land value; and,
14. Viability buffer.

The research has not sought to assess policy factors, such as Section 106 and affordable housing requirements, CIL charging rates, environmental standards, or enhanced build/design standards. This is because these are the outputs of an iterative testing process in terms of what can be supported by development and will depend on market factors and policy choices. The focus instead is the process of viability testing, and particularly the input factors that go into that process.

The evidence base that we have reviewed is dated between January 2016 and March 2020 for CIL charging schedules and between January 2018 and March 2020 for development plans. This includes all plans and charging schedules adopted prior to the Covid-19pandemic.

We are aware that all of these plans (in England) would have been prepared in accordance with the original (2012) version of the NPPF rather than the revised version. However, we consider that this purely a factor of timings and we will need to wait several years to get a similar sample of revised NPPF examined plans. Although the revised NPPF introduced an important change in the way that viability is dealt with in the planning system, the general approach to viability testing remains largely the same (save for the policy approach to Benchmark Land Value). As set out below, whilst the policy has now been crystallised in terms of EUV+, the evidence that we have looked at demonstrates that the approach is not new.

Figure 3: Geographical spread of viability assessment evidence



Source: Lichfields analysis

04
Viability modelling inputs

Viability appraisals can be undertaken in a variety of ways, with varying degrees of complexity and using different software packages. Common to all approaches, however, is a general modelling framework that considers all the factors that contribute towards the value and cost of delivering a development. It is typical in viability appraisal that a 'residual valuation' approach is used. This approach essentially works on the premise that the costs of a proposed scheme (including developer profit) are netted off against the scheme's total value, with the value remaining – the 'residual' – representing the value of the land. If the land value is too low (or indeed negative) then the scheme is theoretically unviable. This is demonstrated in Figure 4 in which three scenarios that differ in terms of gross development cost are compared to a constant gross development value.

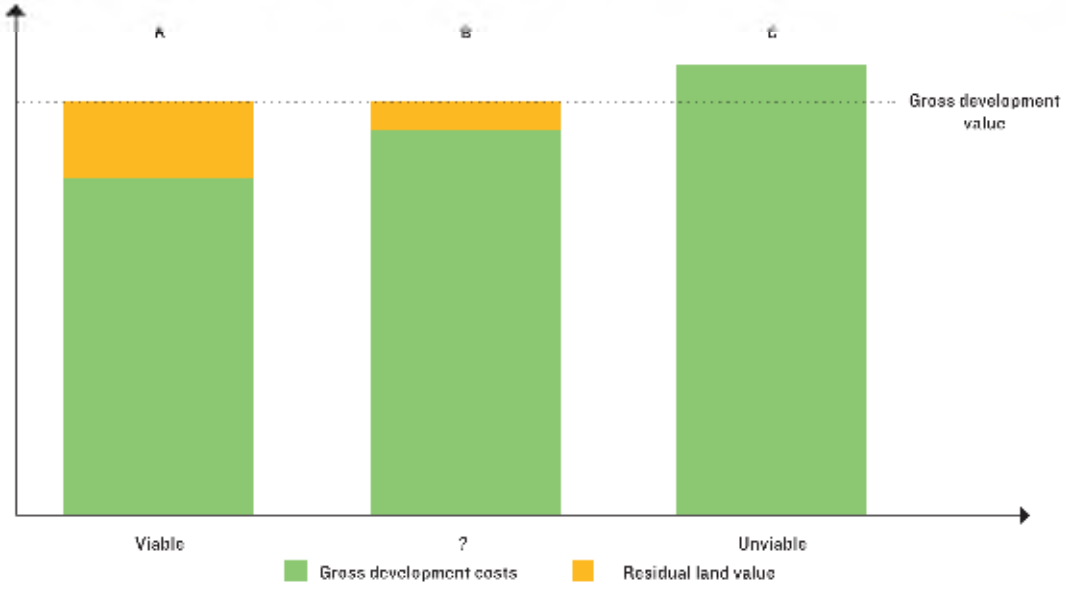
Scenario C is shown to be unviable since the gross costs exceed the gross development value and therefore no residual value remains. Scenarios A and B both yield a residual land value, however, in B it is smaller than in A. The assessment of viability in both instances is determined through comparison of the residual land value (RLV) to an appropriate benchmark land value (BLV). In the case of Scenario A, it is more likely that this higher RLV will result in a viable scheme whereas the lower residual in Scenario B increases the risk that the scheme would be unviable. The BLV is a concept that our analysis explores in Section 6.

In essence, Figure 4 condenses a viability appraisal down to three key questions:

1. How should Gross Development Value (GDV) be determined?
2. What development costs should be accounted for?
3. How should an appropriate Benchmark Land Value (BLV) be defined?

Naturally, this simplified approach masks its complexity. There is firstly a requirement to consider a large number of inputs, all of which can be subject to high variability in any given place and time. Secondly, because of this variability, viability appraisals can often be highly sensitive to change, with small changes in inputs resulting in very different outcomes. As such, sound viability appraisal practice rests heavily on the careful consideration of its inputs but also on undertaking sensitivity analysis to ensure that the impact of anomalies/ variability is minimised.

Figure 4: Simplified residual valuation method of viability appraisal

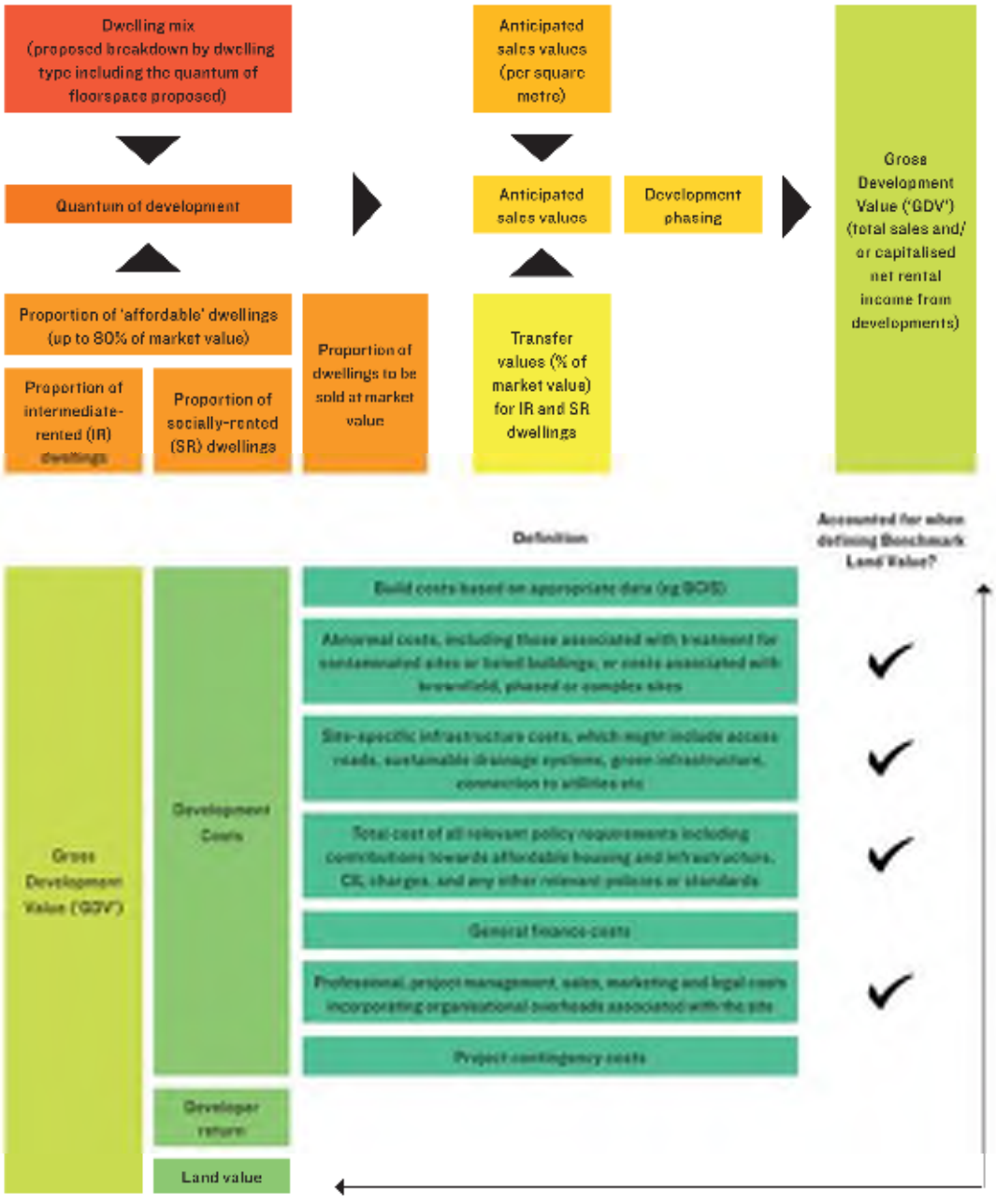


Source: Lichfields analysis

The PPG in England and DFM in Wales set out some of the inputs that viability appraisals should consider, albeit as guidance this is not comprehensive. Based upon our understanding of the inputs, the flow diagram (Figure 5) illustrates these and the interrelationships between them in an idealised viability appraisal. As our research has focused around viability within a residential development context, the flow diagram refers mainly to values/cost inputs that are relevant to residential development rather than commercial development.

Our analysis now focuses on the constituent elements of this flow diagram to explore themes, patterns and commonalities of approach.

Figure 5: A typical viability assessment for a residential scheme



Source: Lichfields analysis, Planning Policy Guidance (England) and Development Plans Manual (Wales).

The typology approach

Definition

Grouping together of sites based on their shared characteristics such as size (either by area or by dwelling numbers), existing use (e.g. brownfield/greenfield) and site context (rural/urban/suburban).

The PPG describes the typology approach to viability as :

"a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period." (Reference ID 10-004-20190509)

Acknowledging that specific site information may not be available at the plan-making stage, the purpose of a typology approach is to test a number of representative sites that could be realistically delivered and then allowing plan makers to assess appropriate policy requirements and benchmark land values according to each typology.

We found that a typology approach to development plan / CIL viability testing appears to be widespread. This is in line with PPG and DPM which both advocate a typology-based approach. We only found one local planning authority (London Borough of Croydon) that took an alternative approach of undertaking a series of site-specific viability appraisals. A number of authorities also tested real allocations alongside notional sites. Often these were subject to bespoke, location specific assumptions which deviate from the wider viability assumptions used for the notional sites. This approach reflects the guidance set out in the PPG and DPM and recognises how strategic sites are critical to the delivery of the strategic priorities of the plan.

Our analysis found that the most common approach was to distinguish between typologies on the basis of site size (or housing capacity). This appears logical given that some of the underlying viability assumptions attributed to smaller sites are likely to be different to that of much larger sites. However, there are clearly other factors besides size which are appropriate considerations in the context of viability: density, previous use classification, site character and housing market value area. Our review has shown that local authorities have generally adopted a bespoke set of typologies (as advocated by the PPG and DPM) that reflect a combination of all these considerations. As such, it is clearly not possible to set out a 'one size fits all' primer for implementing a typology approach since the appropriate way will vary from one authority area to another. The PPG summarises this efficiently at Reference ID 10-004-20190509:

"The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan."

What our review does show is that it is critical to ensure that the final choice of site typologies is an accurate and realistic reflection of the types of sites that could come forward during a plan period in the local authority area. Although there is no certainty that sites will not be delivered if the typologies assessed at the plan-making stage were not representative, there is perhaps a more fundamental risk that the development plan will not be found sound if it fails to adequately reflect the nature of local development in the area.

Lichfields perspective on typologies

The use of representative typologies, using average costs and values is a sensible and pragmatic way of conducting viability appraisals on an area-wide basis and across multiple sites. The potentially onerous information requirements associated with the preparation of multiple site-specific viability appraisals at the plan-making stage would be likely to have significant resourcing implications for many local authorities. Indeed, on the developer side of the equation it would perhaps be unrealistic to expect such detail to be forthcoming for all potential sites vying for a local plan allocation. The need to consider the potential viability implications of as yet unidentified sites that are not being promoted for allocation further increases the logic of this approach. However, for strategic sites that are individually fundamental to the delivery of the plan strategy, there is a greater imperative to consider viability on a site-by-site basis – not least that there may not be any other sites that would fit into the same broad typology.

Whilst this approach addresses the practical challenge of setting appropriate policy requirements and benchmark land values at an area-wide level, there remains the issue that some sites will inevitably fall through the cracks by virtue of their particular characteristics or – perhaps most pertinently – by changing circumstances. Through extrapolation of the typology approach, once a development plan is adopted, planning applications that come forward for sites that sit within the typology framework tested (and that accord with all relevant policy requirements) are deemed to be viable. However, what of sites that do not fit within any of the typologies that were tested and does national policy provide any flexibility in this regard?

Reference in the PPG and DPM to 'particular circumstances' to justify the need for a viability assessment at the application stage suggest that flexibility does exist; however, ultimately it will be for the decision maker to decide on the weight afforded to the applicant's case. It also remains to be seen to what extent the current pandemic-induced economic uncertainty will constitute particular circumstances. Whilst the focus of changes to the guidance has very much been to 'frontload' viability assessments this has the potential to fundamentally undermine the premise of plan-led viability.

05
Unpicking the typologies

In this section we discuss each factor in turn, providing commentary on the general trends found in relation to that factor across the country. We also provide our thoughts on what a reasonable approach should take.

In so doing, we have categorised the metrics into three broad categories:

1. Factors with a common methodology – where there was general conformity in the method that was applied by the majority of local planning authorities, even though specific values may have differed;
2. Factors with a narrow range of values/ figures; and,
3. Factors with a broader range of values/ figures.

Factors with a common methodology

Build costs

Definition

In a residential context, the base build cost is the cost of constructing a dwelling from the ground up but excluding the cost of externalworks.

The build cost is a key input that evidently forms a significant proportion of the gross development cost. It is therefore an important consideration that needs to be included as part of a robust viability assessment. It is also important as we have found that other costs (e.g. externals, abnormals, contingencies, professional fees and finance) can be based on a percentage of build costs. Therefore, higher build costs would result in other costs being higher which will inevitably have an impact on the viability appraisal.

The PPG and DFM both state that build costs should be based on 'appropriate data' and specifically cite the Building Cost Information Service (BCIS). Provided by the Royal Institution of Chartered Surveyors, BCIS is a cost and price information service for the UK construction industry. Our analysis of Local Plan and CIL viability assessments has identified that 95% of the studies relied upon data sourced from BCIS (77 out of a total 81 studies where the source of build costs was made explicit). Only two authorities were found to have used an alternative method.

A number of local authorities sought to adjust BCIS costs to reflect a number of specific variations, including:

1. Geography – i.e. urban/rural and low/high value areas within the authority area;
2. Size of scheme – Higher build costs for smaller schemes with an uplift of up to 10% for smaller schemes and reduction of up to 8% for larger schemes including strategic sites reflecting economies of scale (the use of the BCIS lower quartile is a common approach for large schemes); and,
3. Inclusion of other costs such as environmental standards, building regulations Part M, building regulations enhancements, preliminaries and contractor's profits. It is important that if these costs are considered in the build costs that they are not double counted in other sections of the assessment.

North Devon and Torridge Council used a combination of BCIS costs alongside discussions with developers, valuers, agents and others to inform build costs. This approach sought to use a range of data inputs to result in a base build cost that it considered to be reasonable. Whilst recognising that there are a number of methods for the calculation of build costs, a range of data sources, and a multiplicity of opinions, the Council considered that its multifaceted approach resulted in robust costs being set.

Barrow-in-Furness was the only local planning authority to move away from BCIS completely. Instead, it used a range of build costs based on quantity surveyor assumptions which were presented/costed differently based on different scheme densities, adjustments for quantum and for brownfield and greenfield sites (inclusive of externals).

95%

relied on build cost data sourced from BCIS

75%

used a methodology that cross-referenced HM Land Registry price paid data with data sourced from the Energy Performance Certificate (EPC) register

Lichfields perspective on build costs

Although not without its limitations, the use of BCIS – potentially adjusted to take account of various factors – is commonplace in area-wide viability assessment. It is also endorsed explicitly within PPG and DPM. However, this is not to say that alternative approaches cannot be applied with appropriate justification. BCIS, however, has the advantage of being widely accepted as well as its transparency and accessibility.

Sales values

Definition

The market value of a completed development, typically presented on a per unit area basis. When aggregated, net of appropriate reductions for social and affordable rented housing, this forms the basis of the Gross Development Value (GDV).

As is the case with construction costs, the sales values (or revenue) from a completed development are subject to locational variability. For individual districts, the area-wide viability assessment needs to factor in this variability by applying differential revenue assumptions to different locations and/or typologies. This needs to be based upon a robust understanding of the local housing market and sub-markets. Due to the inherent geographical variation, our analysis has focused on the central methodology employed by each authority when determining sales values. It has also focused on the methodology used to define the core market value assumptions since both the level of affordable housing (by definition, up to 80% of market value) requirements and their associated transfer values will differ from one local authority to the next.

Our analysis indicated that approximately only half of the 93 local authorities studied provided information on their adopted methodology for assessing revenue. Of those that did, 75% (33/44) used a methodology that cross-referenced HM Land Registry price paid data with data sourced from the Energy Performance Certificate (EPC) register. This approach is widely-used within the industry and its purpose is to ensure a consistent basis of analysis by allowing the value (price paid data) to be divided by the size of dwelling (EPC) – thus presenting the data as a rate per square metre (£/sqm). This approach relies on the use of data for new-build residential development (rather than all house sales) and is therefore subject to data lags in both the availability of Land Registry and EPC data from the completion date.

Despite being widely-used, there are a number of alleged limitations associated with this approach. A review of local plan viability representations in Durham has indicated that developers expressed concerns that the approach can over-inflate sales values by understating the role of sales incentives and through undermeasurement of floor areas. Whilst it is true to say that the approach based solely on unit size may represent an over-simplification of the factors that affect value it is however appropriate within a plan-making context where exact types of houses may not be known.

In the small number of alternative approaches detailed, these included the use of asking price and dwelling size data from sales particulars reviews of data provided by local authorities or on platforms such as Rightmove and Zoopla, and discussion/consultation with developers.

Lichfields perspective on sales values

The value in the Land Registry/EPC approach is that it provides a straightforward mechanism for assessing sales values on an area-wide basis and one that can be applied consistently (e.g. £/sqm). The use of the method to assess average sales values helps to mitigate anomalies that might otherwise push the bounds of achievability in practice. The absence of clear alternative approaches that can standardise sales values to the same extent is also another important practical consideration.

Whilst the approach is useful in many ways, there are a series of related questions that have the potential to affect local plan viability assessment work going forwards:

1. Since the approach relies on new-build data, what approach should be adopted in areas where only a few (if any) new houses have been built recently? How far back in time should you go?
2. Despite the resilience of house prices during 2020, there is widespread uncertainty about how the UK property market will fare in 2021 and beyond as Coronavirus financial support schemes and Stamp Duty holiday come to an end. What are the implications of potential house price changes associated with Covid-19 for achieving a suitable quantity of new-build comparables and for preparing viability assessments more generally?
3. Against the backdrop of rising build costs (increasing cost of labour and materials, and environmental sustainability requirements etc), to what extent could house price reductions nationally threaten the viability of local plans and individual sites?

82%

assumed 20% of GDV as the target profit margin for housing delivered on the open market

Factors with a narrow range

Developer profit

Definition

The amount by which the estimated income of a development exceeds the total outlay in order to provide a return to the developer.

The PPG states that:

"Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks." (Reference ID: 10-018-20190509)

Developer profit margins are applied as a fixed input to viability appraisals and are, in most cases, applied as a percentage of GDV. This approach appears to be the appropriate basis in the context of residential viability appraisal although alternative means were also observed in a minority of cases, such as profit on cost. A small number of studies included a separate allowance for developer overheads but we have found that generally these costs are wrapped up within the overall profit allowance.

Significantly, our analysis has shown that 82% of studies (76/93) assumed 20% of GDV as the target profit margin for housing delivered on the open market. Only 11% of studies (10/93) adopted a lower target profit margin (typically between 15%-20% - the range identified in the DPM in Wales) whilst one study (North East Lincolnshire) assumed a 25% margin.

57% of studies (53/93) utilised a blended profit approach that typically comprised of a 20% GDV assumption for open market housing and 6% GDV for affordable housing. Where such an approach has been used, it is important to recognise that the 'blended' profit allowance will vary depending on the level of affordable housing sought by the local authority. These findings accord with the PPG which states that in order to establish the viability of plan policies an assumption of 15-20% of GDV may be considered as a suitable return'. It is noted, however, that in Wales the DPM refers to a range of 15%-20% as a suitable profit margin for the open market component of development.

We found that 6% of studies (6/93) applied lower profit levels to smaller sites, on the basis that the delivery of larger sites can inherently carry greater risk (and therefore developers seek a greater return to reflect the added risk). As previous Lichfields research[1] has demonstrated, larger sites take far longer to deliver and thus expose developers to added risk, possibly over the course of multiple economic cycles. This is recognised in the DPM which states that *"larger sites can carry more risk where they take a long time*

Lichfields perspective on developer profit

Area wide viability assessments are required to set profit at a level that reflects developer risk and therefore incentivises housing delivery. This inevitably varies according to economic conditions, delivery timings and site typologies – with larger, more complex sites generally exposed to higher levels of risk. If developer profit is set too low it can act as a deterrent to investment.

Our analysis has shown that the most common approach was to set target profit levels for market housing at 20% of GDV, and typically 6% of GDV for affordable housing. However, the adoption of a single area wide standard/benchmark can be inappropriate, and it is recommended that flexibility is built in to account for the differential levels of risk across site typologies. This is particularly true of larger, strategic sites where significant upfront investment is required and where their delivery could be integral to development plan delivery.

[1] Lichfields Start to Finish (2020) https://lichfields.uk/media/5773/start-to-finish_what-factors-affect-the-build-out-rates-of-large-scale-housing-sites.pdf

to build out and an increased profit margin may be required, whereas smaller sites being developed quickly may not." (Page 145).

Given that profit can reflect risk, there is also a likelihood that macro-economic conditions might influence profit margins, with higher levels being sought at times of recession. The DPM identifies a potential link between profit margins and interest rates, and there is also some evidence that some lenders will stipulate a certain profit margin as an additional layer of flexibility to be added into the financial modelling of a scheme.

Externals

Definition

The cost of works surrounding a dwelling including gardens, estate roads, sewers, landscaping, boundary treatments, incidental open space etc.

Our analysis showed that 77% (72/93) of local authorities utilised an allowance for external costs within their viability assessments. We have identified a range of approaches in relation to externals works: from singular, flat rates to tiered systems whereby sites varying in nature or size had differential allowances. The tiered approach acknowledges that the amount of external works that are required will vary between different site typologies. For example, larger, strategic (often greenfield) sites are likely to require proportionately greater levels of external works compared to smaller, urban infill sites.

Of the 72 studies that applied an allowance for externals, 65% (46/72) applied a flat rate, whereas 23% (17/72) applied a range or tiered approach. Flat rates were typically set at 10-15% of base build costs, whereas the tiered approach tended to span a wider range – typically between 10% and 20% of base build costs.

Irrespective of approach, the overwhelming majority of studies (93% of those that made an allowance) employed an externals allowance within the range of 10-20% of base build costs. Very few (less than 10% of studies) used assumptions lower than 10%, with such levels more commonly applied for flatted/high density typologies which typically involve less external works.

93%

employed an externals allowance of between 10-20% of build costs

Contingency

Definition

An allowance for any unexpected cost increases due to unforeseen circumstances, usually reflected as a percentage of build costs.

It is common practice to include a contingency allowance to help mitigate delays and additional unforeseen costs throughout the construction period. Importantly, this allowance can be distinguished from other potentially uncertain costs such as abnormal development costs (see below). The latter, whilst not incorporated into base build costs or externals, can generally be identified at the outset whereas contingencies cater for situations in construction that cannot reasonably be foreseen.

Lichfields perspective on externals

Our analysis suggests that a rate of between 10% and 20% is most commonly used within viability assessments to account for external works. We consider that the use of a range is reasonable to take account of variations in external costs between different sizes of schemes and different forms of development. It must also be noted that if an alternative basis is used for base build costs (i.e. other than BCIS) then externals may or may not be required as a separate element. In such cases, consideration should be given to the scope of what is included in the base build costs.

89%

made a contingency allowance of between 2.5% - 5% of build costs

A contingency allowance is linked to the risk associated with development projects and is therefore also linked to developer profit. This is reflected in both RICS valuation guidance[1] and PPG[2] with the latter stating that "a justification for contingency relative to project risk and developers return" should be provided. The DPM similarly states that:

"Plan makers should not plan to the margin of viability but should allow for a contingency to respond to changing markets and avoid the need for frequent plan updating. Including a contingency within the viability study will de-risk the plan in that there is room to accommodate a change in economic circumstances / site specific issues." (Page 245).

Our analysis shows that over 88% of local authorities (84/93) made a contingency allowance of some sort, the majority of which made an allowance as a percentage of the base build cost. In a small number of cases, an allowance was made as a percentage of the base build cost plus other costs such as external works and professional fees.

Contingency allowances were shown to sit within a relatively narrow range: we have found that of the local authorities that did make a contingency allowance, 89% of the studies made an allowance within the range of 2.5%-5% of build costs, although 5% was by far the most common assumption. Both 3% and 5% have been cited as reflective of industry norms. Very few contingency allowances sat outside this 2.5%-5% range and are therefore not deemed significant for the purposes of this exercise.

Bradford Council utilised a contingency of 6% whilst Cambridge and South Cambridgeshire applied contingency rates of 5% and 7% respectively. Hull Council applied the lowest rate of just 2%.

Of the local authorities that did make a contingency allowance, 24% applied a higher allowance for brownfield sites than for greenfield sites. Brownfield site contingencies tend to sit towards the 5% end of the range. By contrast, the risk in delivering greenfield sites is lower and therefore necessitates a smaller allowance (typically 2.5-3%).

Professional fees

Definition

The cost of professional inputs to planning, design and project management in the development process.

There are a range of professional services that are required in the development process and that need to be accounted for in viability appraisals. The precise composition of services required will vary according to the characteristics of any given development. To simplify this, it is common practice to combine these costs together and factor them into the viability assessment through the application of a percentage of base build costs. The PPG states that the cost of professional fees should be taken into account when defining benchmark landvalue[3].

Lichfields perspective on contingency

The choice of either a flat rate contingency or a tiered system depends heavily on the array of sites needing to be tested, with authorities with a greater mix of greenfield and brownfield sites perhaps being more inclined to adopt the latter approach. In either case, our research has demonstrated that an indicative range of 3-5% of base build costs is reflective of industry norms across England and Wales. In line with the PPG and the DPM, the application of an appropriate contingency allowance should be assessed within the context of the risk profile that is also reflected by developer profit margins.

[1]RICS Professional Guidance Note (2019) Valuation of development property, 1st Edition

[2]Reference ID 10-012-20190724

[3]Reference ID 10-012-20190724

Our analysis found that almost all studies (94%) explicitly included an allowance for professional fees. 83% of these studies (72/87) applied a professional fees assumption within a tight range – 8–10% of build costs considered. Only 17% of studies (15/87) relied upon assumptions that were outside this range with a maximum of 12% and a minimum of 5% of build costs.

The effect of economies of scale is an important consideration in the application of a professional fees allowance. The cost of preparing a planning application, designing and project managing a scheme is likely to be disproportionately higher for smaller schemes. Despite this, our analysis demonstrated that only approximately 10% of studies applied a differentiation on the basis of size of site/total number of units.

Development finance

Definition

The cost of borrowing to finance a development, usually referring to interest rates and arrangement fees.

Development appraisals should account for the timing of developer expenditure and revenue during the construction period. At the start of the construction period the balance between expenditure and income is heavily skewed in favour of costs as site preparation works take place and there are no completed units that can be sold. As more units are completed and sold the balance gradually shifts up to a point where a developer's net cash flow is positive (see Figure 6).

It is common practice in conventional development appraisals to assume that all costs incurred by developers are financed by borrowing and therefore subject to an interest rate. This is a reasonable assumption and even if only some of the scheme was to be debt financed, it would be appropriate to make some allowance for the opportunity cost associated with investment in the project.

An interest rate is therefore applied to the net cash flow throughout the development lifespan until the inflection point of a positive net cash flow is reached. At this point, development appraisals may assume that the surplus generated may be re-invested and therefore subject to a credit balance interest rate. The level of sophistication of cash flow models used will, to a degree, dictate whether or not a credit balance interest rate is accounted for. Additionally, the point at which a scheme starts to turn a profit will vary and is therefore more difficult to generalise on an area-wide basis. As a result, our analysis focuses only on the assumptions used around debt financing. In general, we found that very few area-wide

Lichfields perspective on professional fees

Our analysis provides a strong basis for 8–10% of build costs being a typical range for professional fees assumptions in a local plan viability context. However, it should also be noted that there are a range of factors – including site size – that can affect the appropriate rate to apply. A point that is not clear from the analysis is the extent to which professional fees vary between types of sites, e.g. brownfield/greenfield and location. In sensitive areas, or where the site is heavily contaminated etc, there might be a need to do more by way of technical assessment/justification for the development. By comparison, greenfield sites (even when allocated) may also require higher professional fees to support potentially a more controversial and drawn-out planning case. Due to this complexity it is perhaps unrealistic to expect that a professional fees allowance – particularly within an area-wide context – can adequately reflect this granularity.

85%

applied a debt interest rate of between 6%-7%

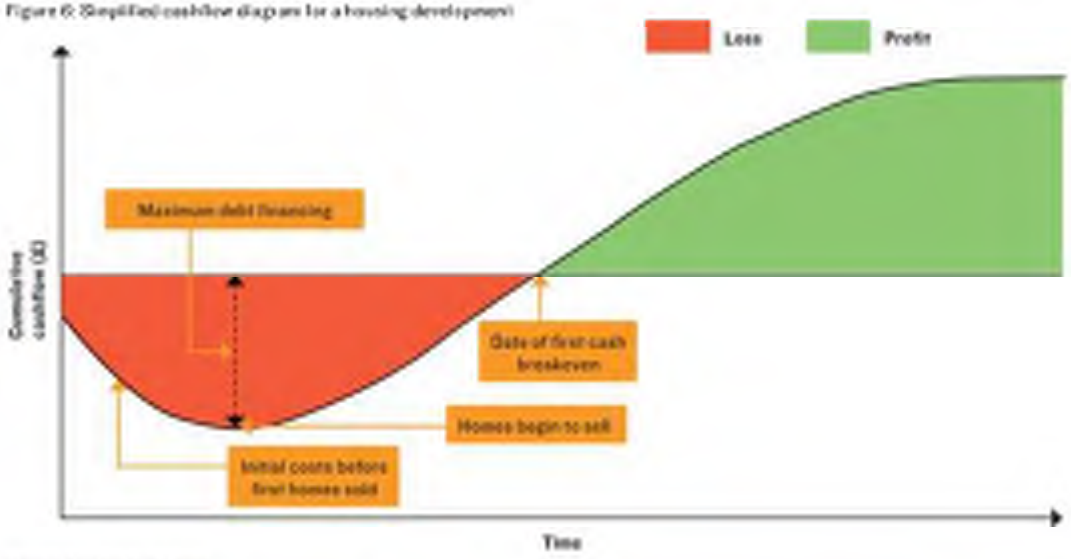
studies made assumptions in respect of a credit balance interest rate.

Within the studies assessed, development finance is illustrated as a percentage and occasionally including a separate percentage on top for an arrangement fee. Our analysis has shown that 85% of studies (79/93) utilised a debt interest rate of between 6% and 7%, incorporating an arrangement fee where relevant. A wider view shows a complete variance of between 5% and 9% with only one study (South Downs National Park) utilising a 9% figure (7% plus arrangement fee of 2%). On the other end of the spectrum the lowest interest rate used in the assessment was 5% - used by three local authorities (Hull, Newark & Sherwood and Newport).

Based on our analysis it appears that a relatively narrow range of values is used in the development appraisals in relation to interest rates (between 6 – 7%) with nine authorities including an arrangement fee of 1 to 2% on top of this. Some authorities did not separate the finance fee from the arrangement fee and provided a single percentage.

The narrow range of values used for development finance appears to be based on standard assumptions of what interest rates banks are willing to lend on which are based

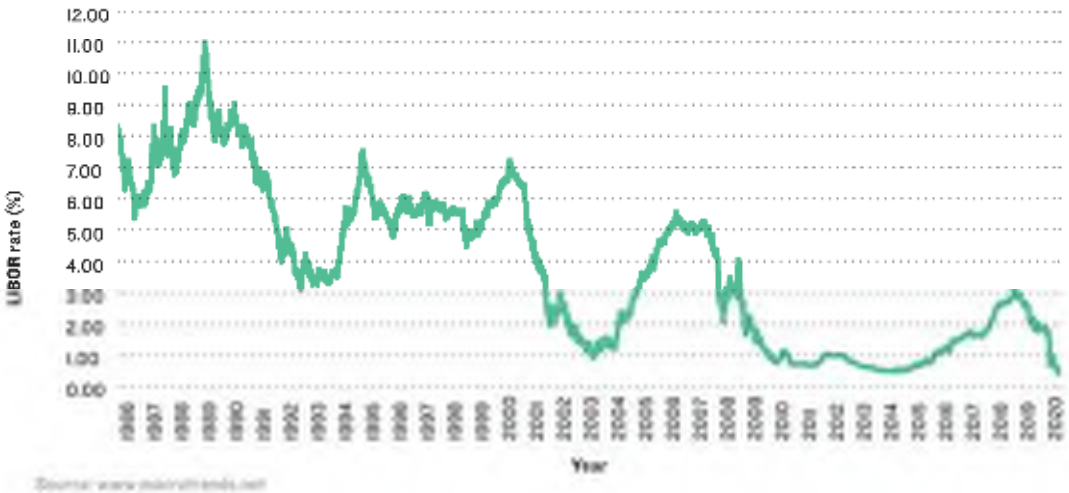
Figure 6: [illegible] cashflow diagram for a housing development



Source: Lichfields analysis



Figure 7: 1 Year LIBOR Rate (1986-2020)



Source: www.macrotrends.net

on the LIBOR (London InterBank Offered Rate). Although currently much lower now than it has been in the recent past (see Figure 7), at the time when several of the studies were prepared LIBOR would have been far higher in comparison to the Bank of England base rate which is currently extremely low. This explains why the interest rates applied appear high within the present context but also the variance in rate may be explained due to the fact the studies reviewed have been prepared across a broad timespan. In seeking to understand the fluctuating LIBOR rates, consideration should also be given to the economic climate and willingness of banks to lend. As set out above, this will have a direct impact on any consideration of whether the assumptions that have been made by individual local planning authorities in respect of finance rates arereasonable.

It is also important to consider the period of time that the money is borrowed for. This is of course influenced by the amount of time that it takes for a development site to go through the planning process and deliver completions and sales on site. Lichfields' Start to Finish research sets out assumptions on development timescales and delivery rates.



Lichfields perspective on finance

Our analysis reveals that debt interest rates applied sit within a relatively narrow range (between 6 – 7%). Within the current context the upper end of this range may seem high, and future applications need to have regard to the prevailing economic conditions and LIBOR rate (or its successor - the Secured Overnight Financing Rate).

91%

adopted a sales and marketing assumption of 2.5-3.5% of GDV

Sales and marketing

Definition

The costs associated with selling completed homes including the costs of setting up show homes, employing marketing staff and advertising as well as associated legal fees.

The costs associated with selling completed homes will vary based upon the scale of development. For larger schemes, most developers incur the costs of opening show homes, operating marketing suites and employing dedicated sales staff. This may not be the case for smaller schemes which might opt for the utilisation of an estate agent to market the properties. Irrespective of scheme size, it is typical that developers incur the cost of digital marketing through online platforms.

Our analysis shows that 96% of assessments (89/93) included an assumption for sales and marketing. Of the assessments that did provide a figure 91% of local authorities (81/89) adopted a figure for sales and marketing between 2.5% and 3.5% of GDV. A wider view shows that the total range was between 2% and 6%. All percentages were based on GDV, with 11 local authorities basing the percentage on open market GDV only. Such an approach is not unreasonable as the transfer of affordable homes to Registered Providers would not necessitate marketing expenses, although there will be some legal costs involved in the process which should be taken into consideration.

The London Borough of Bromley utilised a range of between 3% and 6% with 6% being the highest percentage used by any authority in our study, by a considerable distance. There is no explanation for the higher end of the range, although we might speculate that the use of a range reflects a need to differentiate between larger schemes which may incur far higher marketing overheads compared to smaller schemes.

15 local authorities allowed an extra cost for legal fees (represented as a price per unit) in addition to the percentage figure summarised above. The range of figures applied was between £400 and £750 per unit, with 11 authorities applying a figure of £750 per unit. The authorities that included a separate fixed cost for legal fees tended not to apply a lower percentage figure for sales and marketing costs compared to the authorities that did not include an additional fixed cost for legal work.

Lichfields perspective on sales and marketing

Sales and marketing costs are standard metrics that need to be included within a viability assessment. Our research points towards a general consensus that 2.5%-3.5% of GDV is a typical range, with individual circumstances dictating where within this range a local authority sits. For local authorities with a broad range of typologies, it may be appropriate to apply a differential rate, but within this identified range.

Whilst not common throughout the evidence base, it is not unusual for local authorities to include a cost for legal fees on top of the percentage. The evidence suggests that a figure of £750 per unit is reasonable in this instance.



77%

applied a land acquisition allowance of 1.5-2.25% of the purchase price (excluding SDLT)

Land acquisition

Definition

The agency and legal fees, and stamp duty land tax, associated with the acquisition of land by a developer.

Land acquisition costs generally cover both agents and legal fees. This relates to the cost incurred by developers in the acquisition of land. It is separate to the sales, marketing and legal fees that are associated with the disposal of completed homes to purchasers.

Our analysis has shown that the viability assessments have exclusively expressed land acquisition costs as a percentage of the land purchase price. Stamp Duty Land Tax (SDLT) is typically applied as a separate, additional component of the land acquisition fees and is based on the land value at the prevailing rate.

81% of assessments (75/93) provided a figure for agent and legal fees or a combined fee for both elements. For those authorities that provided separate figures for agents and legal fees:

1. The agency fee typically ranged from 0.75% to 2%; and,
2. Legal fees typically ranged from 0.25% to 1%.

Combined, the percentage ranged from 1% to 6.8% of purchase price. It is noted, however, that the upper end of this range represents studies that included an 'all in' land acquisition percentage, comprising agents and legal fees as well as SDLT. Stripping out those local authorities who factored in a SDLT component, it appears that the upper limit of the range was 3.5% (Arun).

Considering the data in the round, 84% of studies (63/75) sat between 1% and 3% of purchase price. A significant majority (77%), however, sat within an even tighter range of 1.5% - 2.25%.

Lichfields perspective on land acquisition

Similar to the sales and marketing costs, the land acquisition costs are fairly standard metrics that need to be included within a viability assessment and there appears to be a general consensus that a combined percentage of between 1.5% and 2.25% of the land purchase price is an appropriate allowance for land acquisition costs (agent and legal fees) with SDLT to be added on top of this.

61%

did not apply an allowance for abnormal costs

Factors with greater variation

Abnormals

Definition

Costs generally that are considered out with the standard construction requirements of a scheme. This can include a variety costs, including (but not exclusively) site clearance/demolition/ remediation, decontamination, enhanced foundations, service diversions, flood mitigation etc.

As the above definition hints at, a precise and all encompassing definition of what constitutes an 'abnormal' development cost can be hotly contested and different parties involved in viability appraisal will have different definitions. As abnormals are not standard construction costs, often preliminary site investigation work is required to determine their nature and extent. This in of itself can be a time-consuming and costly process and does not necessarily lend itself well to the levels of standardisation that are generally required to input to high level, area-wide viability models.

Perhaps as a result of this inherent uncertainty, 61% of studies (57/93) did not apply an allowance for abnormal costs. We found that there were a variety of reasons for not doing so, although in general terms the authors of many viability assessments suggested that it can be inappropriate to be building in what can be – by their nature – highly variable and site-specific cost assumptions to a high level, area-wide study. Other justifications for non-inclusion were due to abnormal costs being factored into other input assumptions, such as the land value and within a viability 'buffer' (although to a far lesser extent).

Two thirds of the studies that did apply an allowance for abnormals adopted a brownfield-only approach (with no allowance applied to greenfield sites). A minority of studies 34% (12/35) applied a blanket abnormals cost allowance to all sites, and in some cases this was supported by a narrative to articulate why this was necessary. Reasons included the presence of abnormal ground conditions, such as sloping sites or a legacy of coal mining activity, across a range of (brownfield and greenfield) typologies.

Reflecting the inherent complexities associated with modelling abnormal development costs as part of an area-wide viability model, a broad spread of approaches was observed, including:

1. % of build costs allowance - 49% (17/35);
2. Cost per hectare (or acre) allowance - 31% (11/35); and,
3. Cost per unit allowance - 14% (5/35).

A percentage of build costs approach was most commonly observed although there was significant variability in the actual percentage applied – and it is therefore not possible to draw any transferable generalisations from this.

Lichfields perspective on abnormals

Abnormal development costs are inherently difficult to standardise for the purposes of area-wide viability modelling. Despite our analysis revealing that the majority of studies did not apply an allowance for abnormals, the potential impact on viability that such costs can exert cannot be ignored, especially in former industrial areas. Local knowledge of site typologies is therefore important to make a balanced judgment on whether it is appropriate to apply an allowance. If applied, assessment authors should set out clear justification for inclusion, ensuring that these would not overlap with other site costs that are already accounted for. In addition, careful consideration needs to be given to the interface between abnormal costs and land value (see Section 6).

Opening up costs

Definition

Initial costs associated with the provision of infrastructure required to open a site up for development.

In discussing costs that need to be considered in a viability assessment, the PPG does not specifically reference opening up costs. However, it does recognise that costs include:

"Site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy." (Reference ID 10-012-20180724)

Some of these will be opening up costs such as the cost of creating a site access whilst others would fall under the umbrella of externals, perhaps due to the lack of clear guidance in the PPG. The DPM in Wales is more specific and recognises that greenfield sites may have 'opening up' costs.

Within our analysis we found that 'opening up costs' is not a term that is in widespread use and there is quite a lot of crossover between costs being incorporated within different cost assumptions such as externals and other general terms. Where this is the case it is difficult to quantify the basis of the opening up costs. For example, one consultant who has prepared a number of assessments uses a term called 'other normal development costs' which includes costs for roads, drainage and services within the site, parking, footpaths, landscaping and other external costs. Due to this and the wide range of costs identified we have concentrated on the method of calculating the cost assumption as opposed to the actual cost. However, we note that for all sites there was an obvious correlation between the costs applied and the number of dwellings on site. However, flatted schemes are generally afforded a smaller sum or percentage compared to houses due to the reduced need for 'opening up' costs for a higher density scheme on a smaller site area.

58% of assessments (54/93) did not include a specific reference to 'opening up' costs although as explained above, this is not to say that the costs have not been provided as part of another cost input such as externals or a broader definition.

Of the 39 local authorities that specifically referenced 'opening up' costs as an assumption in their viability assessment, 28% (11/39) presented this as a cost per hectare allowance, 56% (21/39) presented this as a cost per unit allowance and 19% (7/39) used a different approach.

Of the authorities that specifically referenced opening up costs 67% (26/39) used a differential allowance, i.e. a range of different costs depending on various factors such as size of site, houses/flats and whether it is greenfield or brownfield.

Lichfields perspective on opening up costs

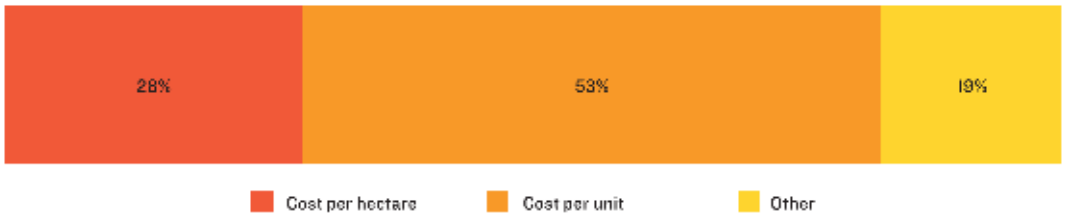
The issues seen in respect of opening-up costs raise an important issue regarding the way in which costs are apportioned to different categories. Local planning authorities should be very clear about their approach to construction costs, externals, abnormals, contingencies and opening-up costs, including a detailed breakdown of the components of each and the assumptions that have informed their identified rates for each. This will allow proper review at plan preparation stage.

It is sensible for local planning authorities to provide a range of different sums/percentages as it is clear that opening up costs will vary from site to site, based on the nature of the location and the extent of work that is required to facilitate the development of the site. A brownfield site is likely to already have provision for access and utilities, albeit they may need to be upgraded. An approaches based on a per hectare basis or a per unit basis can both be considered appropriate as long as they are justified by evidence.

26%

applied a viability buffer of some form

Figure 8: Opening up costs



Source: Lichfields analysis

Viability buffer

Definition

An allowance that is built into a viability assessment in order to allow flexibility for varying circumstances such as increased costs, reduced values or site-specific costs.

It is important that development plans do not plan to the margin of viability. The concept of a viability buffer is one that seeks to ensure that developments can remain viable should circumstances change in the future. To avoid any risk of development becoming unviable and therefore not being delivered, it is appropriate to proactively plan for a viability 'headroom' which can help to mitigate adverse economic conditions.

The PPG advocates the application of a buffer in relation to CIL*:

"A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism, it would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust." (Reference ID 25-020-20190901)

There is no direct equivalent reference in the viability section of the PPG and this is reflected by our analysis which reveals that only 26% of studies (24/93) applied a viability buffer of some form, and that the majority of these (20) were applied within the context of preparing CIL charging schedules. Just over half of all CIL studies analysed included a viability buffer whereas this was the case for less than 5% of all development plan viability assessments. Furthermore, most of the development plan viability assessments that included a buffer were carried out in conjunction with emerging CIL charging schedules or by referring back to CIL charging schedules adopted in relation to the previous local plan.

Where applied, our analysis has indicated that buffers were typically applied as a percentage (ranging quite dramatically from 20%-50%). The application of a 20% buffer essentially means that proposed CIL rates are 20% less than the maximum level of CIL that could be viably supported. Our analysis also found a more nuanced application of a buffer in a small number of cases, with three studies choosing to apply a higher buffer for larger and strategic sites.

The finding that development plan viability studies have not typically applied a buffer might well be a function of structural differences. It is easier to see why appropriate flexibility margins need to be built into headline CIL charging rates from the outset, as once adopted, CIL rates are non-negotiable. By comparison, studies that aim to assess the viability of local plan policy requirements have been prepared in the knowledge that policy requirements can be subject to negotiation on viability grounds – although the new emphasis on frontloading and an assumption of viability

*CIL regulations apply both to England and Wales and therefore PPG applies to Wales in this matter

at the decision-taking stage reduces the scope for this in the future. In addition, it is easier to see how a buffer can be applied to a financial contribution such as CIL than to the types of requirement that might be sought through a Section 106 agreement or environmental/ design requirements.

Another possible reason for not including a viability buffer is where flexibility margins are built into other areas of the modelling. One CIL study (North Somerset) did not deem it necessary to set an additional amount as a buffer, *"since buffering had been built into the whole approach"*. There are several possible viability assumptions where this is theoretically possible, through the use of average values and the necessary adjustments to contingencies and developer profit to reflect risk in the process. In Wales, the DPM identifies an allowance for contingencies as a means by which it will be possible to avoid planning to the margin of viability, whilst the viability section of the PPG suggests that assumptions on risk in viability assessments are the primary vehicles by which flexibility is ensured over time:

"As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project." (Reference ID 10-009-20190509).

Lichfields perspective on viability buffer

Flexibility to account for changing circumstances is a fundamental issue in viability, and particularly so in the current economic climate. Whether or not a 'buffer' is directly referred to, that the approach of individual local authorities to addressing flexibility is going to be critical in the success (or otherwise) of the policy approach of frontloading viability considerations to the development plan process. Given the narrowed scope to reconsider viability issues at the decision-taking stage, the inclusion of a buffer provides one way in which flexibility might be achieved in assessing the viability of development plans. However, this involves considerable practical challenges. For instance, to which elements of policy requirements should the buffer be applied? And how could it apply to design/sustainability requirements that are built into the development? Where flexibility is built into other components of the viability assessment, this should be made explicit.

The existing 'decision-maker decides' approach to application stage viability assessment may not provide the required flexibility in the current circumstances, and there is a risk of inconsistency between authorities regarding their willingness to adopt a flexible approach in respect of viability considerations. A better way to achieve flexibility may be through the reinstatement of application-specific viability assessments.

06
It all comes down to land value

An undeveloped parcel of land that is granted planning permission for residential use – or indeed most forms of development – will experience an uplift in value. In many cases, this uplift will be fairly significant. This economic phenomenon is central to an age-old question in planning and development: to whom should the lion's share of the value uplift accrue? Should it benefit the developer, the landowner, or the public in the form of planning obligations? This question continues to represent one of the most challenging issues for practitioners engaged in area-wide viability assessments as they attempt to strike the fine balance between demonstrating that a local authority's pipeline of sites can be delivered viably whilst also complying with planning policy expectations.

The concept of a Benchmark Land Value (BLV) refers to the middle ground that needs to be found to satisfy both local authority and landowner. The PPG reinforces the need for this balance to be struck through stating that the BLV 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...while allowing a sufficient contribution to fully comply with policy requirements." (Reference ID 10-013-20190509)

By its nature, a middle ground position is a relative one that is sensitive to both area-wide and site-specific contexts. It is therefore difficult to measure in absolute terms or indeed compare easily between different local authorities. Notwithstanding the obvious complexities associated with this key issue, our analysis focuses on what we have interpreted to be the two areas in which some generalisations may be made:

1. The approach used in determining the BLV; and,
2. The concept of a landowner premium.

Approach

In a previous Lichfields' blog[1] we discussed the implications of the Parkhurst Road High Court judgment from April 2018[2]. This landmark case dismissed the approach used by the appellant to determine the BLV as it focused solely on the



[1] 'Reassessing land values' https://lichfields.uk/blog/2018/june/20/reassessing-land-values/

[2] Parkhurst Road Ltd (PRL) and Secretary of State for Communities and Local Government and the Council of the London Borough of Islington [2018] EWHC 966

use of comparable market evidence – evidence which is intrinsically more difficult to compare due to limitations with transaction numbers and also due to lack of transparency regarding how land values are affected by policy requirements. The latter, the judge argued, causes issues of 'circularity' whereby policy non-compliant land values may be used to artificially inflate BLVs over time. To avoid such an issue, the case endorsed an approach which centres around the existing use value (EUV) with the application of an appropriate uplift or premium – the so-called 'EUV+' approach – and denoting the use of market evidence to a supporting or 'sense checking' role. In considering comparable market evidence, it is important to ensure that it is truly comparable in terms of their location, use, and compliance with policy requirements. Taking account of a site that is not actually comparable would undermine its ability to serve any meaningful purpose and could weaken the robustness of a viability assessment and the credibility of its results.

A key element of 2019 NPPF/PPG was the introduction of a requirement to apply the EUV+ approach[1], but our research shows that this was being commonly applied prior to the Parkhurst Road judgement and the publication of the 2019 NPPF. Indeed, our analysis shows that 63% of studies (59/93) used the EUV+ approach as the central method for determining BLV. In several instances, this approach was complemented by other strands of evidence such as market evidence and developer consultation. 23% were found to use alternative approaches which in the main focused around analyses of comparable land transactions. Only 14% of studies failed to include any detail regarding the approach to determining BLVs.

Although this finding might be interpreted as a direct response to the Parkhurst Road judgment (with many of the studies analysed as part of this research post-dating it), the underpinning evidence bases are likely to have been developed over a period of time stretching back several years prior. This suggests that practitioners have been employing the EUV+ approach for some time, and that the Parkhurst Road judgement and subsequent modifications to 2019 NPPF/PPG could in fact be reflections of what was already taking place in practice.

63%

Used the EUV+ approach to determine Benchmark Land Values



[1] It should be noted that the DPM similarly adopts a BLV approach and states on page 143 that 'the evidence should be clear as to what financial return (or benchmark land value) would realistically entice a land owner to sell for the proposed use'.

Based upon our analysis, it is also interesting to note that EUV+ was being applied widely in spite of the RICS guidance that applied at the time[7] which appeared to distance itself from this approach (however, it is important to note that the latest RICS guidance[8], effective from July 2021, now aligns itself with this approach). The 2012 guidance highlighted the approach's arbitrary notion of a premium; how this can lead to inconsistent practical applications, and also how it can lead to instances of both over- and under-valuation.

Premium

As referenced above, there is no explicit policy guidance on the scale of land value uplift to apply in assessing the BLV. It is perhaps unsurprising that the PPG and DPM both stop short of doing so given the complexity involved in establishing the somewhat arbitrary concept of a 'minimum return' for a 'reasonable landowner'. Practitioners charged with the task of setting area wide BLVs have been faced with the challenge of reconciling an array of quantitative and qualitative data (including market information and developer representations) whilst also attempting to reconcile site-specific interests with factors relevant at a local authority level. Within the framework of EUV+, we recognise that this is a challenging and contentious exercise which has the potential to leave interested parties feeling aggrieved if BLVs are set too low (risking the non-release of sites to the market) or too high (risking the viability of sites and/or potentially failing to comply with policy expectations).

It is also difficult to undertake a comprehensive analysis of the level of premium applied in each study that we reviewed for a variety of reasons:

1. The assessment of a reasonable premium is sensitive to location (it is not the case that one level of premium should be applicable across multiple sites);
2. EUV+ lends itself to a variety of approaches which cannot always be readily compared. For example, some employed an EUV+ %/multiplier whereas others employed an 'uplift split' approach whereby the increase in land value is shared between the landowner and the public (in line with the approach adopted in the Shinfield Road appeal decision [9]); and,
3. The way in which information is laid out within underlying reports places limitations on our analysis. For example, the issue of premium (over EUV) is not always reported directly and our analysis is therefore contingent on there being the relevant information provided which would allow us to impute the practitioner's approach to the premium. In respect of this point, we note that the judgment of Dove J in *R (Holborn Studios Limited) v London Borough of Hackney*[7] found that the ability of the public to engage on the issue of viability in an informed basis was compromised by the fact that "*no explanation was provided as to how the benchmark land value had been arrived at in terms of establishing an existing use value and identify a premium as was asserted to have been the case.*" (Paragraph 71). Whether prepared for a planning application or a development plan, the point is that viability assessments must be very clear in explaining how the BLV was derived.

Although the majority of practitioners used the EUV+ method, our analysis shows that the way in which it is applied varies considerably. The most obvious difference – and one that would be expected – is linked to the existing use of individual sites. For brownfield sites, we found that studies favoured a simple percentage uplift over EUV, whereas for greenfield sites a EUV multiplier was typically preferred. Although this subtle difference may not seem significant, the use of an EUV multiplier is reflective of the fact that, typically, the value of undeveloped agricultural and paddock land (vis à vis greenfield land) is lower and therefore the difference between the EUV and the BLV should be considerably higher in order to incentivise a landowner to release their land for residential development (and one for which a % uplift approach would be cumbersome mathematically).

[7] RICS Professional Guidance Note: Financial Viability in Planning, 1st Edition (2012)

[8] RICS Professional Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition (2021)

[9] "Land at The Manor, Shinfield, Reading" (PINS Reference APP/X0360/A/12/2179140) 9 January 2013

[7] R (Holborn Studios Limited) v London Borough of Hackney and BHL (Eagle Wharf Road) Limited [2020] EWHC 1038

Many studies reported ready-reckoners for agricultural land values. Despite being simplifications of the market for commercial agricultural land, these provide helpful benchmarks that provide a starting point for determining an appropriate EUV multiplier for greenfield sites. As one would expect, there was some variation across the country in the value of base agricultural land, although where reported there was a broad coalescing of values in the region of £20,000/hectare (c.£8,000/acre). Accordingly, a site with a BLV assessed as £400,000/hectare would represent a multiplier of 20 times EUV (20 × £20,000/hectare). Clearly the same generalisations could not be determined for brownfield sites due to the inherent variation in EUVs. In the absence of reported evidence on EUVs, we note that the use of area-specific land value estimates for industrial and agricultural land published annually by MHCLG may be of use for this purpose[5].

Notwithstanding the caution that should be exercised in doing so, a quantitative summary of the premiums applied to brownfield and greenfield sites is set out below:

1. **Brownfield** – generally a more consistent approach was applied for brownfield sites with the majority of studies using percentage uplift over EUV. Of the 26 studies where we were able to discern the brownfield premium, we found that 69% of these (18/26) assessed a reasonable premium as being EUV+ 20%. We found that the maximum percentage uplift over EUV ranged between 10% and 45%, but the most common uplift was 20%.
1. **Greenfield** – of the 29 studies in which a premium was discernible, 52% sat within a range of 15 to 20 times EUV. The maximum level of premium observed was close to 40 times EUV but we found that the premium tended not to be set any lower than 10 times EUV.

It should be stressed, however, that in line with the conclusions of Holgate J in the Parkhurst Road High Court Judgment, a 'standard' uplift/premium is not appropriate when assessing an appropriate BLV and that consideration should be given to local and site-specific factors. Cognisant of this Judgment, we emphasise that the analysis above serves to provide benchmark for the scale of premium – on an area-wide rather than site-specific basis – that has been found sound by planning inspectors at recent development plan and CIL examinations.

Application in practice

Whilst the analysis above intends to set some broad quantitative parameters to the notion of a 'reasonable incentive', there are other factors that need to be considered when defining a BLV on a site-specific basis.

Principally, this relates to how the BLV (and more specifically the premium applied to define it) should be adjusted to make allowance for the level of costs associated in bringing the site forward for development. The PPG[6] states that the following costs should be taken into account when defining BLVs:

1. **Abnormal costs** including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites;
2. **Site-specific infrastructure costs** which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy;
3. **The total cost of all relevant policy requirements** including contributions towards affordable housing and infrastructure, CIL charges, and any other relevant policies or standards; and,
4. **Any professional site fees** including project management, sales, marketing and legal costs incorporating organisational overheads associated with the site.

One might be forgiven for thinking that this list essentially comprises the majority of the costs that any site may incur, with the exception of base construction costs and externals, and that this feels a rather exhaustive list to factor in. However, what this wording attempts to ensure is that developers and other parties have regard

69%

Reasonable premium: EUV+20% (Brownfield)

52%

Reasonable premium: 15-20 times EUV (Greenfield)

[5] Ministry of Housing, Communities & Local Government: Land Value Estimates for Policy Appraisal (2020)

to the total cumulative cost of development when negotiating land prices. Within a EUV+ context, this means that landowners whose sites are not inherently straightforward to develop (by virtue of their specific remediation, infrastructure, policy-related factors that need to be addressed) should be prepared to accept a land value that reflects a reduced premium above EUV.

This rather important amendment is reinforced with a statement in PPG (on five separate occasions), that:

"Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan." (Reference ID 10-014-20190509)

How all of this plays out in practice is complicated, but we consider the following points represent the main practical considerations:

1. The absolute scale of reduction in premium that should be applied for a site with high abnormals, infrastructure and policy costs is no clearer from this guidance and still leaves a lot of room for subjective interpretation;
2. Notwithstanding the complexities of making the premium adjustments at a site-specific level, it is perhaps even less clear how can this issue can be dealt with equitably on an area wide basis across a range of sites with different characteristics;
3. It is evident, however, that there is no such thing as a 'one size fits all' uplift to existing use value;
4. Bid prices for land need to be considered even more carefully, and potentially having regard to detailed site investigation work which ordinarily might have been expected at a much later stage of the development process. This cost 'frontloading' will need to be undertaken by developers/ landowners/site promoters at risk which could potentially prove to be a significant obstacle for SME developers;
5. The requirement for price paid not to be taken into account in viability assessments reflects now-established practice but may still take some more time to filter through the system: there may be some more disappointment before this is fully accepted by all; and,
6. For strategic land promoters and developers that have secured option agreements with a pre-agreed purchase price the implications of the updated guidance is potentially a significant problem and one that could severely undermine site viability and deliverability.

Going forwards, the issue of BLV – and more specifically the application of an uplift to EUV – is likely to be a key argument during local plan examinations and inspectors will be called upon to adjudicate between a range of assumptions. But the one thing that cannot be up for debate is that the price paid cannot be factored into any viability assessment or used as a basis for seeking flexibility in respect of the application of policy requirements.

07
The viability challenge of garden communities

Whilst the PPG and DPM both advocate a typology approach to viability assessments in place of individual testing of every site, they recognise the importance of considering the specific circumstances of strategic sites that are significant to delivery of the strategic priorities of the plan. Whilst many development plans will incorporate strategic sites, the scale of these and their contribution to the strategic priorities of the plan will vary considerably. The challenge associated with assessing the viability of the very largest of strategic sites – garden communities – has been brought into sharp focus by the recent experiences of Hart, Uttlesford and the North Essex authorities.

1. In North Essex two of the three proposed garden communities were found to be neither justified nor deliverable. As a result, the spatial strategy and plan itself were found to be unsound;
2. The Uttlesfoed inspectors recommended that one of the three garden communities that were proposed should be deleted but considered the scale of changes that would be required meant that withdrawal was the most appropriate option; and,
3. The Hart local plan was only found sound after the proposed garden community had been removed.

A number of key themes can be drawn from these three cases. Whilst these ultimately revolve around the scale and complexity of garden communities and point to the importance of ensuring that robust and justifiable assumptions are made about costs and revenues, they are transferable to all viability assessments as they are essential in order to fully understand whether the scheme would be viable and, ultimately, if it could bedelivered.

1. In each case, the inspectors expressed concern about the treatment of costs in the viability assessment. Infrastructure costs are likely to be significant and, despite potential uncertainties, need to be robust and justified, and take account of evidence of funding that has been secured. In North Essex, HIF funding was shown to be available for two of the three proposed garden communities, but in Uttlesford the inspectors were not convinced about the scale of funding necessary or whether the garden communities could support such costs. As such, they did not feel that it had been adequately demonstrated that the garden communities were viable or deliverable. Other sources of funding – including from Homes England – may continue to be critical to the delivery of garden communities in the future.
2. Reflecting on the complexity of delivering new garden community, the Uttlesford inspectors drew on the 2012 RICS guidance in suggesting that professional fees should be set at a commensurate level (20%). They also expressed surprise that the viability assessment had not included any allowance for contingencies. In respect of this, the North Essex inspectors noted that the level of risk and uncertainty associated with planning for garden communities at the plan-making stage means that an appropriately high level of contingency should be provided. In this case, they considered 40% to beappropriate.
3. The amount of land that is required for the development of garden communities creates difficulties in estimating a minimum land price that would constitute a competitive return. It is important to avoid basing the viability assessment on a land price which is too far below such expectations, if landowners are to be persuaded to sell. However, the EUV+ approach applies to garden communities as well as all other development typologies and basing land values on comparable evidence without adjustment to reflect policy requirements can lead to developers overpaying for land. This may then compromise the achievement of policy requirements if the developer seeks to recover overpayment through a reduction in planning obligations. This is the "circularity" point that was identified by Holgate J in the Parkhurst Road Judgment. A phased approach to the delivery of

such large-scale developments affects the approach to land purchase with individual tranches typically being purchased two years prior to development. The impact of this is that land payments are staged through the development process, significantly (and beneficially) impacting on cash flow.

4. The viability assessment should be based on an appropriate build rate. Basing it on an unrealistically high average rate would not provide an accurate indication of viability as this would assume that revenue would be generated more quickly and interest payments would be reduced. It should also be acknowledged that build and sales rates will be slower in early years and that infrastructure costs to be disproportionately high. This should be reflected in the cost of borrowing and the level of peak debt.

5. The PPG advises that current costs and values should be considered when assessing viability of plan policy. Policies should be deliverable and not based on exception of future rises in values for at least the first five years of the plan period. This ensures realism and avoids complicating the assessment with uncertain judgments about the future. The Harman Review recognised that forecasting house prices or costs is notoriously difficult over shorter term, and subject to wider inaccuracies over medium and longer term. There is no guarantee that a specified growth rate will be sustained throughout the decades it would take to build the proposed garden communities. Similar uncertainty also exists in respect of building and infrastructure costs. Application of inflation assumptions can result in dramatic (and unrealistic) increases of residual land value and need to be considered very carefully.

To some extent, the approach to modelling viability for garden communities is no different than in respect of any other form of development. However, the scale and timescales create challenges that are unique to garden communities and the recent examples of North Essex, Uttlesford and Hart provide a cautionary tale for all those involved in the promotion of similar schemes.



08
Conclusions and implications

In what the Government itself has branded an opaque area of practice, viability assessment is becoming increasingly intertwined with planning and plan making. This lack of transparency has been cast into sharper focus by the judgment of Dove J in the Holborn Studios case which highlighted the need for a better understanding of what the PPG describes as 'standardised inputs'.

This Insight provides a means by which we can begin to move towards a true standardisation of viability assessments. It is hoped that it helps to overcome concerns about the publication of commercially sensitive data and thereby allows for a more meaningful debate about development viability, at both the plan-making stage but also at the decision-taking stage, where circumstances permit. By its nature, it is acknowledged that standardisation will not account for all eventualities, and there will inevitably be specific circumstances that justify the application of alternative inputs. Given the array of challenges facing housing developers in the midst of a pandemic, we would expect application stage viability assessments to become increasingly common in the short to medium term. Within a climate of continued uncertainty, there is a risk that standardised inputs can rapidly become out-of-date, and we would therefore urge decision-takers to consider more closely the need for flexibility as circumstances change.

Of course, there are financial implications associated with the standardisation and front-loading of viability assessment. Rather than limiting engagement to application stage negotiations, the new system requires more protracted engagement across the entire development plan-making process, necessitating far greater work and expense for developers. Both English and Welsh Governments have recently made clear their desire to promote competition amongst developers and to assist SMEs and new entrants to sector, but it is not clear to what extent the time and cost investment of extensive engagement will militate against this ambition. What is clear, however, is that this system requires developers to engage heavily in the process of development plan making on viability issues and within the framework of standardisation. As such, we would expect and are already seeing evidence of – viability issues to play more of a determining role in the success or failure of development plans in the future.

It is unclear yet what the implications of the Government's White Paper proposals will have on viability in planning and plan-making. This is principally due to the fact that the White Paper is, to all intents and purposes, silent on key viability issues that this Insight has highlighted. What does clearly have the potential to have profound implications is the proposal to reform the current system of developer contributions from CIL and Section 106 towards a national flat-rate 'Infrastructure Levy'. More recent (February 2021) messaging, however, from the Chief Planner Joanna Averley among others, would suggest that the proposal could be tempered to allow for 'regional differences' and to develop a more nuanced and localised approach"[1]. In this context, it seems likely that the White Paper proposals will not signal the end of the current system of Section 106 and that the viability considerations we have assessed as part of this Insight will continue to apply.

[1] https://www.planningresource.co.uk/article/1720805/key-white-paper-proposals-likely-evolve-inclusive-planning-bill

The Lichfields perspective

What makes us different? We're not just independent but independent-minded. We're always prepared to take a view. But we always do that for the right reasons – we want to help our clients make the best possible decisions.

We have an energetic entrepreneurial culture that means we can respond quickly and intelligently to change, and our distinctive collaborative approach brings together all the different disciplines to work faster, smarter, and harder on our clients' behalf.

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We are a leading voice in the development industry, and no-one is better connected across the sector. We work closely with government and leading business and property organisations, sharing our knowledge and helping to shape policy for the future.

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Appendix 7: Anonymised Abnormal Costs Schedule – Example Sites

Abnormal / Extra Over Costs Tracker - Anonymised

Local Authority	Greenfield / Brownfield	Units	Abnormals / Extra Over Costs Per Net Acre	Abnormals / Extra Over Costs Per Plot	Date
0 - 99 Units					
Halton	Greenfield	43	£482,000	£36,000	Aug-19
Blackburn	Greenfield	47	£293,000	£21,000	May-21
Wyre	Greenfield	57	£252,000	£20,000	Jul-21
Preston	Greenfield	66	£380,000	£30,000	May-20
Preston	Greenfield	75	£131,000	£14,000	Apr-18
Cheshire West and Chester	Brownfield	98	£462,000	£30,000	Aug-20
Preston	Greenfield	98	£132,000	£11,000	Nov-19
	Average	**69**	**£304,571**	**£23,143**	
100 - 249 Units					
Liverpool	Greenfield	100	£315,000	£52,000	Jan-19
Burnley	Greenfield	101	£483,000	£28,000	Apr-21
Wirral	Brownfield	101	£389,000	£27,000	May-21
Poulton	Greenfield	102	£453,000	£35,000	Aug-19
Wirral	Brownfield	109	£317,000	£21,000	May-21
Wirral	Brownfield	119	£476,000	£29,000	May-21
Cheshire East	Greenfield	120	£120,000	£8,000	Mar-18
Wirral	Brownfield	121	£415,000	£25,000	May-21
Blackburn	Brownfield	140	£122,000	£7,000	Nov-17
Cheshire East	Greenfield	146	£223,000	£17,000	Feb-19
Carlisle	Part Greenfield, Part Brownfield	148	£349,000	£13,000	Nov-20
Knowsley	Brownfield and Greenfield	162	£256,000	£15,000	Jan-21
Carlisle	Part Greenfield, Part Brownfield	164	£313,000	£19,000	Nov-20
Cheshire West and Chester	Brownfield	184	£287,000	£15,000	Jul-20
South Ribble	Brownfield	197	-	£31,000	Sep-18
South Ribble	Brownfield	199	£368,000	£12,000	Apr-18
Chorley	Greenfield	201	£392,000	£31,000	Jul-21
Cheshire West and Chester	Brownfield	205	£406,000	£19,000	Sep-19
Knowsley	Brownfield	227	£267,000	£19,000	Aug-20
Manchester	Brownfield	236	£410,000	£26,000	Nov-20
Halton	Greenfield	245	£300,000	£24,000	Dec-18
	Average	**158**	**£313,050**	**£22,524**	
251 - 550 Units					
St Helens	Brownfield	260	£451,000	£28,000	Jun-20
Halton	Greenfield	271	£276,000	£19,000	Dec-18
Cheshire West and Chester	Greenfield	272	£458,000	£36,000	Jan-19
Knowsley	Greenfield	328	-	£29,000	Mar-20
Halton	Greenfield	334	£251,000	£12,000	Dec-18
Ribble Valley	Greenfield	426	£347,000	£24,000	Feb-20
South Ribble	Greenfield	493	£218,000	£16,000	Jun-19
South Ribble	Greenfield	501	£255,000	£18,000	Jun-19
South Ribble	Greenfield	528	£276,000	£19,000	Jun-19
	Average	**379**	**£316,500**	**£22,333**	
551+ Units					
Cheshire East	Greenfield	784	£223,000	£15,000	Oct-20
	Average	**784**	**£223,000**	**£15,000**	
	Overall Average	**211**	**£309,667**	**£22,395**	

Source: C&W Internal Database based on Housebuilder and Cost Consultant Data

Appendix 8: BCIS Five Year Forecast (October 2021)

English (United Kingdom)
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28 OCT 2021

BCIS five-year forecast - OCT 21

Tender prices are expected to rise steeply over the next year with sharp rises in materials costs and site labour rates, together with strong demand. Tender prices continue to rise faster than costs over the remainder of the forecast period, with prices rising by 27% over the whole of the forecast period (3Q2021 to 3Q2026).

Materials prices rose by 6.3% in 3rd quarter 2021 on a quarterly basis and by 16.9% compared with a year earlier. The materials supply difficulties are expected to stabilise by 3rd quarter 2022 and prices will rise by 15% over the forecast period (3Q2021 to 3Q2026).

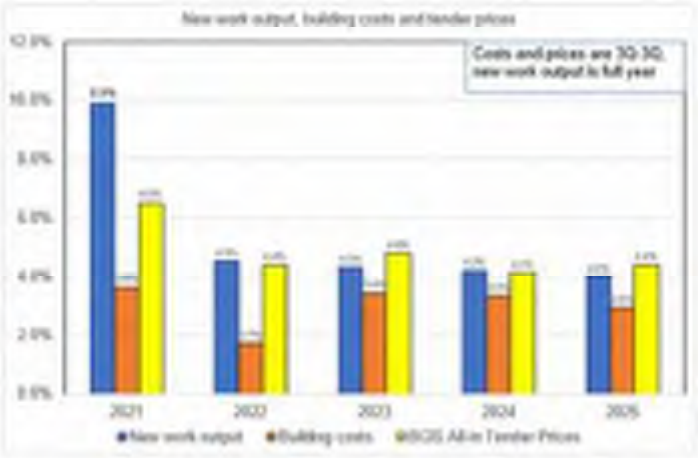
Although promulgated labour rate increases have been in the order of 2% to 3% in 2021, site rates have risen sharply, rising by 10% in 3rd quarter 2021 compared with a year earlier, according to the Hays/BCIS All-in Site Wage Cost Index. This will be reflected in the BCIS Market Conditions Index, putting upward pressure on tender prices. These shortages may take over from materials shortages as the major factor affecting costs.

The BCIS General Building Cost Index rose by 4.2% in 3rd quarter 2021 compared with the previous quarter, and by 9.1% compared with a year earlier. Costs will rise by 16% over the forecast period (3Q2021 to 3Q2026).

Total new work output increased by 4% in 2nd quarter 2021 compared with the previous quarter and by 56% compared with a year earlier. New construction output will rise by 30% over the forecast period (2025 compared with 2020). This increase is exaggerated by the pandemic induced 16% fall in 2020.

The full forecast and commentary are published in the Briefing section of the BCIS Online service.

Figure 1. New work output, building costs and tender prices



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Appendix 9: Land off Holts Lane, Poulton-le-Fylde (ref: APP/U2370/W/19/3241233) – Appeal Decision and Keppie Massie Viability Report

The Planning Inspectorate

Appeal Decision

Site visit made on 3 February 2020

by [redacted] DipTP MRTPI

an Inspector appointed by the Secretary of State

Decision date: 01 April 2020

Appeal Ref: APP/U2370/W/19/3241233
Land off Holts Lane, Poulton-le-Fylde.

- The appeal is made under section 78 of the Town and Country Planning Act 1990 against a refusal to grant planning permission under section 73 of the Town and Country Planning Act 1990 for the development of land without complying with conditions subject to which a previous planning permission was granted.
- The appeal is made by Hollins Strategic Land LLP and Tim Claxton Property Ltd against the decision of Wyre Borough Council.
- The application Ref 18/00680/OULMAJ , dated 11 July 2018, was refused by notice dated 3 October 2019.
- The application sought planning permission for outline application for the erection of up to 130 dwellings with means of access off Holts Lane (layout, landscaping, scale and appearance reserved), following demolition of existing buildings (re-submission of 16/00233/OULMAJ) without complying with a condition attached to planning permission Ref 16/01043/OULMAJ, dated 12 April 2017.
- The condition in dispute is No 3 which states that: Prior to commencement of development hereby approved, a scheme for the provision and retention of affordable housing as part of the development shall be submitted to and approved in writing by the Local Planning Authority. The affordable housing shall be provided and thereafter retained in accordance with the approved scheme and shall meet the definition of affordable housing in Annex 2 of the National Planning Policy Framework or any future guidance that replaces it. The scheme shall include:
  a) the numbers, type, tenure and location on the site of the affordable housing provision to be made which shall consist of not less than 30% of housing units/bed spaces;
  b) the timing of the construction of the affordable housing and its phasing in relation to the occupancy of the market housing;
  c) the arrangements for the transfer of the affordable housing to an affordable housing provider [or the management of the affordable housing];
  d) the arrangements to ensure that such provision is affordable for both first and subsequent occupiers of the affordable housing;
  e) the occupancy criteria to be used for determining the identity of occupiers of the affordable housing and the means by which such occupancy criteria shall be enforced.
- The reason given for the condition is: To ensure the adequate provision and delivery of affordable housing in accordance with the National Planning Policy Framework (March 2012).

Decision

The appeal is allowed and planning permission is granted for outline application for the erection of up to 130 dwellings with means of access off Holts Lane (layout, landscaping, scale and appearance reserved), following demolition of existing buildings (re-submission of 16/00233/OULMAJ), Land off Holts Lane, Poulton-le-Fylde in accordance with application Ref 18/00680/OULMAJ, dated 11 July 2018,

without complying with condition number 3 previously imposed on planning permission Ref 16/01043/OULMAJ dated 12 April 2017, but subject to the conditions in the attached schedule.

Procedural Matters

1. The Council's 5-year housing land supply has been confirmed through the publication of an Annual Position Statement (APS). Consequently, the Council can demonstrate a 5-year housing land supply of deliverable housing sites until 31 October 2020. The housing land supply figure includes the appeal site.

2. Outline planning permission has been granted at the appeal site for the erection of up to 130 dwellings subject to a section 106 agreement. Matters relating to layout, landscaping, scale and appearance were reserved. The planning permission was subject to a condition which requires the provision of affordable housing in accordance with the definition and requirements of the National Planning Policy Framework as at March 2012.

3. Since the approval of the planning permission the Wyre Local Plan (2011-2031) adopted 28 February 2019 (Local Plan) has been adopted. Further, an amended version of the National Planning Policy Framework (2019) (the Framework) has come into force.

4. The Framework states that where a need for affordable housing is identified planning policies should specify the type of affordable housing required and generally expect it to be met on site. Policies in the adopted Local Plan require the provision of 30% affordable housing. The appellant asserts that the scheme would not be viable with an affordable requirement of 30% and seeks to vary the condition to allow for a reduced affordable housing provision.

5. I have been provided with a copy of a signed Unilateral Undertaking (UU) dated 4th February 2020. The obligation varies the section 106 agreement related to the original outline planning permission Ref 16/01043/OULMAJ dated 12 April 2017. The UU requires financial contributions towards education, traffic management and a travel plan. The Council consider that the UU is enforceable and secures the necessary provisions as per the original Section 106 Planning Obligation. I am satisfied that the provisions of the UU are directly related to the development and fairly and reasonably related in scale and kind to it.

Main Issue

6. The main issue is whether the variation of the condition would provide adequately for the provision and delivery of affordable housing within the site.

Reasons

7. The appeal site comprises predominantly green field land on the edge of Poulton-le-Fylde. There is open agricultural land to the south, an industrial estate beyond the railway line which forms the eastern site boundary, and residential development on the northern side, from where access to the development is proposed. The site is allocated for residential development in the Local Plan.

8. The Framework states that in preparing and reviewing local plans, contributions expected from developments, including levels and types of affordable housing, should be set out. Such policies should not undermine the deliverability of the

plan. 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. 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.

9. Policy HP3 of the Local Plan requires that new residential developments of 10 dwellings or more contribute towards meeting the identified need for affordable housing. For sites in Poulton-le-Fylde the policy requires 30% affordable housing provision. Policy SP6 of the Local Plan states that the Council's overarching objective is to ensure that development is viable.

10. Based on the evidence before me it seems that, although the approved outline permission is for up to 130 units, it has been discovered that adverse ground conditions would limit the numbers of houses that can be accommodated on the site. It is considered that the site could deliver a scheme for 102 houses. Based on the requirements of Policy HP3 a development consisting of 102 dwellings would equate to a need for 31 affordable houses. However, the appellant contends that an affordable housing requirement in line with Policy HP3 would render the scheme unviable.

11. The indicative site layout submitted with the appeal for the 102 dwelling units would comprise 12 no.1-2 bed units, 66 no. 3 bed units and 24 no. 4 bed units. This housing mix forms the basis of the viability assessment submitted with the appeal.

12. Officers from the Council recommended that the application be approved, based on the assessment of viability carried out on their behalf by Keppie Massie. It appears to me that the approach in the viability document is consistent with the guidance set out in the viability section of the Planning Practice Guidance (PPG). The Council's consultant indicates that based on the housing mix proposed 9 affordable housing units is the maximum that could be provided to ensure the scheme's viability. The viability is based on a developer profit margin of close to 20%. The Council's consultant considers that the site has a relatively high-risk profile and that the level of profit is reasonable in this case.

13. However, the Council in coming to their decision considered that the ground conditions at the site should not have come as a surprise to land promoters and therefore it should not be necessary to seek to review the affordable housing requirements at this stage. Indeed, the Council say part of the original support for the development of the site was based on the site bringing forwarded much needed affordable housing.

14. Taking into account local and national policy I have some sympathy for the Council's view that affordable housing is needed within the district and that schemes should be required to deliver it. Particularly on sites allocated for development which have been assessed as viable and deliverable. However, based on the information put to me I cannot conclude that the scheme in question would be capable of delivering 30% affordable housing whilst providing sufficient incentive for the developer to carry out the development. On this basis, persisting with the existing condition would prejudice the delivery of any housing on site.

15. Further, the appeal site is allocated for housing and is part of the Council's 5-year housing land supply. The affordable housing provision would be lower than

the Local Plan policy requirement, but this has been justified and the nine dwellings proposed to be affordable would contribute to meeting an identified need.

16. Given that the delivery of housing is a central aim of the Framework, this is a matter to which I attribute significant weight. As well as securing the delivery of housing on an allocated site, the Council acknowledge that the proposed housing mix would accord with the latest housing market assessment and that additional green infrastructure secured by the reduced density of the scheme would be a visual benefit. These considerable benefits of the scheme would outweigh the harm in not achieving greater affordable housing. In this respect the development would be consistent with the approach in SP6 of the Local Plan.

17. The Council propose two conditions to replace the original condition 3 to secure the amended affordable housing provision. Condition 3 would be framed as per the original condition with point (a) reworded to replace the requirement for 30% affordable housing with a requirement to provide 9 housing units, 4 of which would be for affordable rent and 5 to be shared ownership. A second condition is proposed to secure the number and mix of dwellings to accord with the assessed viable housing mix which is based on a total of 102 units.

18. The Council propose amendments to a number of the other conditions attached to the original permission including those affecting drainage and public open space. However, these other conditions are not before me and I have limited evidence that the variation to affordable housing provision would require the reconsideration of these other elements of the planning conditions. Including condition 18 in relation to open space.

19. The UU acts as a deed of variation, it secures the traffic management and a travel plan required as part of the section 106 agreement related to the original outline planning permission. It also provides for an education contribution for primary school places and, where required, secondary school places. The UU also provides for the recalculation of the education contribution in the event that the required number of primary and secondary school places changes. The UU proposes to divert any surplus monies that may accrue through reduced education contributions towards a contribution to off-site affordable housing. The appellant and the Council agree that, although Policy HP3 seeks on site provision of affordable housing in the first instance, it would not be practical or reasonable to expect any reserved matters scheme to be amended to enable available surplus education contribution to provide on-site affordable housing. Thus, an off-site affordable housing contribution is seen as an exceptional circumstance in relation to Policy HP3 and I see no reason to disagree.

20. I invited the parties comments on the need to reappraise the scheme in the event of a delay in the commencement of construction or a change in types or mix of dwellings. A possibility suggested in the Council's viability assessment. The proposed variation of the planning conditions would prevent a re-appraisal of the numbers and mix of dwellings without further application. Further, as the outline planning permission is near to expiry it is likely that there would be a shorter than normal delay from the grant of outline permission to the commencement of construction, consequently, I am satisfied that no specific requirement for reappraisal is necessary in this specific case.

21. Overall, I consider that the variation of condition 3 would provide adequately for the provision and delivery of affordable housing within the site and would accord with Policy HP3 of the local plan. In this respect it would also accord with the Framework.

Other Matters

22. I appreciate that there are third-party concerns including about additional traffic, the amount of development, new housing in the area not selling and objections to social housing. However, the original extant planning permission establishes the principle of the development to which most of the objections relate. My role is not to reconsider the established principle of the development but to consider the variation of condition 3 in so far as it relates to the amount of affordable housing to be provided as part of the development.

Conditions

23. The guidance in the Planning Practice Guidance makes clear that decision notices for the grant of planning permission under Section 73 of the Town and Country Planning Act 1990 should also repeat the relevant conditions from the original planning permission, unless they have already been discharged.

24. I have amended the condition relating to the time to implement the permission to accord with the original planning permission. I have amended condition 3 and added condition 25 as set out above. These conditions are necessary to ensure a suitable mix and number of dwellings and provide for affordable housing in accordance with the Council's viability appraisal.

25. I have considered the comments made by the parties with regard to conditions. However, for the reasons set out I have not found it necessary to amend the other conditions of the permission. I have therefore reapplied the conditions attached to the original permission for clarity.

Conclusion

26. For the reasons given above the appeal is allowed.

[redacted]

INSPECTOR

Schedule of Conditions

1. (a) In the case of any reserved matter, namely appearance, landscaping, layout and scale of the buildings, application for approval must be made not later than the expiration of three years beginning on the 12 April 2017;

   (b) the development to which the permission relates must be begun not later than the expiration of two years from the final approval of the reserved matters or, in the case of approval on different dates, the final approval of the last matter to be approved.

2. The development hereby permitted shall be carried out in accordance with the following approved plan: - 1409/01B Proposed site access arrangements.

3. Prior to commencement of development hereby approved, a scheme for the provision and retention of affordable housing as part of the development shall be submitted to and approved in writing by the Local Planning Authority. The affordable housing shall be provided and thereafter retained in accordance with the approved scheme and shall meet the definition of affordable housing in Annex 2 of the National Planning Policy Framework or any future guidance that replaces it. Unless otherwise agreed in writing by the Local Planning Authority the scheme shall include:
   a) the numbers, type, tenure and location on the site of the affordable housing provision to be made which shall consist of the location on the site of the affordable housing provision to be made which shall consist of not less than 9 dwelling units, 4 of which shall be for affordable rent and 5 of which shall be shared ownership;
   b) the timing of the construction of the affordable housing and its phasing in relation to the occupancy of the market housing;
   c) the arrangements for the transfer of the affordable housing to an affordable housing provider [or the management of the affordable housing];
   d) the arrangements to ensure that such provision is affordable for both first and subsequent occupiers of the affordable housing;
   e)the occupancy criteria to be used for determining the identity of occupiers of the affordable housing and the means by which such occupancy criteria shall be enforced.

4. The development permitted by this planning permission shall be carried out in accordance with the approved Flood Risk Assessment (FRA) February 2016, Ref: HYD055_HOLTS.LANE_FRA&SDA by Betts Hydro Consulting Engineers and the following mitigation measures detailed within the FRA:

   - Limiting the surface water run-off generated by the development to greenfield runoff rate so that it will not increase the risk of flooding off-site.
   - Identification and provision of safe route(s) into and out of the site to an appropriate safe haven.

- Finished floor levels are set no lower than 150mm following any re-grade above Ordnance Datum (AOD).

The mitigation measures shall be fully implemented prior to first occupation and subsequently in accordance with the timing / phasing arrangements embodied within the scheme, or within any other period as may subsequently be agreed, in writing, by the local planning authority in consultation with the lead local flood authority.

5. Prior to the commencement of any development, full details of a surface water drainage scheme shall be submitted to and agreed in writing by the Local Planning Authority. For the purpose of this condition, the drainage scheme shall include;
   a) information about the lifetime of the development design storm period and intensity (1 in 30 & 1 in 100 year +30% allowance for climate change), discharge rates and volumes (both pre and post development), temporary storage facilities, means of access for maintenance and easements where applicable, the methods employed to delay and control surface water discharged from the site, and the measures taken to prevent flooding and pollution of the receiving groundwater and/or surface waters, including watercourses, and details of flood levels in AOD;
   b) any works required off-site to ensure adequate discharge of surface water without causing flooding or pollution (which should include refurbishment of any existing culverts and headwalls or removal of unused culverts where relevant);
   c) flood water exceedance routes, both on and off site;
   d) a timetable for implementation, including phasing where applicable;
   e) site investigation and test results to confirm infiltrations rates;
   f) details of water quality controls, where applicable.

   The scheme shall be fully implemented and subsequently maintained in accordance with the approved details and the details to be agreed by condition 6 and in accordance with the timing / phasing arrangements embodied within the scheme, or within any other period as may subsequently be agreed, in writing, by the local planning authority.

6. (i) Prior to the commencement of development, a management and maintenance plan for the sustainable drainage system for the lifetime of the development shall be submitted to and agreed in writing by the Local Planning Authority. For the purpose of this condition, this plan shall include:
   a) The arrangements for adoption by an appropriate public body or statutory undertaker, management and maintenance by a Residents' Management Company;
   b) Arrangements concerning appropriate funding mechanisms for its on-going maintenance of all elements of the sustainable drainage system (including mechanical components and designed biodiversity features) and will include elements such as on-going inspections relating to performance and asset condition assessments, operation costs for regular maintenance, remedial works and irregular maintenance caused by less sustainable limited life assets or any other

arrangements to secure the operation of the surface water drainage scheme throughout its lifetime;
c) Means of access for maintenance and easements where applicable;
d) The maintenance and management of any designed biodiversity features.

(ii) The plan shall be implemented in accordance with the approved details prior to first occupation of any of the approved dwellings, or completion of the development, whichever is the sooner. Thereafter the sustainable drainage system shall be managed and maintained in accordance with the approved details.

7. No development hereby permitted shall be first occupied until the sustainable drainage scheme for the site has been completed in accordance with the submitted details. The sustainable drainage scheme shall be managed and maintained thereafter in accordance with the agreed management and maintenance plan approved under condition 6.

8. Prior to the commencement of development, a scheme for the disposal of foul waters within the site shall be submitted to and approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the approved scheme.

9. Vegetation shall only be removed / cleared outside of the optimum period for bird nesting (March to July inclusive) unless, before the removal / clearance commences, a report has been submitted to and approved in writing by the Local Planning Authority demonstrating that the nesting / breeding birds have been shown to be absent.

10. Prior to the commencement of development hereby approved, including any vegetation clearance or ground works, and notwithstanding any information submitted with the application, a Comprehensive Great Crested Newt Reasonable Avoidance Measures Method Statement shall be submitted to and approved in writing by the Local Planning Authority. The Method Statement shall give full details of how any possible harm to great crested newts is to be avoided during the course of the development. The development shall be carried out in accordance with the approved Method Statement.

11. Prior to the commencement of development hereby approved, including any vegetation clearance or ground works, a Barn Owl Mitigation Method Statement, in line with section 5.5 of the submitted Ecological Survey And Assessment reference (ERAP Ltd ref: 2015_069 and amended April 2016) shall be submitted to and approved in writing by the Local Planning Authority. The Method Statement shall give full details of the type, location, management and maintenance of the barn owl tower. The development shall be carried out in accordance with the approved Method Statement.

12. Prior to the commencement of development hereby approved, including any vegetation clearance or ground works, a Landscape and Ecology

Management Plan (LEcoMP) shall be submitted to and approved in writing by the Local Planning Authority. The approved Plan shall identify the opportunities for biodiversity enhancement on site including (but not limited to):
a) Species rich hedgerow planting;
b) Bolstering of hedgerows;
c) Creation of ponds;
d) Bat bricks and/or tubes within the new development;
e) Bat boxes;
f) Bird boxes;
g) Native tree and shrub planting.

The approved scheme shall be implemented in accordance with the approved scheme details.

13. Prior to commencement of development hereby approved, a scheme which provides for the assessment, retention and protection of trees, shrubs and hedges within (or overhanging) the site, which may be affected by the construction process (apart from those whose removal is approved through the reserved matters application(s)), shall be submitted to and approved in writing by the Local Planning Authority in the form of a Tree Protection Plan and Arboricultural Impact Assessment. The agreed tree protection measures shall remain until all development is completed and no work, including any form of drainage or storage of materials, earth or topsoil shall take place within the perimeter of such protective fencing.

14. Prior to the commencement of the development hereby approved, a Construction Environmental Management Plan (CEMP) shall be submitted to and approved in writing by the Local Planning Authority to include details of the measures proposed during construction to manage and mitigate the main environmental effects. The following matters shall be addressed:
a) the times of construction activities on site;
b) the parking of vehicles of site operatives and visitors;
c) loading and unloading of plant and materials;
d) storage of plant and materials used in constructing the development; e) the erection and maintenance of security hoarding including decorative displays and facilities for public viewing, where appropriate;
f) wheel washing facilities;
g) measures to control the emission of dust and dirt during construction;
h) a scheme for recycling/disposing of waste resulting from demolition and construction works;
i) measures to prevent disturbance to adjacent dwellings from noise and vibration, including any piling activity;
j) measures to prevent the pollution of watercourses;
k) measures to avoid light pollution;
l) routes to be used by vehicles carrying plant and materials to and from the site and measures to be taken to ensure that drivers use these routes as far as is practicable;
m)management of silt and run-off during the build out of the development.

The development hereby approved shall be carried out in accordance with the approved CEMP.

15. Prior to commencement of development hereby approved, a desk study shall be undertaken and agreed in writing by the Local Planning Authority to investigate and produce an assessment of the risk of the potential for on-site contamination. If the desk study identifies potential contamination, a detailed site investigation shall be carried out in accordance with a written methodology, which shall be submitted to and agreed in writing by the Local Planning Authority. If remediation measures are then considered necessary, a scheme for decontamination of the site shall be submitted to, and, approved in writing by the Local Planning Authority and the scheme implemented in accordance with the approved details prior to the development of the site. Any changes to the agreed scheme must be approved in writing by the Local Planning Authority prior to any works being undertaken.

16. (a) The residential development hereby permitted shall be designed so that cumulative noise (from industrial, commercial and transportation sources) does not exceed: -

- 50dB LAeq 16 hours (07.00 to 23.00) in gardens and outside living areas, daytime
- 35dB LAeq 16 hours (07.00 to 23.00) - indoors, daytime
- 30dB LAeq 8 hours (23.00-07.00) - indoors, night-time
- 45dB LAFmax (23.00-07.00) - indoors, night-time
- 60 dB LAFmax 8 hours-(23.00-07.00) façade level night time
- 60 dB LAFmax 4 hours-(19.00-23.00) façade level night time

(b) Any mechanical ventilation system shall meet or exceed the specifications set out in clause 6, schedule 1 of the Noise Insulation Regulations 1975 with regard to acoustic performance and airflow rates.
(c) Where noise mitigation measures are required to ensure compliance with the agreed noise levels e.g. acoustic glazing, noise barrier fencing and ventilation, such mitigation details shall be submitted to and approved in writing by the Local Planning Authority prior to commencement of development demonstrating how they would mitigate noise to the approved levels together with a timetable for implementation. The approved noise mitigation measures shall be implemented in accordance with the approved timescale and shall thereafter be maintained and retained.

17. Prior to the commencement of the development hereby approve, an assessment and a scheme for the mitigation of intrusive lighting effects from the railway shall be submitted to and approved in writing by the Local Planning Authority. The assessment and the mitigation measures shall demonstrate that the lighting will be in accordance with the institution of Lighting Professionals.' "Guidance Notes for the Reduction of Obtrusive Light GN01:2011" and shall be oriented and screened to mitigate light spillage from the railway onto the development.

The light intrusion into the windows of any residential premises shall not exceed 10 Lux before 23.00, and 2 lux after 23.00 (Environmental Zone E3). The mitigation measures shall be installed prior to the first occupation of any of the dwellings or the completion of the development whichever is the earliest and shall be maintained thereafter.

18. As part of any reserved matters application where layout is applied for, public open space shall be provided on site in accordance with the requirements of saved Policy H13 of the adopted Wyre Borough Local Plan (1999), or any equivalent policy in an adopted Local Plan that replicates the existing Local Plan, and such area or areas of open space shall be provided and made available for use, and shall thereafter be retained and maintained for use by the public in accordance with a scheme which shall be submitted to and approved in writing by the Local Planning Authority prior to the first occupation of any dwelling on the site.

19. No development shall take place within the area indicated until the applicant, or their agents or successors in title, has secured the implementation of a programme of archaeological work in accordance with a written scheme of investigation (which shall include the timetable for the investigation) which has been submitted by the applicant and approved in writing by the Local Planning Authority.

20. The land indicated on drawing SAF(001) submitted with the planning application shall be safeguarded for use in connection with the construction of a railway footbridge and ramped access required by Network Rail in connection with the electrification of the Blackpool-Preston-Manchester line, unless written confirmation is provided by Network Rail to the Local Planning Authority that this safeguarded land is no longer required for such purpose. Prior to construction work on the railway footbridge and ramped access, the land shall be used in connection with no other development hereby approved other than in accordance with landscaping details to be approved at the reserved matters stage.

21. No part of the development hereby approved shall commence until a timescale for the construction of the site accesses and the agreed scheme of off-site works of highway improvement has been submitted to, and approved in writing by, the Local Planning Authority in consultation with the Highway Authority. The highway improvements shall thereinafter be constructed in accordance with the agreed timescale. The agreed scheme of highway improvements/works are as shown on drawings 1409/01/ B, 1409/05/B, 1409/07, 1409/08/A and 1409/09/A and include:

    - Resurfacing of footway on both sides of Site Access 1 including dropped kerbs and tactile paving.
    - Resurfacing of footway on both sides of Site Access 2 including dropped kerbs and tactile paving.
    - Resurfacing of footway the south side of Holts Lane between Site Access 1 and Brockholes Crescent.

- Repatch and repair existing footway on east side of Holts Lane between Brockholes Crescent and proposed pedestrian refuge on Garstang Road East.
- Introduce tactile paving at the junction of Holts Lane with Brockholes Crescent.
- Introduce tactile paving at the junction of Edenfield Avenue with Holts Lane.
- Introduce dropped kerbs and tactile paving at the junction of Broadfield Avenue with Holts Lane.
- Revise layout of Main Drive/Brockholes Crescent junction to reduce bell mouth and introduce dropped kerbs and tactile paving to provide a safer environment for pedestrians.
- Introduce tactile paving and junction treatment at the junction of Holts Lane with Garstang Road East.
- Introduce tactile paving and junction treatment at the junction of Argyle Road with Garstang Road East.
- Introduce pedestrian/cycle refuge on Garstang Road East in the vicinity of the junction with Holts Lane. Pedestrian/cycle refuge to be sited on the desire line of residents of the proposed development undertaking trips to Tesco, Hodgson Academy and Poulton town centre.
- Widen footway on the north side of Garstang Road East between Lower Green to a point beyond Argyle Road. With surface treatment at the Tesco access and egress.
- Introduce tactile paving and junction treatment at the junction of Carr Head Lane with Garstang Road East.
- Revise existing pelican crossing facilities at Garstang Road East/Lower Green junction to 'Toucan' type.
- Revise existing pelican crossing facilities at Garstang Road East/Garstang Road West/Hardhorn Road junction to 'Puffin' type. Introduce 3.0m wide shared footway/cycleway along the north side of Garstang Road East between Lower Green and Argyle Road (distance of circa 200m), with pedestrian/cycle refuge on Garstang Road East in the vicinity of the junction with Holts Lane.
- Introduce 'Toucan' format crossing facilities at Lower Green/Garstang Road East junction. Upgrade 2no bus stops (with shelters) on Garstang Road East. These are located at (iii) Westbound services: 90m east of Holts Lane; (iv) Eastbound services: 120m west of Holts Lane.
- Introduce a new stop on Carr Head Lane. Details to be agreed. Garstang Road East / Holts Lane junction - introduce right turn lane waiting areas on Garstang Road East to cater for movements into Holts Lane and Argyle Road (Drg No 1409/09/A).
- Garstang Road East / Carr Head Lane junction - increase width of right turn lane on Garstang Road East to assist right turn movements out of Carr Head Lane (Drg No 1409/07).
- Hardhorn Road / Highcross Road / Beech Drive junction - introduce 'KEEP CLEAR' markings on Hardhorn Road at the Beech Drive and

Highcross Road junctions with supporting surface treatment (Drg No 1409/08/A).

22. The approved Travel Plan (Ashley Helme, November 2016, Report Reference 1409/3/C) must be implemented in full in accordance with the timetable contained within it unless otherwise agreed in writing with the Local Planning Authority. All elements shall continue to be implemented at all times thereafter for as long as any part of the development is occupied or used/for a minimum period of at least 5 years.

23. As part of any reserved matters application where layout is applied for, a footpath link / links shall be provided on site between the application site and the land to the west. The approved footpath link(s) is only to be provided in the event that development on the land to the west is permitted. In which case, the footpath link shall be constructed in accordance with the approved details prior to development on land to the west being first occupied.

24. No dwellings shall be first occupied until the provision of electric vehicle charging points are provided for the dwelling to which they relate, and such provision shall be permanently retained for that purpose thereafter.

25. The development hereby permitted is for 102 dwelling units only which shall comprise of the following housing mix schedule:

- 4 x 1 bed dwelling units
- 8 x 2 bed dwelling units
- 66 x 3 bed dwelling units
- 24 x 4 bed dwelling units

VIABILITY REPORT

Land off Holts Lane
Poulton-Le-Fylde
Lancashire

Prepared on Behalf of

Wyre Council
Civic Centre
Breck Road
Poulton-Le-Fylde
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FY6 7PU

AUGUST| 2019

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LAND OFF HOLTS LANE, POULTON-LE-FYLDE, LANCASHIRE

1.0 INTRODUCTION

1.1 The application site has outline planning consent for the erection of up to 130 dwellings with means of access off Holts Lane (layout, landscaping, scale and appearance reserved), following demolition of existing buildings. The outline consent is subject to a S106 Agreement dated 12 April 2017, which provides for the following planning contributions:

Primary Education Contribution – based on a cost per place of £13,474.53
Secondary Education Contribution – based on a cost per place of £20,303.59
Traffic Management Contribution - £50,000
Travel Plan Contribution - £6,000
Affordable Housing Provision – no less than 30% of the housing units/bedspaces are to be affordable

1.2 The applicant has subsequently submitted an application (Ref: 18/00680/OULMAJ) seeking the removal of condition 03 (affordable housing) on application 16/01043/OULMAJ. The supporting statement submitted with the application dated July 2018 refers to the fact that the applicant (Hollins Strategic Land) has attempted to bring the site forward for housing but as part of the process, it has been discovered that the extent of peat across the site renders the approved development unviable.

1.3 The statement refers to Viability Appraisals that have been prepared for the application site which take into account the impact of peat. It is stated that the appraisal with 30% affordable housing results in a developers profit of 10.45% of GDV, whilst that which excludes affordable housing results in a profit of 19.44% of GDV. These profits are then compared to the 20% profit benchmark that was adopted in the Local Plan Viability Assessment, to determine viability.

1.4 By way of an email dated 8 October 2018 we were instructed to undertake a review of the applicant's viability assessment and provide advice to the Council regarding the viability position to assist in the assessment of the application.

2.0 HISTORY OF DISCUSSIONS

2.1 The initial review of the plans and costs raised a number of questions in relation to the proposed scheme and the associated abnormal development costs. A meeting was therefore arranged with the applicant and their advisors Brownfield Solutions to discuss the points that we had identified and obtain further explanation of the approach to dealing with peat and other associated abnormal items and their respective costs.

2.2 Following this meeting the applicant contacted us to advise that a potential sale of the site had been agreed and that pre-application discussions were progressing with the Council and [redacted] regarding a revised scheme for 102 dwellings. A copy of the draft scheme and accommodation schedule are contained at **Appendix 1**.

2.3 As a result of the change in circumstances we obtained further instructions from the Council regarding the approach to the viability assessment. We were advised that the Council were happy for us to continue with the review based on the proposed layout for 102 dwellings. The applicant's agent issued a revised financial appraisal (dated 27 February 2019) based on the proposed scheme for 102 dwellings. A copy of the financial appraisal together with supporting note is contained at **Appendix 2**.

2.4 This revised appraisal is based on a scheme of market housing and does not include any other S106 contributions. The appraisal adopts a residual approach so that the costs of undertaking the development, including land and finance costs are deducted from the value of the completed development to leave a residual sum which is the developer's profit. The appraisal in this case resulted in a residual profit equivalent to 10.91% of GDV, which was compared to the applicant's benchmark profit return of 20% of GDV. As the residual profit was just over half of the applicant's benchmark figure, the appraisal showed that even if all planning obligations were waived the development was not viable and therefore was unlikely to be delivered.

2.5 Discussions progressed with the applicant regarding a number of elements of this revised appraisal, most notably the abnormal development costs and the approach to dealing with the impacts of peat on the site.

2.6 On the 28 May we wrote to the applicant with the conclusions based on our initial assessment of the appraisal at Appendix 2. Table 2.1 contains a summary of our comments. The sales price information and QS construction cost assessment referred to in the table have been provided at **Appendix 3**.

Item	Applicant Assumption	Comments
GDV	£25,918,164 Affordable Housing	Net price of 4 bed units and apartments agreed. Net price of 2 and 3 bed units appear to be low. Figures increased slightly to reflect JA prices on attached sheet. None included assume affordable rent at 45% MV and LCHO at 70% MV.
Agents Fee	1.5%	This is high, reduce to 1%.
Legal Fee	0.8%	Agreed.
Town Planning	£100,000	Excluded. Reflected in QS assessment of professional fees.
Survey	£50,000	Excluded. Reflected in QS assessment of professional fees.
Marketing	3.5%	Agreed. Assume transfer fee of £600 per unit for affordables.
Interest Rate	7%	Agreed.
Programme	2.5 sales per month	Agreed as per Argus Appraisal sent 7 April 19.
Profit	20% GDV	Not agreed. Assume 20% market housing and 8% affordable units.
Benchmark Land Value	£2,376,000 (£300,000 per net acre)	Not agreed, this is high. Redrow paid £260,000 per net acre for a better site. Applicant's total abnormals equate to £550,000 per net acre. In accordance with PPG how have these costs been taken into account in assessing the benchmark land value? The gross greenfield value is £850,000 per net acre, this is not sustainable in this location hence the reason why the scheme is unviable based on the applicant's assessment even with no planning obligations.
Construction Costs inc all Professional Fees, Surveys, Abnormals and Contingency	£18,511,511	Not agreed see attached QS summary assessment at £16,798,599.

Table 2.1: Initial Conclusions relating to February 2019 Appraisal

2.7 Based on these conclusions we prepared a revised financial appraisal inclusive of 30% affordable housing. This appraisal included a blended profit of 18.37% of GDV, and resulted in a residual land value of £1,759,808 (£222,200 per net acre). We concluded that the appraisal demonstrated that the development could support 30% affordable housing provision. For completeness a copy of this appraisal is also contained at Appendix 3.

2.8 On 9 June the applicant provided their comments in relation to our initial assessment, and a copy of this response is contained at **Appendix 4.** The S106 contributions had not been included in their February appraisal or the appraisal that we have prepared based on our initial conclusions. This point was noted and the applicant confirmed that allowances needed to be made for the following contributions:

Highways - £56,000
Education - £563,000

2.9 A further appraisal dated 17 June was then submitted by the applicant for discussion. A copy of the appraisal is contained at **Appendix 5.** The appraisal is based on a scheme of market housing and is inclusive of the S106 contributions detailed in paragraph 2.8. The appraisal includes a developer's profit of 20% of GDV and results in a residual land value of £1,322,706 (£167,008 per net developable acre).

2.10 A further meeting took place with the applicant on 18 June to discuss this financial appraisal.

3.0 CURRENT POSITION

3.1 On 27 June the applicant submitted their most recent appraisal together with an email explaining their approach to the various appraisal assumptions. A copy of this appraisal and supporting email are contained at **Appendix 6**.

3.2 Again the appraisal is based on a development of market housing however is inclusive of the S106 contributions noted at paragraph 2.8. The appraisal includes a fixed land value of £1,980,000 or £250,000 per net developable acre. The outcome of the appraisal is a residual developer's profit, which equates to 7.33% of GDV. Table 3.1 contains a summary of the appraisal.

Element	Total
GDV	**£26,609,407**
Less	
Fixed Land Price	£1,980,000
Associated Acquisition Costs (2.3%)	£45,540
SDLT	£0
Dwelling Construction Costs	£9,581,800
Demolition and Asbestos Removal	£45,000
External Works	£3,282,324
Abnormal Costs	£4,631,573
Contingencies	£680,658
Professional Fees	£856,847
S106 Education	£563,000
S106 Highways	£56,000
S278 Works	£200,000
Sales and Marketing (3.5%)	£931,329
Finance Costs (7%)	£1,805,884
Total Costs	**£24,659,955**
Residual Profit	£1,949,452
Profit % GDV	7.33%

Table 3.1: Summary of Applicant Appraisal (27 June 2019)

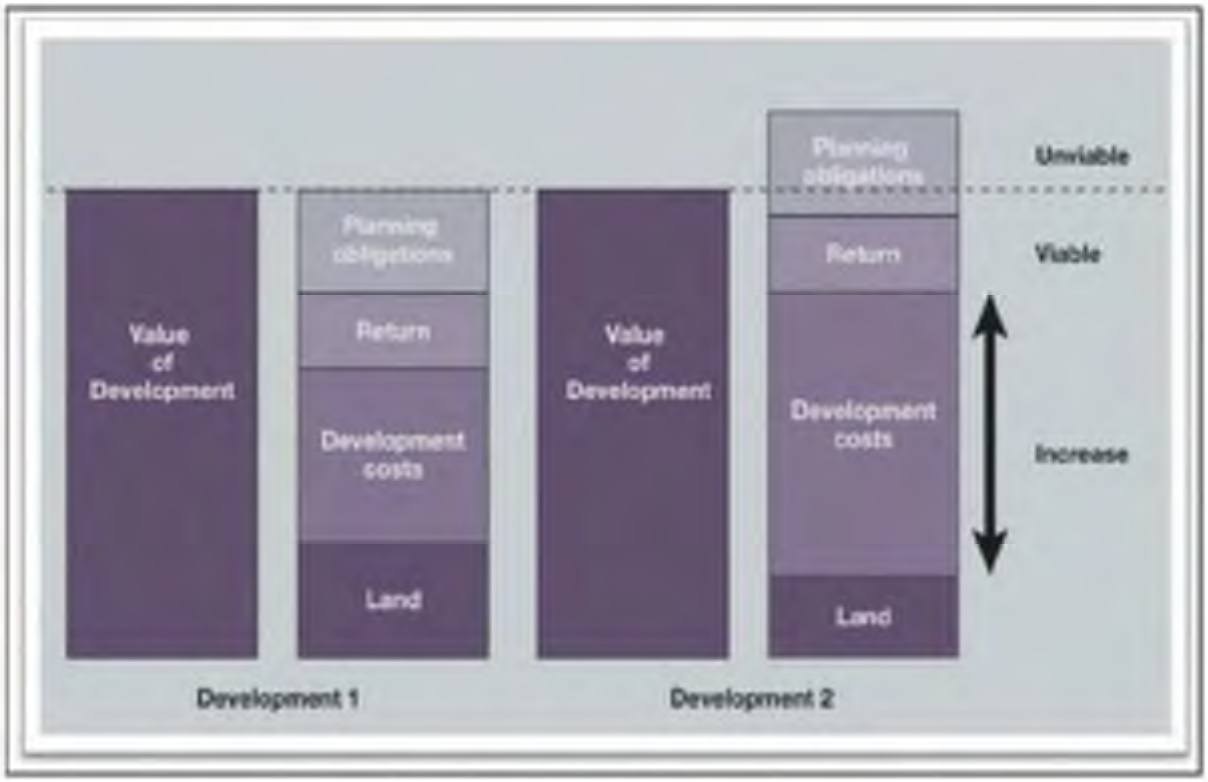
3.3 This most recent appraisal shows that even if the affordable housing requirement is waived the development is unviable. To make the development viable a reduction in the S106 contributions would also be required. The applicant has adopted a developer's profit benchmark of 20% of GDV. Based on the appraisal at table 3.1 this equates to £5,321,881. The total S106 contributions are £619,000 so even if these particular contributions were waived by the Council, the saving would still not be sufficient to generate a residual profit at the applicant's benchmark figure.

3.4 If the methodology behind this appraisal was reversed to include a profit at 20% of GDV with the land value being the residual sum, then even assuming a development of market housing we estimate that the applicant's appraisal would generate a residual land value that is a negative figure of -£308,850. Based on the applicant's current appraisal then both the developer and the land owner would in any event need to accept less than the benchmark land value figures that had been adopted for the development to proceed.

3.5 Financial Viability in Planning is a guidance note prepared by the Royal Institution of Chartered Surveyors (RICS) which was issued following the publication of the 2012 version of the NPPF. It is intended to represent best practice i.e. recommendations which in the opinion of the RICS meet a high standard of professional competence. The guidance note defines financial viability as:

"An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, whilst ensuring an appropriate Site Value to the landowner and a market risk adjusted return to the developer in delivering that project."

3.6 This guidance will shortly be updated following publication of the new NPPF and PPG however it usefully identifies the fundamental issue as being whether an otherwise viable development is made unviable and thereby frustrated by the extent of planning obligations. This is illustrated by the diagram below taken from the guidance.



3.7 Where planning obligation liabilities reduce the Site Value to the landowner and return to the developer below an appropriate level as illustrated by Development 2, land will not be released and/or development will not take place. In this context the old NPPF introduced the concept of "competitive returns" to a landowner and developer however the new document no longer makes reference to these concepts and simply refers to the fact that contributions expected from development should not undermine the deliverability of the plan.

3.8 The Viability Guidance to accompany the NPPF is now contained in the updated PPG. This document 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."

3.9 It goes on to say that:

"In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission."

3.10 In the context of the updated PPG we have prepared an objective assessment of this most recent financial appraisal (27 June 2019) that has been submitted by the applicant. In particular we have considered whether the appraisal assumptions that have been adopted are reasonable and based on this the extent to which the development is viable and can support the required planning contributions.

3.11 In conjunction with our Quantity Surveyor we have considered in detail the submitted viability appraisal to determine whether when viewed objectively this provides a reasonable assessment of the costs and revenues that would be appropriate to this development. Our views in relation to the key variables of the appraisal are summarised in Section 4.

4.0 APPRAISAL COMMENTARY

Form of Development Assumed

4.1 The application site has a gross site area of 4.16ha (10.28 acres) and is predominantly open fields. It is situated to the south of a residential area comprising a mix of former Local Authority Housing and 1960's bungalow development. To the east of the site is the railway line and to the south and west open field. Access to the site from Garstang Road East (A585) is via Holts Lane through the Local Authority Housing Estate.

4.2 The application site has outline consent for up to 130 dwellings. The current viability assessment is based on the proposed reserved matters application for 102 dwellings. A copy of the layout plan for this scheme is contained in Appendix 1. Table 4.1 contains a summary of the proposed housing mix and dwelling sizes. The viability assessment is based on the information contained in table 4.1. In addition the applicant has assumed a net developable area of 3.21 ha (7.92 acres) and we have adopted this for the purpose of our assessment.

Ref	No	Type	No Beds	Size (sq.ft)
Type A	2	Semi	3	798
Type B	4	Semi	2	724
Type C	14	Semi	3	911
Type D	5	Det	3	1,166
Type E	19	Det	3	1,139
Type F	26	Det	3	1,366
Type G	12	Det	4	1,288
Type H	11	Det	4	1,445
Type I	1	Det	4	1,494
Type 1	4	Apt	1	540
Type 2	4	Apt	2	650
	102			**117,838**

Table 4.1: Summary of Dwellings and Sizes

4.3 The current viability assessment is based on the form of development proposed in the reserved matters application that is to be submitted. It should be noted however that the outline consent is for 130 dwellings. The proposed reserved matters application may not proceed or there may be amendments to the number and size of dwellings identified in table 4.1. In theory based on the outline application the site could be developed for up to 130 dwellings and the Council needs to be mindful of this in reaching conclusions regarding the S73 application. We would recommend that any revised S106 Agreement entered into contains provision for a review of viability in the event of changes to the type or number of dwellings identified in table 4.1 as part of any reserved matters consent. In addition the Council may wish to consider including provision for re-appraisal in the event of any delay to the commencement of construction.

Gross Development Value

4.4 In preparing an assessment of the likely selling prices for the application scheme we have considered the selling and asking prices for new houses in Poulton. At the present time there are 4 new developments being constructed within a mile radius of the application site namely:

Oldfield Park – Redrow
Moorfield Park – Jones Homes
Moorfield Park – Persimmon Homes
St Johns Walk – Wainhomes

4.5 In preparing our assessment we have had regard to both sales and asking prices from these new developments.

4.6 Compared to these new schemes the application site occupies an inferior location. It is situated to the south of a former local authority housing estate, and access to the site from the main road (Garstang Road East) is directly through this housing estate. As a result the approach to the site is inferior to the comparable schemes, and this will have a depressing effect on values. Similarly the Moorfield Park schemes have main road frontage which improves their marketability, whilst St Johns Walk in situated closer to the town centre with ready access to the shopping area and railway station. The Oldfield Park development is located a similar distance from the town centre in comparison with the application site and is one field to the west. It benefits however from being situated just off Carr Head Lane, which is a superior residential location close to Hardhorn Lane and Hardhorn itself one of the highest value locations in Poulton.

4.7 Due to these differences we would generally expect new dwellings on the application site to sell for less than the prices achieved for these other new developments. Given the characteristics of the application site, then of the four new schemes the most comparable is likely to be that part of Moorfield Park being developed by Persimmon Homes. This is principally as a result of the type of product being developed by Persimmon which is typically smaller than in the other schemes and of a lower quality/specification, which means that it can be afforded by lower income households. Jones Homes and Redrow and to a lesser degree Wainhomes provide a higher specification/quality product and as a result the selling/asking prices are higher pro-rata than for the Persimmon development and the market for their product is very different.

4.8 The selling prices for the application scheme are likely to be below the asking and achieved prices for the Redrow, Jones Homes and Wainhomes developments. The construction costs that have been assumed for the purpose of the assessment assume however a slightly higher quality of development than a typical Persimmon Homes development, and as such we would expect higher selling prices.

4.9 Persimmon have provided us with information about the selling prices on Moorfield Park and we understand that these have been in the range of £238 per sq.ft, for the 2 bed Alnwick house type, to £192 per sq.ft for a number of the 4 bed Chedworth house types. The overall average price before incentives is £218 per sq.ft with incentives averaging 3.8%. Persimmon advise that the overall average price once incentives are taken into account is in the order of £210 per sq.ft.

4.10 We have also reviewed availability and pricing of houses on the other 3 developments. Based on the exercise that we have undertaken previously, we have increased slightly the prices of the smaller 2 and 3 bed dwellings from those in the applicant's earlier assessment and they have been included in their current 27 June 2019 appraisal. Subsequent to this we consider that recent evidence in relation to the larger house types shows that the prices for the 4 bed and large 3 bed house in the applicant's appraisal are slightly high. We have therefore adjusted these accordingly.

4.11 Based on the changes that we have made table 4.2 contains details of the average net selling prices that we have assumed for the purpose of our assessment. These are the net prices that we have adopted once all sales incentives are taken into account.

Ref	Type	No Beds	Size (sq.ft)	Price	Price (per sq.ft)
Type A	Semi	3	798	£179,550	£225
Type B	Semi	2	724	£162,900	£225
Type C	Semi	3	911	£204,975	£225
Type D	Det	3	1,166	£268,000	£230
Type E	Det	3	1,139	£261,900	£230
Type F	Det	3	1,366	£286,860	£210
Type G	Det	4	1,288	£276,920	£215
Type H	Det	4	1,445	£303,450	£210
Type I	Det	4	1,494	£313,740	£210
Type 1	Apt	1	540	£123,120	£228
Type 2	Apt	2	650	£148,200	£228
				Ave	**£218**

Table 4.2: Average Net Sales Prices assumed

Construction Costs

4.12 Our QS has prepared an assessment of the construction costs (including abnormals, fees and contingencies) associated with the reserved matters application proposals based on the information that has been made available to us. A number of meetings have taken place with the applicant and their advisors to obtain supporting explanation and information relating to their cost assessment. Notwithstanding the discussions that have taken place, it has not been possible to reach an agreed position in relation to construction costs.

4.13 With reference to table 3.1, the applicant has adopted the following construction costs.

Item	Cost
Dwelling Construction Costs	£9,581,800
Demolition and Asbestos Removal	£45,000
External Works	£3,282,324
Abnormal Costs	£4,631,573
Contingencies	£680,658
Professional Fees	£771,847
S278 Works	£200,000
Total	**£19,193,202**

4.14 A further sum of £85,000 is included for town planning fees giving an overall total for construction costs including professional fees, contingency, abnormal costs and S278 works of £19,278,202. In comparison our QS has assessed the total costs associated with this development to be £17,080,711. A summary of the cost assessments are contained at **Appendix 7**. The applicant's costs are over £2m greater than our QS assessment largely due to a difference in approach to assessing the abnormal costs, particularly those associated with dealing with peat on the site. For the purpose of undertaking this assessment we have therefore adopted the total construction costs assessed by our QS in the amount of **£17,080,711**.

Land Acquisition Costs and Benchmark Land Value

4.15 The applicant has adopted a fixed land value of £1,980,000 (£250,000 per net acre) together with associated legal and agent's fees on acquisition based on 0.8% and 1.5% respectively of the purchase price. No allowance has been made for stamp duty land tax.

4.16 Our view in relation to the associated acquisition costs is that the allowance for legal fees is reasonable however that for agents fees is high and we have reduced this to 1%. SDLT will be payable on the land acquisition and we have made an allowance for this based on current HMRC rates.

4.17 In assessing an appropriate benchmark land value we have considered the guidance relating to viability assessments contained in the Planning Practice Guidance (PPG) May 2019. The guidance states that the starting point for establishing the benchmark land value is existing use. 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 comply with policy requirements. This approach is often called 'existing use value plus' (EUV+)."

4.18 The PPG at para: 14 states that the benchmark land value should:

- Be based on existing use value;
- Allow a premium for land owners;
- Reflect the implications of abnormal costs; site specific infrastructure costs; and professional site fees.

4.19 The land value contained in the applicant's assessment is based on the benchmark land value that was adopted in the Local Plan Viability Assessment for greenfield sites in Poulton, namely £250,000 per net developable acre. However the assessment of a benchmark land value in the Local Plan Viability assessment, assumed a greenfield site free from abnormal costs. This is not the case here.

4.20 A number of the items contained in the applicant's abnormal cost total such as NHBC fees and landscaping are not technically abnormal costs. Excluding the relevant items the applicant's assessment includes a total of £4,594,948 or £580,170 per net developable acre in abnormal costs. Based on our QS assessment the abnormals total excluding landscaping is £3,491,861 or £440,890 per net developable acre. The PPG is very clear that abnormal costs need to be taken into consideration in arriving at an assessment of benchmark land value.

4.21 In this case we have considered an EUV of £8,000 per acre based on agricultural land values. The total site area is around 10.28 acres and applying a value of £8,000 per acre would give an EUV of £82,240. Typically an uplift of 15-25 times EUV is applied for greenfield sites. Given the extent of abnormal costs here we would expect an uplift for the application site of no more than 15 times EUV. This would give a benchmark land value of £1,233,600 which we have rounded to £1.2m for the purpose of this assessment.

4.22 Adopting a benchmark land value of £1.2m provides the landowner with a sum equivalent to 14.6 times EUV which given the circumstances of the site would in our view be sufficient to incentivise the landowner to sell.

Marketing Costs

4.23 The applicant has assumed marketing, sales and legal costs on the disposal of the market housing at 3.5% of GDV which is reasonable. We have also included transfer fees on the affordable units at £600 per unit.

Finance Costs and Programme

4.24 The applicant has assumed a finance rate of 7% and an overall programme based on 1.5 sales per month. The total finance cost arising from this is £1,805,884. The finance rate at 7% is reasonable, however in our view the pace of sales is too pessimistic. Land Registry data shows that Redrow have sold 17 houses at Oldfield Park over the 11 month period from 19 March 2018 to 22 February 2019 at 1.55 per month. We understand from Persimmon that they have sold 44 units since November 2018, although marketing commenced in August 2018. This included the first phase of affordable units together with 19 market units. This suggests sales at around 2.4 per month for the market units. There is only one sale to date recorded at Land Registry in relation to the Jones Homes development, whilst Wainhomes have not yet completed any dwellings at St Johns Walk.

4.25 In undertaking the current assessment we have adopted a sales rate based on 2 market sales per month. This acknowledges the extent of competition at the present time and that fact that Redrow and Jones Homes both appear to be experiencing a relatively slow sales rate at the moment. We have assumed that the first sale occurs 6 months from commencement of construction.

Section 106 Contributions

4.26 The applicant has included S106 contributions as follows:

S106 Education	£563,000
S106 Highways	£56,000.

4.27 The later comprises a Traffic Management Contribution (£50,000) and a Travel Plan Contribution (£6,000). The applicant's appraisal assumes that all S106 contributions are payable on commencement. Having checked the S106 Agreement this doesn't appear to be the case. 50% of the education contribution is payable prior to the occupation of the 65th dwelling and the balance prior to occupation of the 120th. The traffic management scheme contribution is payable prior to occupation of the 50th dwelling and the travel plan contribution on first occupation. Within our assessment we have therefore adjusted the timing of these payments to broadly reflect the payment profile in the S106 Agreement albeit there are fewer dwellings.

4.28 In preparing our assessment we have also retained the contribution amounts based on the figures contained in the applicant's appraisal as detailed above. In the event that there are changes to the amount of contribution being sought then this will alter the viability position and should be referred back to us for further assessment.

Developers Profit

4.29 The applicant's appraisal does not include any affordable housing. The developers profit that has been adopted is 20% however this is applied to a scheme of market housing. The updated PPG identifies a profit of 15-20% of gross development value (GDV) as a suitable return to developers in order to establish the viability of plan policies in relation to residential development. It suggests that lower figures may be more appropriate in consideration of delivery of affordable housing where there is reduced risk.

4.30 The level of profit appropriate to a site will depend on the level of risk associated with developing that site. This risk may be market risk associated with the demand for dwellings or supply based on the level of competition, or it may be physical risk associated with constructing the development for example abnormal costs.

4.31 In the case of the application site we consider that it has a relatively high risk profile. This is due not only to the physical risks associated with developing the site as a result of the presence of peat but also the market risks given the comparatively poor location of the site and the level of competition in the area. Reflecting these risks we have adopted a profit on the market housing at 20% of GDV together with a lower return of 8% of GDV for the affordable units.

5.0 CONCLUSIONS

5.1 Based on the commentary contained in Section 4, we have prepared a revised financial appraisal for the development. This appraisal is based on 102 units (as detailed in table 4.1) and adopts our assessment of appropriate appraisal assumptions as outlined in the preceding section.

5.2 The appraisal has been prepared so that the cost of undertaking the development including a developers profit are deducted from the value of the development to leave a residual land value. On this basis a viable scheme would result in a residual land value at or close to the benchmark figure of £1.2m.

5.3 We have prepared a number of appraisals to assess the level of affordable housing that could be supported. In each case we have assumed a full package of other S106 contributions as noted in paragraph 4.26. On this basis the appraisal inclusive of 4 affordable dwellings results in a residual land value of £1,182,564 which is close to the benchmark figure of £1.2m. A copy of the summary appraisal is contained at **Appendix 8**.

5.4 The finance costs in the appraisal are a function of the interest rate and development programme and it should be noted that based on the assumptions that we have made as to programme and the timing of S106 payments, the total interest has reduced from £1,805,884 to £545,032. The reduction in finance costs also reflects the reduced residual land value that that is generated by our appraisal.

5.5 We have included what we understand to be the total S106 contributions being sought for highways and education. Obviously some of the monies identified here could instead be used to fund further affordable housing provision. At this stage we have not sought to model the impact on the level of affordable housing that could be achieved by any reduction to these contributions.

5.6 The applicant has confirmed that they are willing to accept the outcome of our assessment based on the appraisal contained at Appendix 8. As noted at paragraph 4.3, the site has outline consent for 130 dwellings. The assessment that has been undertaken is based on the 102 dwellings contained in the proposed reserved matters application. The Council will need to ensure that safeguards are contained in the revised S106 Agreement to ensure that if the reserved matters application does not proceed in its present form, there will be an opportunity to undertake a further viability assessment based on any alternative scheme.

[redacted]

.....

[redacted]

Date: 12 August 2019

Ref: AGM/JA/RC

APPENDIX 1

DRAFT RESERVED MATTERS SCHEME & ACCOMMODATION SCHEDULE

Lower Density Scheme - 102 units

1 Bed apartment (540ft2) x 4

2 Bed apartment (650ft2) x 4

3 Bed Semi / mid (798 ft2) x 2

2 Bed Semi / mid (724 ft2) x 4

3 Bed Semi (911ft2) x 14

3 Bed detached (1,166ft2) x 5

3 Bed detached (1,139ft2) x 19

3 Bed detached (1,366ft2) x 25

4 Bed detached (1,288ft2) x 12

4 Bed detached (1,445ft2) x 12

4 Bed detached (1,494ft2) x 1

APPENDIX 2

APPLICANT'S FINANCIAL APPRAISAL &
SUPPORTING NOTE – 102 DWELLINGS (27 FEBRUARY 19)

tcp property

Land South of Holts Lane

Notes to Accompany Viability Appraisals

These notes are to clarify where necessary the various inputs contained within the viability appraisal dated 23 February 2019 which has been submitted in support of a Section 73 application to vary the conditions on permission ref 16/01043/OULMAJ to remove the requirement for affordable housing on the grounds of viability.

Gross Development Value

A gross development value of £25.918 million has been determined based on headline prices reduced by 5% to reflect average incentive packages.

Values correspond to build rate in terms of specification (ie, does not assume enhanced Redrow specification).

Overall these values are considered bullish and therefore represent a robust appraisal.

Benchmark Land Value

This has been based on £300,000 per net developable acre (ie, £300,000 x 7.92 acres = £2.376 million). The net acreage is as is understood as present. Ongoing pre-application discussions may result in a small reduction in the net acreage.

Abnormal Costs

The main abnormal costs that have been identified are as follows:

Item	Amount	Comment
Demolition/Asbestos Removal	£45,000	Demolition of existing structures and assumed spread asbestos in locality.
Earthwork/Piling	£3,088,681	Mid-way between contractor quotes for peat removal and piling solutions.
Drainage and SW Attenuation	£788,000	e/o cost – FW and SW pump stations, rising mains etc
Acoustic Glazing	£30,000	To train line
Acoustic Fence	£88,000	To train line
Landscaping	£19,000	POS set out
Gas Measures	£35,000	
Ecology Works	£25,268	
Section 278 works	£200,000	Estimate of cost of half works required. Assumed that half will be carried-out by adjacent Key Worker Homes scheme who have same items listed in their S.278.

Pace of Sales

This has been assumed at 2.5 dwellings per month. However, it is notable that Redrow have averaged only 1.5 sales per month and so this assumption is bullish.

Post Occupation Remedial Costs

Assumed at £1,000 per unit.

NHBC Certification

Assumed at £1,000 per unit.

Results of the Appraisal

The appraisal generates a profit which equates to 10.91% of the total GDV of the scheme. When compared to an acceptable level of profit at 20% of GDV it is clear that the scheme is 'unviable' and therefore cannot afford any planning obligations. This extends to not only affordable housing but also other contributions which are contained within the Section 106 Agreement.

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

Holts Lane
Poulton-Le-Fylde
Lancashire
FY6

Development Appraisal
Prepared by TDC
Licensed Copy
February 27, 2019

APPRAISAL SUMMARY LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

Appraisal Summary for Phase 1 Holts Lane NO AH

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
Type A - 3 bed SD (788 sq.ft)	2	1,586	234.00	183,732	373,464	(18,673)	354,791
Type B - 2 bed SD (724 sq.ft)	4	2,896	234.00	169,416	677,664	(33,883)	643,781
Type C - 3 bed SD (911 sq.ft)	14	12,754	225.00	204,975	2,869,650	(143,483)	2,726,168
Type D - 3 bed det (1,166 sq.ft)	5	5,830	225.00	262,350	1,311,750	(65,588)	1,246,163
Type E - 3 bed detached (1,139 sq.ft)	19	21,641	225.00	256,275	4,868,225	(243,481)	4,625,764
Type F - 3 bed detched (1,566 sq.ft)	25	39,516	225.00	307,350	7,991,100	(399,555)	7,591,545
Type G - 4 bed detached (1,288 sq.ft)	12	15,456	245.00	315,560	3,786,720	(189,336)	3,597,384
Type H - 4 bed detched (1,445 sq.ft)	11	15,895	245.00	354,025	3,894,275	(194,714)	3,699,561
Type I - 4 bed detached (1,494 sq.ft)	1	1,494	245.00	366,030	366,030	(18,302)	347,729
Type 1 APT - 1 bed (540 sq.ft)	4	2,160	240.00	129,600	518,400	(25,920)	492,480
Type 2 APT - 2 bed (650 sq.ft)	4	2,600	240.00	156,000	624,000	(31,200)	592,800
Totals	102	117,838			27,282,278	(1,364,114)	25,918,164

NET REALISATION 25,918,164

OUTLAY

ACQUISITION COSTS

Fixed Price	2,376,000		
Fixed Price (7.92 Acres @ 300,000.00 /Acre)		2,376,000	
			2,376,000
Stamp Duty (Land cost includes VAT)		132,060	
Effective Stamp Duty Rate	5.56%		
Agent Fee	1.50%	35,640	
Legal Fee	0.80%	19,008	
Town Planning		100,000	
Survey		50,000	
			336,708

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

CONSTRUCTION COSTS				
Construction	ft²	Build Rate ft²	Cost	
Type A - 3 bed SD (795 sq.ft)	1,595	88.00	140,448	
Type B - 2 bed SD (724 sq.ft)	2,895	88.00	254,848	
Type C - 3 bed SD (911 sq.ft)	12,764	88.00	1,122,352	
Type D - 3 bed det (1,156 sq.ft)	5,830	88.00	513,040	
Type E - 3 bed detached (1,139 sq.ft)	21,641	88.00	1,904,408	
Type F - 3 bed detched (1,366 sq.ft)	35,518	88.00	3,125,438	
Type G - 4 bed detached (1,288 sq.ft)	15,458	88.00	1,360,128	
Type H - 4 bed detchec (1,445 sq.ft)	15,895	88.00	1,398,760	
Type I - 4 bed detached (1,494 sq.ft)	1,494	88.00	131,472	
Type 1 APT - 1 bec (540 sq.ft)	2,700	115.00	310,500	
Type 2 APT - 2 bec (650 sq.ft)	3,250	115.00	373,750	
Totals	**119,028 ft²**		**10,635,114**	
Residential Contingency		3.00%	366,911	
Abnormal Contingency		6.00%	204,997	
Demolition & Asbestos Removal			45,000	
S 278 works			200,000	
				11,452,023
Other Construction				
External Works		15.00%	1,595,267	
NHBC	102 un	1,000.00 /un	102,000	
Earthworks - Peat Backfill Piling			3,088,681	
Drainage and SW Atteruation			788,000	
Gas Measures			35,000	
Accustic Glazing			30,000	
Accustic Fence			89,000	
Ecology Works			25,268	
Landscaping			45,000	
Post Occupation Remedial Costs	102 un	1,000.00 /un	102,000	
				5,899,216
PROFESSIONAL FEES				
Other Professionals		7.00%	1,160,273	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL NO AH S106

			1,160,273
MARKETING & LETTING			
Marketing	3.50%	907,136	
			907,136
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		621,552	
Construction		337,831	
Total Finance Cost			959,383
TOTAL COSTS			**23,099,719**
PROFIT			
			2,827,445
Performance Measures			
Profit on Cost%	12.24%		
Profit on GDV%	10.91%		
Profit on NDV%	10.91%		
IRR	19.36%		
Profit Erosion (finance rate 7.000)	1 yr 8 mths		

APPENDIX 3

TABLE 2.1 – ASSOCIATED SALES PRICES,
QS CONSTRUCTION COST SUMMARY & APPRAISAL

	No	Size	TC					JA	
			Rate (per sq.ft)	Gross	Deduction	Net Price	Net Price (psf)	Net Price (psf)	Unit Price
Type A - 3 bed SD (798 sq.ft)	2	798	£234	£186,732	5%	£177,395	£222	£225	£179,550
Type B - 2 bed SD (724 sq.ft)	4	724	£234	£169,416	5%	£160,945	£222	£225	£162,900
Type C - 3 bed SD (911 sq.ft)	14	911	£225	£204,975	5%	£194,726	£214	£225	£204,975
Type D - 3 bed det (1,166 sq.ft)	5	1,166	£225	£262,350	5%	£249,233	£214	£230	£268,000
Type E - 3 bed detached (1,139 sq.ft)	19	1,139	£225	£256,275	5%	£243,461	£214	£230	£261,900
Type F - 3 bed detched (1,366 sq.ft)	26	1,366	£225	£307,350	5%	£291,983	£214	£216	£295,500
Type G - 4 bed detached (1,288 sq.ft)	12	1,288	£245	£315,560	5%	£299,782	£233		
Type H - 4 bed detched (1,445 sq.ft)	11	1,445	£245	£354,025	5%	£336,324	£233		
Type I - 4 bed detached (1,494 sq.ft)	1	1,494	£245	£366,030	5%	£347,729	£233		
Type 1 APT - 1 bed (540 sq.ft)	4	540	£240	£129,600	5%	£123,120	£228		
Type 2 APT - 2 bed (650 sq.ft)	4	650	£240	£156,000	5%	£148,200	£228		

Holts Lane, Poulton-le-Fylde

Summary Of Estimated Costs (Estimate No 1) **15 May 2019**

	Total Costs	Cost per Unit (102 no)	Cost per ft2 (117838 ft2)	Cost per m2 (10947 m2)	Developers costs	Difference
Substructures (Normal)	£973,796	£9,547	£8.26 /ft2	£ 88.95 /m2	£0	£ 973,796
Superstructures	£7,275,667	£71,330	£61.74 /ft2	£ 664.60 /m2	£0	£ 7,275,667
Dwelling construction cost	**£8,249,463**	**£80,877**	**£70.01 /ft2**	**£ 753.55 /m2**	**£10,635,114**	**-£ 2,385,651**
Preliminaries for a Construction Period of 195 weeks	£1,264,003	£12,392	£10.73 /ft2	£ 115.46 /m2	inc	£ 1,264,003
Garages (13 No)	£122,246	£1,198	£1.04 /ft2	£ 11.17 /m2	inc	£ 122,246
External works within curtilage	£736,885	£7,224	£6.25 /ft2	£ 67.31 /m2		
External works beyond curtilage	£597,414	£5,857	£5.07 /ft2	£ 54.57 /m2		
Drainage	£407,662	£3,997	£3.46 /ft2	£ 37.24 /m2	£1,595,267	£ 512,415
Incoming Services	£365,721	£3,586	£3.10 /ft2	£ 33.41 /m2		
Abnormal works (see attached)	£3,589,486	£35,191	£30.46 /ft2	£ 327.88 /m2	£4,548,949	-£ 959,463
All design, planning, NHBC and other fees	£976,439	£9,573	£8.29 /ft2	£ 89.19 /m2	£1,160,273	-£ 183,834
Contingencies - 3%	£489,280	£4,797	£4.15 /ft2	£ 44.69 /m2	£571,908	-£ 82,628
TOTAL	**£ 16,798,599**	**£ 164,692**	**£142.56 /ft2**	**£ 1,534.48 /m2**	**£ 18,511,511**	**-£ 1,712,912**
			Difference -10.20%		**£ 1,690.95 /m2**	

Holts Lane. Poulton-le-Fylde **15 May 2019**

ABNORMAL WORKS (Estimate No 1)

DESCRIPTION	Qty	Rate	KM Costs	Developer costs	KM COMMENTS
Demolition & Asbestos Removal			£45,000	£45,000	Accepted as reasnable
Section 278 works			£137,500	£200,000	KM assessed from drawings provided and halved as Tim Claxton email 27/3/19
NHBC			£0	£102,000	Inc in KM fees
Earthworks - Peat Backfill Piling			£2,434,713	£3,088,681	As Brownfield Solutions letter 21.2.19 (Small zones cos)
Vibro compaction	98 Nr	£1,650	£161,700		As Brownfield Solutions letter 21.2.19
Drainage and SW Attenuation			£577,145	£788,000	KM assessed cost based on schematic drainage design
Gas Measures	5474 m2	£ 12 /m2	£65,685	£35,000	KM cost assumed to all dwellings (see p3 of E3P SI)
Acoustic Glazing	20 Nr	£1,000	£20,400	£30,000	Keppie Massie assumed to 20% of dwellings nearest railway line
Acoustic Fence	163 m	£150/m	£24,450	£88,000	KM length assumed to railway boundary of site; assumed also to be additional fence 2m high
Ecology Works			£25,268	£25,268	No details but accepted
Landscaping	8135 m2	£ 12.00 /m2	£97,625	£45,000	KM costs are POS inc maintenance but using existing top soil
Post Occupation Remedial Costs			£0	£102,000	Never seen costed before; KM consider that this would be a prelims cost and not an abnormal
TOTAL ABNORMAL COSTS			**£3,589,486**	**£4,548,949**	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales

Summary Appraisal for Phase 1 Holts Lane NOV 18

Currency GBP

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
2 bed 3 bed terraced house	2	1,800	£250.00	£225,000	£450,000	0	£450,000
2 bed 3 bed detached house	4	3,600	£250.00	£225,000	£900,000	0	£900,000
3 bed detached house	25	20,000	£250.00	£250,000	£6,250,000	0	£6,250,000
4 bed detached house	42	37,800	£250.00	£275,000	£11,550,000	0	£11,550,000
4 bed detached house	4	3,600	£250.00	£300,000	£1,200,000	0	£1,200,000
4 bed detached house	1	1,000	£250.00	£325,000	£325,000	0	£325,000
2 bed bungalow	2	1,200	£250.00	£225,000	£450,000	(£150,000)	£300,000
3 bed detached house	1	1,000	£250.00	£250,000	£250,000	(£50,000)	£200,000
4 bed detached house	1	1,200	£250.00	£300,000	£300,000	(£100,000)	£200,000
Totals	102	117,800			£20,305,000	(£1,700,000)	£21,100,000

NET REALISATION £21,100,000

OUTLAY

ACQUISITION COSTS

Residual Site Value (Market Value)		£900	£1,700,000
Stamp Duty		4.00%	
Agent Fee	1.00%	1.00%	
Legal Fee	0.50%	0.50%	£17,000

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost
2 bed 3 bed terraced house	1,800 ft²	£80.00 psm	£154,800
2 bed 3 bed detached house	3,600 ft²	£80.00 psm	£309,600
3 bed detached house	20,000 ft²	£80.00 psm	£1,720,000
4 bed detached house	37,800 ft²	£80.00 psm	£3,250,200
4 bed detached house	3,600 ft²	£80.00 psm	£309,600
4 bed detached house	1,000 ft²	£80.00 psm	£86,000
2 bed bungalow	1,200 ft²	£80.00 psm	£103,200
3 bed detached house	1,000 ft²	£80.00 psm	£86,000
4 bed detached house	1,200 ft²	£80.00 psm	£103,200
Totals	119,023 ft²		£8,630,384 £8,336,017

Residential Contingency	3.00%	£249,253	
Demolition, Asbestos Removal		£50,000	
Abnormals		£300,000	
			£599,253

Other Construction

Statutory Fees		£74,052
Part M Compliance		£10,000
Public Conveniences		£10,000
Drainage and Attenuation		£50,000
Site Wide Works		£50,000
Archaeological Survey		£20,000
Archaeological Mitigation		£50,000
Ecological Works		£20,000
Landscaping		£50,000
		£334,052

PROFESSIONAL FEES

Other Professional Fees	8.00%	£668,161
		£668,161

MARKETING & LETTING

Marketing	£500 pu	£51,000
		£51,000

DISPOSAL FEES

Affordable Legal Fee	0.00%	0.00%	£0
			£0

FINANCE

Debit Rate 7.00% Credit Rate 0.00% Commitment Fee 2.00%

Land	£313,000	
Construction	£1,250,000	
Other Financial Costs		£224,875

TOTAL COSTS £19,919,210

PROFIT £1,180,968

Performance Measures

Profit on Cost%	5.93%
Profit on GDV%	5.59%
Profit on NDV%	5.59%
IRR	13.81%

APPENDIX 4

APPLICANT'S RESPONSE TO INITIAL ASSESSMENT (9 JUNE 2019)

ABNORMAL COSTS

DESCRIPTION	Qty	Rate	KM Costs	Developer costs
Demolition & Asbestos Removal			£45,000	£45,000
Section 278 works			£137,500	£200,000
NHBC			£0	£102,000
Earthworks - Peat Backfill Piling			£2,434,713	£3,088,681
Vibro compaction	98 Nr	£1,650	£161,700	
Earthworks Total			£ 2,596,413.00	£3,088,681
Drainage and SW Attenuation			£577,145	£788,000
Gas Measures	5474 m2	£ 12 /m2	£65,685	£35,000
Acoustic Glazing	20 Nr	£1,000	£20,400	£30,000
Acoustic Fence	163 m	£150/m	£24,450	£88,000
Ecology Works			£25,268	£25,268
Landscaping	8135 m2	£ 12.00 /m2	£97,625	£45,000
Post Occupation Remedial Costs			£0	£102,000
TOTAL ABNORMAL COSTS			£3,589,486	£4,548,949

KM COMMENTS	TCP Comments
Accepted as reasonable	No comment
KM assessed from drawings provided and halved as Tim Claxton email 27/3/19	Need further detail as KM costs seem light.
Inc in KM fees	Need breakdown of fees generally
As Brownfield Solutions letter 21.2.19 (Small zones cns)	Almost £500,000 differential. Original appraisal took mid-point of quotes received which has to be the reasonable approach given the current status of the project. Also some costs not included in original estimates namely a) additional 6-2 import to raise site levels to above peat level b) top soil strip, holding and replacement c) subsoil import to gardens d) piling to garages.
As Brownfield Solutions letter 21.2.19	
KM assessed cost based on schematic drainage design KM cost assumed to all dwellings (see p3 of EIP SI)	Need further detail as KM costs seem light. No comment
Keppie Massie assumed to 20% of dwellings nearest railway line	No comment
KM length assumed to railway boundary of site; assumed also to be additional fence	No significant comment but seems light
No details but accepted	No comment
KM costs are POS inc maintenance but using existing top soil	No comment
Never seen costed before; KM consider that this would be a prelims cost and not an abnormal	New to me too but is an actual cost to developers - not a preliminary cost.

HOLTS LANE, POULTON LE FYLDE – APPRAISAL ASSUMPTIONS

Item	Assumption	KM Comments	TCP Comments
GDV	£25,918,164 Affordable Housing	Net price of 4 bed units and apartments agreed Net price of 2 and 3 bed units appear to be low. Figures increased slightly to reflect JA prices on attached sheet. None included assume affordable rent at 45% MV and LCHO at 70% MV.	Evidence from other schemes has emerged in recent months. Persimmon's scheme is most comparable to subject owing to poor access and quality of build anticipated. This arguably suggests lower values overall.
Agents Fee	1.5%	This is high, reduce to 1%	1.5% is typical for a site of this nature and the role undertaken by agent (ie, promo deal work and agency work). Especially given value of this specific site.
Legal Fee	0.8%	Agreed	-
Town Planning	£100,000	Excluded. Reflected in QS assessment of professional fees	Need breakdown of professional fees @ £976,439.
Survey	£50,000	Excluded. Reflected in QS assessment of professional fees	
Marketing	3.5%	Agreed. Assume transfer fee of £600 per unit for affordables	-
Interest Rate	7%	Agreed	Although agreed at 7% there is a significant difference in the finance costs (£524,850 vs £959,363). Partly explained by forward selling of AH (see comment under Profit above) but not all?
Programme	2.5 sales per month	Agreed as per Argus Appraisal sent 7 April 19	This has always been considered ambitious given the evidence emerging from other schemes - 1.5 units pcm may be more appropriate.
Profit	20% GDV	Not agreed. Assume 20% market housing and 8% affordable units	20% on open market agreed. 8% on AH not agreed. Intermediate units are sold at developer's

			risk and at lower profit in cash terms. Lower rate for RP units only valid if pre-sold before construction. Therefore 15% on AH overall proposed as compromise.
Benchmark Land Value	£2,376,000 (£300,000 per net acre)	Not agreed, this is high. Redrow paid £260,000 per net acre for a better site. Applicant's total abnormals equate to £550,000 per net acre. In accordance with PPG how have these costs been taken into account in assessing the benchmark land value? The gross greenfield value is £850,000 per net acre, this is not sustainable in this location hence the reason why the scheme is unviable based on the applicant's assessment even with no planning obligations.	Redrow paid £3,393,750 on an option within 11% discount. Therefore £3,813,202 at full OMV. Net acreage 8.84 acres (Source: Redrow). So, £431,000 pnda (inc 30% AH) Possibly more if abnormal purchase of house for access @ say £400,000 taken into account (additional £45k pnda). Wain Homes site supports similar land value position. In terms of an appropriate BLV the 'landowners reasonable expectation of value' is key. Requires further discussion.
Construction costs inc all professional fees, surveys, abnormals and contingency	£18,511,511	Not agreed see attached QS summary assessment at £16,798,599	Areas of difference are in respect of a) Abnormals (-£959,463) – see separate comments. Also no apparent abnormals contingency which is usually justified at 5% b) Fees (-£183,834) – need breakdown of £976,439 (see below) c) General Construction (-£486,987) – primarily in relation to base build + prelims + externals (£92.06 vs £101.20). Also no differential for apartments which is not justified. Suggested compromise add c. £3.00 psf to base cost (sub+super structure). d) Contingency (-£82,628) – agreed at 3% and cost is function of overall build cost
Section 106 Costs			Costs other than those related to affordable housing are not included within the appraisal. These are:

		Traffic - £56k Education - £563k (indexed to May 19) – will require further indexation at RM stage.
Professional Fees		Stated that NHBC, outline planning fees and e/o site investigation costs are within fee budget. These should separate items outside of professional fees. Breakdown required.

APPENDIX 5

APPLICANT'S FURTHER APPRAISAL (17 JUNE 2019)

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Holts Lane
Poulton-Le-Fylde
Lancashire
FY6

Development Appraisal
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June 17, 2019

APPRAISAL SUMMARY LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Appraisal Summary for Phase 1 Holts Lane 0% AH

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Type A - 3 bed SD (788 sq.ft)	2	1,596	225.00	179,550	359,100
Type B - 2 bed SD (724 sq.ft)	3	2,172	225.00	162,900	488,700
Type C - 3 bed SD (911 sq.ft)	10	9,110	225.00	204,975	2,049,750
Type D - 3 bed det (1,196 sq.ft)	5	5,830	229.85	268,000	1,340,000
Type E - 3 bed detached (1,139 sq.ft)	17	19,363	229.94	261,900	4,452,300
Type F - 3 bec detched (1,366 sq.ft)	26	35,516	216.33	296,500	7,709,000
Type G - 4 bed detached (1,288 sq.ft)	12	15,456	232.75	299,782	3,597,384
Type H - 4 bed detchec (1,445 sq ft)	11	15,896	232.75	336,324	3,699,564
Type I - 4 bed detached (1,494 sq.ft)	1	1,494	232.75	347,729	347,729
Type 1 APT - 1 bec (540 sq.ft)	4	2,160	228.00	123,120	492,480
Type 2 APT - 2 bec (650 sq.ft)	1	650	228.00	148,200	148,200
Type B - 2 bed SD (724 sq.ft) AR	1	724	225.00	162,900	162,900
Type C - 3 bed SD (911 sq.ft) LCHO	4	3,644	225.00	204,975	819,900
Type E - 3 bed detached (1,139 sq.ft) LCHO	2	2,278	229.94	261,900	523,800
Type 2 APT - 2 bec (650 sq.ft) AR	3	1,950	228.00	148,200	444,600
Totals	102	117,838			26,609,407

NET REALISATION 26,609,407

OUTLAY

ACQUISITION COSTS

Residualised Price (7.92 Acres @ 167,008.32 /Acre)		1,322,706	
			1,322,706
Stamp Duty		55,635	
Effective Stamp Duty Rate	4.21%		
Agent Fee	1.50%	19,841	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Legal Fee		0.80%	10,562	
				86,057

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Type A - 3 bed SD (788 sq.ft)	1,586	83.96	133,884	
Type B - 2 bed SD (724 sq.ft)	2,172	83.95	182,339	
Type C - 3 bed SD (911 sq.ft)	9,110	83.95	764,784	
Type D - 3 bed det (1,166 sq.ft)	5,656	83.95	489,428	
Type E - 3 bed detached (1,199 sq.ft)	19,363	83.95	1,625,524	
Type F - 3 bed detched (1,566 sq.ft)	35,516	83.95	2,981,568	
Type G - 4 bed detached (1,298 sq.ft)	15,456	83.95	1,297,531	
Type H - 4 bed detched (1,445 sq.ft)	15,895	83.95	1,334,385	
Type I - 4 bed detached (1,494 sq.ft)	1,494	83.95	125,471	
Type 1 APT - 1 bed (540 sq.ft)	2,700	115.00	310,500	
Type 2 APT - 2 bed (650 sq.ft)	813	115.00	93,437	
Type B - 2 bed SD (724 sq.ft) AR	724	83.95	60,780	
Type C - 3 bed SD (911 sq.ft) LCHO	3,644	83.95	305,814	
Type E - 3 bed detached (1,199 sq.ft) LCHO	2,278	83.95	191,238	
Type 2 APT - 2 bed (650 sq.ft) AR	2,436	115.00	280,312	
Totals	**119,028 ft²**		**10,177,148**	
Abnormals Contingency		5.00%	196,679	
Residential Contingency		5.00%	401,963	
Demolition & Asbestos Removal			45,000	
S.106 Education			563,000	
S.106 Highways			66,000	
S 278 works			137,500	
				11,577,290

Other Construction

External Works	2,107,682	
Earthworks - Overall Cost	3,078,000	
Drainage and SW Attenuation	577,145	
Gas Measures	65,685	
Accustic Glazing	20,400	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS 06/06/19

Acoustic Fence		24,450	
Ecology Works		25,268	
Landscaping		97,625	
			5,996,255
PROFESSIONAL FEES			
Other Professionals		976,439	
			976,439
MARKETING & LETTING			
Marketing	3.50%	739,199	
			739,199
FINANCE			
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		279,920	
Construction		309,650	
Total Finance Cost			589,570
TOTAL COSTS			**21,287,516**
PROFIT			**5,321,891**

Performance Measures

Profit on Cost%	25.00%
Profit on GDV%	20.00%
Profit on NDV%	20.00%
IRR	35.38%
Profit Erosion (finance rate 7.000)	3 yrs 3 mths

APPENDIX 6

SUPPORTING EMAIL & APPLICANT'S FURTHER APPRAISAL (27 JUNE 2019)

Appendix 6

27 June 2019 email from [redacted]

Hi [redacted]

Thanks for your time last week to go through matters.

I attach a reworked appraisal on a 0% affordable housing basis which updates matters and would comment on the various inputs as they appear on the appraisal as follows:

1) GDV - as we mentioned when we met there is increasing evidence of relevance to the subject scheme which is compromised in several ways and although close to the Recrow scheme is inferior. In particular we have considered the Persimmon scheme on the Garstang Road which we believe to be more akin to the subject in terms of accessibility and specification. Their pricing ranges from £180 per sq.ft for the 2.5 storey product, £200 per sq.ft for the larger product and £220 per sq.ft for the smaller product (all assuming a 5% incentive discount). You will see that in adopting these sorts of prices (in the range £200 to £220 per sq.ft) reduces the GDV by around 10%. The attached appraisal however keeps revenues as per your most recent appraisal.

2) Pace of Sales - This was originally at 2.5 pcm. Persimmon are reporting very slow sales at around 1 pcm. We are also hearing from Recrow that their sales pace is poor at 0.9 pcm which has led to a re-plan to improve their mix. Keyworker Homes developing between the Recrow site and the subject will not improve matters in this regard. We have now adopted 1.5 sales pcm.

3) Land Price - As we discussed when we met a BLV of around £300,000 pnda is justified. You confirmed that in the local plan you had worked from a value of £250,000 pnda. For the purposes of this exercise I think it is reasonable to adopt £250,000 per acre suggesting a BLV of £1.98 million.

4) Construction Costs - Roger has kindly sent a breakdown of these so that matters are clearer in terms of rates used for the houses and the flats. I am no QS but I have been involved in various expert witness cases (acting for landowners) and am privy to detailed data provided by housebuilder clients. For the time being I have adopted Roger's figures but they are arguably a bit low based on what I have seen. This is something we can pick up on later if necessary. We have charged our gross to net on the flats to 10% to cover off the stair wells etc.

5) Contingencies - we have adopted a 3% contingency on the main build and 5% on the abnormals. As we have outlined previously it is normal to show a contingency on abnormal costs and we have shown this expressly stated for clarity.

6) Section 278 works - there is a difference opinion here and we have in this instance continued to adopt the figure of £200,000 (which represents 50% of the total anticipated cost on the assumption that the cost will be shared with Key Worker Homes - an assumption that carries some risk!)

7) Other Construction - This is a major area and one where we are still awaiting some advice but I attach the latest advice from Brownfield Solutions that introduces some additional elements. These are self explanatory but I would highlight the issue of raising the site above existing peat level. The plan is to pump surface water negating the need to raise levels for drainage purposes however owing to the potential of compaction of the ground below the peat it is wise to include an allowance for some import of additional material and we believe that 100mm is a justified amount. Pro-rating this from BS's figures suggests a cost of between £81,000 and £97,000.
Again we are strongly of the opinion that the lowest of the quotes received should not be adopted and a mid-point is appropriate at this stage. On this basis we have adopted a figure of £3,282,324 for ground works within the appraisal. We are adopting your other costs for the time being but will be reverting in due course in respect of the drainage costs.

8) We have reinstated the post-completion remedial costs figure.

9) Professional Fees - We have argued for the planning and survey costs to be outside of the professional fees headings (as is usual). These have now been confirmed as a total £85,000 (including legal fees) and so this figure has been applied.

10) Profit - Given that this a 0% affordable housing appraisal 20% on GDV is carried across the full GDV.

The end result of the changes confirmed above is to generate a profit of around 7% on GDV.

It would be good to get to a position where we can agree as many of these points as possible and if after this it is necessary to go through some of the outstanding issues around costs then we can do so – again we are keen to get this resolved as soon as possible for very real commercial reasons.

Please feel free to give me a call if you need to discuss.

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Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Holts Lane
Poulton-Le-Fylde
Lancashire
FY6

Development Appraisal
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June 27, 2019

APPRAISAL SUMMARY

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Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Appraisal Summary for Phase 1 Holts Lane 0% AH

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Type A - 3 bed SD (788 sq.ft)	2	1,596	225.00	179,550	359,100
Type B - 2 bed SD (724 sq.ft)	3	2,172	225.00	162,900	488,700
Type C - 3 bed SD (911 sq.ft)	10	9,110	225.00	204,975	2,049,750
Type D - 3 bed det (1,156 sq.ft)	5	5,830	229.85	268,000	1,340,000
Type E - 3 bed detached (1,139 sq.ft)	17	19,363	229.84	261,900	4,452,300
Type F - 3 bed detched (1,566 sq.ft)	26	35,616	216.33	295,500	7,683,000
Type G - 4 bed detached (1,298 sq.ft)	12	15,456	232.75	299,782	3,597,384
Type H - 4 bed detched (1,445 sq ft)	11	15,895	232.75	336,324	3,699,564
Type I - 4 bed detached (1,494 sq.ft)	1	1,494	232.75	347,729	347,729
Type 1 APT - 1 bed (540 sq.ft)	4	2,160	228.00	123,120	492,480
Type 2 APT - 2 bed (650 sq.ft)	1	650	228.00	148,200	148,200
Type B - 2 bed SD (724 sq.ft)	1	724	225.00	162,900	162,900
Type C - 3 bed SD (911 sq.ft)	4	3,644	225.00	204,975	819,900
Type E - 3 bed detached (1,139 sq.ft)	2	2,278	229.84	261,900	523,800
Type 2 APT - 2 bed (650 sq.ft)	3	1,950	228.00	148,200	444,600
Totals	**102**	**117,838**			**26,609,407**

NET REALISATION 26,609,407

OUTLAY

ACQUISITION COSTS

Fixed Price	1,980,000		
Fixed Price (7.92 Acres @ 250,000.00 /Acre)		1,980,000	
			1,980,000
Agent Fee	1.50%	29,700	
Legal Fee	0.80%	15,840	

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Town Planning Survey etc			85 000	
				130,540

CONSTRUCTION COSTS

Construction	ft²	Build Rate ft²	Cost	
Type A - 3 bed SD (788 sq.ft)	1,596	80.95	129,186	
Type B - 2 bed SD (724 sq.ft)	2,172	80.95	175 823	
Type C - 3 bed SD (911 sq.ft)	9,110	80.95	737 454	
Type D - 3 bed det (1,186 sq.ft)	5,830	80.95	471 938	
Type E - 3 bed detached (1,199 sq.ft)	19,383	80.95	1,567 485	
Type F - 3 bed detched (1,566 sq.ft)	35,516	80.95	2,875 020	
Type G - 4 bed detached (1,288 sq.ft)	15,456	80.95	1,251 163	
Type H - 4 bed detched (1,445 sq.ft)	15,895	80.95	1,286 700	
Type I - 4 bed detached (1,494 sq.ft)	1,494	80.95	120 939	
Type 1 APT - 1 bed (540 sq.ft)	2,400	80.95	194 280	
Type 2 APT - 2 bed (650 sq.ft)	722	80.95	58 464	
Type B - 2 bed SD (724 sq.ft)	724	80.95	58,608	
Type C - 3 bed SD (911 sq.ft)	3,644	80.95	294 882	
Type E - 3 bed detached (1,199 sq.ft)	2,278	80.95	184 404	
Type 2 APT - 2 bed (650 sq.ft)	2,167	80.95	175,392	
Totals	**118,367 ft²**		**9,581,800**	
Residential Contingency		5.00%	415 079	
Abnormal Contingency		5.00%	265 579	
Demolition & Asbestos Removal			45 000	
S.106 Education			563 000	
S.106 Highways			66 000	
S 278 works			200 000	
				11,125,457

Other Construction

External Works			3,282,324	
NHBC	92 un	1,000.00 Un	92 000	
Earthworks - Overall Cost			3,637 000	
Drainage and SW Attenuation			577 145	
Gas Measures			65 685	

APPRAISAL SUMMARY LICENSED COPY

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

Accustic Glazing			20 400	
Accustic Fence			24 460	
Ecology Works.			25 268	
Landscaping			97 629	
Post Occupation Remedial Costs	82 un	1,000.00 /un	82 000	
				7,815,897
PROFESSIONAL FEES				
Other Professionals		6.00%	771 847	
				771,847
MARKETING & LETTING				
Marketing		3.50%	931 329	
				931,329
FINANCE				
Debit Rate 7.000%, Credit Rate 0.000% (Nominal)				
Land			907 836	
Construction			887 828	
Other			10 120	
Total Finance Cost				1,805,884
TOTAL COSTS				**24,659,955**
PROFIT				**1,949,452**
Performance Measures				
Profit on Cost%		7.91%		
Profit on GDV%		7.33%		
Profit on NDV%		7.33%		
IRR		11.65%		
Profit Erosion (finance rate 7.000)		1 yr 1 mth		

Holts Lane, Poulton le Fylde
VIABILITY APPRAISAL - JA Amends rev sales
TDC AMENDS V 2 27/06/19

APPENDIX 7

SUMMARY OF COST ASSESSMENTS

Holts Lane, Poulton-le-Fylde

Summary Of Estimated Costs (Estimate No 3)

11 August 2019

	Total Costs	Cost per Unit (102 no)	Cost per ft2 (117838 ft2)	Cost per m2 (10947 m2)	Developers costs	Difference
Substructures (Normal)	£973,796	£9,547	£8.26 /ft2	£ 88.95 /m2	£0	£ 973,796
Superstructures	£7,275,667	£71,330	£61.74 /ft2	£ 664.60 /m2	£0	£ 7,275,667
Dwelling construction cost	**£8,249,463**	**£80,877**	**£70.01 /ft2**	**£ 753.55 /m2**	**£9,581,800**	**-£ 1,332,337**
Preliminaries for a Construction Period of 247 weeks	£1,464,476	£14,358	£4.00 /ft2	£ 133.77 /m2	inc	£ 1,464,476
Garages (13 No)	£122,246	£1,198	£1.04 /ft2	£ 11.17 /m2	inc	£ 122,246
External works within curtilage	£736,885	£7,224	£6.25 /ft2	£ 67.31 /m2		
External works beyond curtilage	£597,414	£5,857	£5.07 /ft2	£ 54.57 /m2		
Drainage	£407,662	£3,997	£3.46 /ft2	£ 37.24 /m2	£3,282,324	-£ 1,174,642
Incoming Services	£365,721	£3,586	£3.10 /ft2	£ 33.41 /m2		
Abnormal works (see attached)	£3,589,486	£35,191	£30.46 /ft2	£ 327.88 /m2	£4,876,573	-£ 1,287,087
All design, planning, NHBC and other fees	£1,049,861	£10,293	£8.91 /ft2	£ 95.90 /m2	£771,847	£ 278,014
Contingencies - 3%	£497,496	£4,877	£4.22 /ft2	£ 45.44 /m2	£680,658	-£ 183,162
TOTAL	**£ 17,080,711**	**£ 167,458**	**£136.52 /ft2**	**£ 1,560.25 /m2**	**£ 19,193,202**	**-£ 2,112,491**
			Difference -12.37%		**£ 1,753.22 /m2**	

Holts Lane. Poulton-le-Fylde **11 August 2019**

ABNORMAL WORKS (Estimate No 3)

DESCRIPTION	Qty	Rate	KM Costs	Developer costs	KM COMMENTS
Demolition & Asbestos Removal			£45,000	£45,000	Accepted as reasnable
Section 278 works			£137,500	£200,000	KM assessed from drawings provided and halved as Tim Claxton email 27/3/19
NHBC			£0	£92,000	Inc in KM fees
Earthworks - Peat Backfill Piling			£2,434,713	£3,637,000	As Brownfield Solutions letter 21.2.19 (Small zones cos)
Vibro compaction	98 Nr	£1,650	£161,700		As Brownfield Solutions letter 21.2.19
Drainage and SW Attenuation			£577,145	£577,145	KM assessed cost based on schematic drainage design
Gas Measures	5474 m2	£ 12 /m2	£65,685	£65,685	KM cost assumed to all dwellings (see p3 of E3P SI)
Acoustic Glazing	20 Nr	£1,000	£20,400	£20,400	Keppie Massie assumed to 20% of dwellings nearest railway line
Acoustic Fence	163 m	£150/m	£24,450	£24,450	KM length assumed to railway boundary of site; assumed also to be additional fence 2m high
Ecology Works			£25,268	£25,268	No details but accepted
Landscaping	8135 m2	£ 12.00 /m2	£97,625	£97,625	KM costs are POS inc maintenance but using existing top soil
Post Occupation Remedial Costs			£0	£92,000	Never seen costed before; KM consider that this would be a prelims cost and not an abnormal
TOTAL ABNORMAL COSTS			**£3,589,486**	**£4,876,573**	

APPENDIX 8

KM SUMMARY APPRAISAL

Holts Lane, Poulton le Fylde
Appendix 8

Summary Appraisal for Phase 1 Holts Lane NO AH

Currency GBP

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Totals	102	117,830			20,711,820	(302,170)	20,112,310

NET REALISATION 20,112,310

OUTLAY

ACQUISITION COSTS

[illegible]			[illegible]
Stamp Duty		[illegible]	
Agent Fee	1.0%	[illegible]	
Legal Fee	0.8%	[illegible]	
			[illegible]

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
Totals	118,300 ft²		8,830,210

[illegible]		[illegible]	
[illegible]		[illegible]	
[illegible]		[illegible]	
[illegible]		[illegible]	
[illegible]		[illegible]	
[illegible]			[illegible]

Other Construction

[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]
		[illegible]

PROFESSIONAL FEES

[illegible]		[illegible]
		[illegible]

DISPOSAL FEES

[illegible]		[illegible]	
Applicable Legal Fee	1.0%	[illegible]	
			[illegible]

FINANCE

[illegible]		
[illegible]		[illegible]
[illegible]		[illegible]
[illegible]		[illegible]

TOTAL COSTS 20,380,411

PROFIT

(268,101)

Performance Measures

[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]
[illegible]	[illegible]

APPRAISAL SUMMARY — KEPPIE MASSIE

Holts Lane, Poulton le Fylde
Appendix 8 - 1 October 2019 Update

Summary Appraisal for Phase 1 Holts Lane NO AH

Currency in £

REVENUE

Sales Valuation	Units	ft²	Rate ft²	Unit Price	Gross Sales	Adjustment	Net Sales
Type A - 3 bed SD (758 sq.ft)	2	1,516	225.00	170,550	353,100	0	339,100
Type C - 2 bed SD (911 sq.ft)	9	8,199	225.00	204,975	1,844,775	0	1,844,775
Type D - 2 bed det (1,168 sq.ft)	5	5,830	229.85	268,000	1,340,000	0	1,340,000
Type E - 3 bed detached (1,139 sq.ft)	19	21,641	229.84	261,950	4,975,105	0	4,976,150
Type F - 3 bed detached (1,366 sq.ft)	25	35,516	210.00	296,850	7,758,360	0	7,458,360
Type G - 4 bed detached (1,288 sq.ft)	12	15,456	215.00	276,920	3,323,040	0	3,323,040
Type H - 4 bed detached (1,445 sq.ft)	11	15,895	210.00	303,450	3,337,950	0	3,337,950
Type I - 4 bed detached (1,491 sq.ft)	1	1,491	210.00	313,740	313,740	0	313,740
Type 1 APT - 1 bed (540 sq.ft)	4	2,160	228.00	123,120	492,480	0	492,480
Type 2 APT - 2 bed (650 sq.ft)	4	2,600	228.00	148,200	592,800	0	592,800
Type B - 2 bed SD (724 sq.ft) AR	4	2,896	225.00	162,900	651,600	(358,380)	293,220
Type C - 2 bed SD (911 sq.ft) LCHO	5	4,555	225.00	204,975	1,024,875	(307,463)	717,413
Totals	102	117,838			25,714,820	(665,843)	25,048,978

NET REALISATION 25,048,978

OUTLAY

ACQUISITION COSTS

Residualised Price (7.92 Acres 151,493.75 pAcre)			1,199,355	
				1,199,355
Stamp Duty			49,468	
Agent Fee		1.00%	11,994	
Legal Fee		0.80%	9,596	
				71,058

CONSTRUCTION COSTS

Construction	ft²	Rate ft²	Cost	
Type A - 3 bed SD (758 sq.ft)	1,516 ft²	83.10 pf²	125,923	
Type C - 2 bed SD (911 sq.ft)	8,199 ft²	83.10 pf²	681,357	
Type D - 2 bed det (1,168 sq.ft)	5,830 ft²	83.10 pf²	484,473	
Type E - 3 bed detached (1,139 sq.ft)	21,641 ft²	83.10 pf²	1,798,367	
Type F - 3 bed detached (1,366 sq.ft)	35,516 ft²	83.10 pf²	2,951,382	
Type G - 4 bed detached (1,288 sq.ft)	15,456 ft²	83.10 pf²	1,284,394	
Type H - 4 bed detached (1,445 sq.ft)	15,895 ft²	83.10 pf²	1,320,875	
Type I - 4 bed detached (1,491 sq.ft)	1,491 ft²	83.10 pf²	123,151	
Type 1 APT - 1 bed (540 sq.ft)	2,160 ft²	83.10 pf²	180,442	
Type 2 APT - 2 bed (650 sq.ft)	2,600 ft²	83.10 pf²	229,093	
Type B - 2 bed SD (724 sq.ft) AR	2,896 ft²	83.10 pf²	240,658	
Type C - 2 bed SD (911 sq.ft) LCHO	4,555 ft²	83.10 pf²	378,421	
Totals	118,365 ft²		9,836,215	9,836,215
Residential Contingency		3.00%	418,022	
Demolition & Asbestos Remova			40,000	
S 106 Education			321,071	
S 106 Highways			50,000	
S 278 works			197,000	
Travel Plan			6,000	
				1,038,433
Other Construction				
External Works			2,107,668	
Earthworks - Peat Backfill Piling			2,494,713	
Vibro compaction			191,700	
Drainage and SW Attenuation			577,149	
Gas Measures			80,685	
Acoustic Glazing			30,400	
Acoustic Fence			94,540	
Ecology Works			20,968	
Landscaping			87,699	
				6,014,868

PROFESSIONAL FEES

Professional fees			1,040,861	
				1,040,861

DISPOSAL FEES

Sales and marketing		3.00%	876,714	
Affordable Legal Fee	9 Un	£0.00 /Un	0,400	
				882,114

FINANCE

Debit Rate 7.000% Credit Rate 3.000% (Nominal)				
Land			281,364	
Construction			286,322	
Total Finance Cost				567,715

TOTAL COSTS 20,159,417

PROFIT 4,889,560

Performance Measures

Profit on Cost%	24.25%
Profit on GDV%	19.53%
Profit on NDV%	19.53%

Appendix 10: Terms of Engagement

No.1 Marsden Street
Manchester, M2 1HW
Tel +44 (0) 161 236 9595
Fax +44 (0) 161 228 7097
cushwake.com

8 March 2022

Our Ref: DRN/HG/kja/221VC100

Dear

Copeland Local Plan Viability Assessment – Regulation 19 Consultation

We are pleased that you have requested Cushman & Wakefield to provide you with a fee proposal in relation to the above matter. The schedule to this letter details the services we will provide, the basis of our appointment, our fees and anticipated expenses, together with other information relevant to our services (the "**Services Schedule**" and together with this letter, the "**Engagement Letter**").

Enclosed are our standard terms of business containing exclusions and limitations on our liability and detailing our respective obligations (the "**Terms of Business**") which, together with the Engagement Letter, comprise the terms of our engagement (the "**Engagement**"). Please take a moment to check that you are happy with the contents of the Engagement Letter, the Services Schedule and the Terms of Business and understand the basis of the Engagement.

I will have overall responsibility for the provision of our services to you, assisted by Hannah Gradwell, MRICS and such other professional staff as it may be appropriate for us to involve. Hannah will be your first point of contact on this matter.

Market conditions explanatory note: Novel Coronavirus (COVID-19)

The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the date of our advice property markets are mostly functioning, with the levels of transaction volumes and other relevant evidence are sufficient upon which to base our judgements. Accordingly - and for the avoidance of doubt, our opinions are not reported as being subject to material uncertainty

This explanatory note is included to ensure transparency and to provide further insight as to the market context under which our advice has been prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the date on which this advice is provided.

Cushman & Wakefield Debenham Tie Leung Limited, 125 Old Broad Street, London, EC2N 1AR. Registered in England & Wales with registration number 02757768. Regulated by RICS. Cushman & Wakefield Debenham Tie Leung Limited is an appointed representative of [illegible] Insurance Services Limited which is authorised and regulated by the Financial Conduct Authority (FRN 427003). VAT No. GB 405875106.

Should you wish to instruct Cushman and Wakefield on this matter, I would be grateful if you would return a signed and dated a copy of the Engagement Letter as soon as possible to confirm that you accept the basis of the Engagement. Please be aware that your continuing instructions in relation to this matter will amount to your acceptance of the terms of the Engagement. If there is any matter that requires clarification, please do not hesitate to contact me.

Yours faithfully,

[redacted]

[redacted]MRICS APAEWE
Partner
RICS Registered Valuer
For and on behalf of Cushman & Wakefield Debenham Tie Leung Limited

[redacted]

Acceptance of Cushman & Wakefield Engagement Letter and Terms of Business

I have read the Engagement Letter (including the Services Schedule and incorporating the Cushman & Wakefield Terms of Business (Version 3.2 – April 2021) and hereby accept the terms and confirm this Engagement.

_____ **Date:** _____

Please confirm the information on the Customer Information Form overleaf \.....

CUSHMAN & WAKEFIELD

CUSTOMER INFORMATION FORM

COMPANY & VAT INFORMATION

Company or Entity:			
LLP	☐	PLC – Listed	☐
Local Central Government	☐	PLC – Not Listed	☐
Limited	☒	Private Individual	☐
Overseas Registered Company	☐	Private Unlimited Company	☐
Partnership	☐	Registered Charity	☐
Pension Scheme		Sole Trader	☐
		Trust	☐

Full Trading Name:	
Company Registration No:	
VAT No:	
Company Registered Address:	
Contact Name:	
Contact Telephone No. & Email Address:	

ACCOUNTS PAYABLE INFORMATION

Address (including postcode):	
Contact Name:	
Contact Telephone No. & Email Address:	
Purchase Order Number *(if applicable)*:	

SPECIFIC BILLING INSTRUCTIONS *(Please use this section to identify any specific billing requirements):*

Services Schedule – Consultancy

Type of Instructions:	Local Plan Representations
Client Instructions:	The Client has instructed C&W to: (a) Provide written representations to the Copeland Local Plan during the current consultation period.
Scope of Services:	Included in the Services are: a) Review of the Copeland Local Plan Viability Assessment and associated Appendices; b) Liaison with the Developer Consortium to understand, discuss and agree the key areas of concern to be reflected in representations and any evidence requirements from the Consortium; c) Written representations to critique and challenge the proposed viability approach and appraisal assumptions where necessary, to highlight key areas of concern and/or gaps in the evidence base and to comment on the viability findings and recommendations relating to new policy requirements. As agreed with the Consortium, due to the time constraints, the representations will focus on the "core" issues only at this stage; d) The draft representations will be circulated for review, comment, and sign off by the Developer Consortium prior to submission, approximately 4 days ahead of the consultation deadline of 18th March 2022. The representations will be prepared in line with all relevant national and RICS guidance, including the National Planning Policy Framework, the Planning Practice Guidance for Viability and the RICS Professional Statement *Financial Viability in Planning: Conduct and Reporting* (2019). Excluded from the Services are: a) Negotiations with the LPAs appointed viability consultants, submission of further representations/response(s) and/or counter-representations/response(s); b) Representations relating to any other evidence base documents other than the above referenced viability documentation; c) Comments on the non-residential viability appraisal assumptions and evidence; d) Making any enquiries of local or any other authorities or any investigation of title relating to a Property; e) Investigation of the history of a Property or adjoining properties or establishing the possibility of the existence or contamination of, in or near, a Property; f) Management of a Property, including without limitation, any security, insurance, maintenance or repair arrangements; g) Making any structural survey or testing any services at a Property; and h) The provision of formal valuation advice (any information provided by C&W in respect of a potential rent or premium is not intended to be, and will not represent, any formal opinion of value). For the avoidance of doubt, C&W confirms that the representations and the advice provided do not constitute a formal valuation. The representations and the advice provided constitute an exception from valuation technical and performance standards ('VPS') 1 – 5 of the RICS Valuation – Global Standards (the "Red Book"). The representations are for the purposes of informing the viability assumptions to be adopted in the Climate Change Local Plan Review Viability Assessment only. The viability advice that will be detailed will be dependent on the adequacy and accuracy of the information supplied and the assumptions made. It should be noted that should these prove to be incorrect; the accuracy of C&W's advice will be affected.

Conflicts of Interest:	We are currently advising and have previously advised some of the Clients within the Consortium on site-specific FVAs in support of planning applications for residential development. We are also currently advising and have previously advised some of the Clients within the Consortium in respect of representations to area-wide viability FVAs. However, 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. We therefore confirm that, to the best of our knowledge, no conflict of interest, or risk of conflict of interest, arises in preparing the advice requested.
Fees:	
Terms of Business:	Please see attached our Cushman & Wakefield Terms of Business (UK) - Version 3.2 – April 2021.

Appendix 2: Housing Need in Copeland (prepared by Turley)

Housing Need in Copeland
Further Technical Critique

November 2020

Turley

Contents

1.	Introduction	1
2.	Introducing the Preferred Option	2
3.	Testing the Increasingly Dated Evidence Base	4
4.	Consequences of Emerging National Policy	12
5.	Summary and Conclusions	15
Appendix 1:	Modelling Assumptions	17

1. Introduction

1.1 Copeland Borough Council ('the Council') is consulting on its Preferred Options for the emerging Local Plan[1]. This report has been prepared by Turley on behalf of a consortium of housebuilders[2] ('our clients') to critically review the proposed approach to housing provision, and consider the extent to which this is likely to meet the borough's housing needs in full.

1.2 A similar report was prepared by Turley and submitted to the Council by our clients earlier this year, during the previous consultation on Issues and Options[3]. The Council does not appear to have responded in detail to the specific issues raised during that consultation, and key points from this earlier submission are therefore reiterated in this report where they remain relevant. For the avoidance of doubt, **this report is intended to fully supersede the earlier submission** where it takes into account new data releases, documents and the changing context of the last 12 months.

1.3 This report is structured as follows:

- **Section 2 – Introducing the Preferred Option** – an overview of the proposed approach to housing provision in Copeland, highlighting the increasingly dated evidence on which this is based;
- **Section 3 – Testing the Increasingly Dated Evidence Base** – with the preferred approach based on increasingly dated evidence, the Council's conclusions and assumptions on housing need are tested using the latest available information. This includes the presentation of up-to-date bespoke demographic modelling, developed by Edge Analytics, which is compared to similar modelling in the Council's evidence base that relies on superseded datasets;
- **Section 4 – Consequences of Emerging National Policy** – the Council's preferred approach is evaluated in the context of emerging changes to the standard method of determining the minimum need for housing, which appear likely to be in place when the Local Plan is submitted for examination; and
- **Section 5 – Summary and Conclusions** – a concise overview of the report's findings and their implications for the emerging Local Plan.

[1] Copeland Borough Council (September 2020) Copeland Local Plan 2017-2035: Preferred Options Draft

[2] Gleeson Homes, Persimmon Homes and Story Homes

[3] Copeland Borough Council (November 2019) Copeland Local Plan 2017-2035: Issues and Options Draft

2. Introducing the Preferred Option

2.1 The Preferred Options draft of the emerging Local Plan ('the draft Plan') proposes, at Policy H2PO, a requirement for at least 140 dwellings per annum between 2017 and 2035. The Council intends for this to provide the basis for calculating five year housing land supply.

2.2 The Council does, though, proceed to express a desire to '*be aspirational*', '*plan positively and support employment growth*', by identifying sufficient land to provide 200 dwellings per annum over the plan period[4] – some 43% more than the minimum housing requirement that has been proposed.

2.3 This approach has clearly been informed by the conclusions of the Strategic Housing Market Assessment[5] (SHMA), which was finalised in October 2019 and commissioned to understand the scale of future housing needs in Copeland. The draft Plan references its conclusion that there is an objectively assessed need (OAN) for between 140 and 200 dwellings per annum (dpa) in Copeland over the emerging plan period, and respectively aligns its proposed housing requirement and '*aspirational*' land supply to these figures which sought either to:

- Accommodate a continuation of long-term demographic trends, recorded over 15 years to 2016 (**140dpa**); or
- Grow the resident labour force by attracting and retaining more working age people, with a view to supporting around 1,100 additional jobs over the plan period (**200dpa**).

2.4 While the SHMA may give the impression of having been recently produced in October 2019, it is upfront in emphasising that it was '*initially drafted in early 2018*' – now over two and a half years ago – with various unspecified factors delaying its finalisation[6]. The SHMA highlights that new data was released in this intervening period, and that national planning policy and guidance had substantially evolved, but generally claims that these changes did not have a '*material impact*' on its findings.

2.5 It did, however, advise the Council to update elements of the report '*at an appropriate time…to test some of the key outputs and to confirm the continued relevance of the findings*'. This is yet to have visibly occurred, and it is concerning that the Council does not appear – from the draft Plan – to have committed to such testing before submission despite so clearly relying on the conclusions of the SHMA to justify its proposed approach to housing provision. This is a regressive step, where plans for an update to the SHMA – in the form of a Local Housing Needs Assessment, as now required by national policy – were clearly signposted on the Council's website during the previous consultation on Issues and Options.

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[4] Copeland Borough Council (September 2020) Copeland Local Plan 2017-2035: Preferred Options Draft, p159

[5] JG Consulting (October 2019) Report for Copeland Borough Council: Strategic Housing Market Assessment and Objectively Assessed Housing Need

[6] *Ibid*, inside cover ('Note about this report')

2.6 This omission creates an impression of finality, but in reality the Council must update the evidence base and potentially depart from its preferred option before the Local Plan is submitted for examination. This is considered to be critical where the National Planning Policy Framework (NPPF) emphasises that '*all policies should be underpinned by relevant and* ***up-to-date evidence***'[7] (emphasis added).

2.7 The remaining sections of this report consider how such an update, taking account of the latest available information, could alter the conclusions of the SHMA. This is intended to assist the Council as it develops the next iteration of the draft Plan, which is expected to be a Regulation 19 version.

[7] MHCLG (2019) National Planning Policy Framework, paragraph 31

3. Testing the Increasingly Dated Evidence Base

3.1 With the previous section having highlighted the increasingly dated evidence on which the Council's preferred approach to housing provision is based, this section tests the conclusions made in the evidence base using the latest available information, and in compliance with the revised NPPF and its associated guidance.

3.2 It first considers, using a demographic modelling approach comparable to that used in the SHMA, whether delivery of the '*aspirational*' housing land supply could still be expected to support the level of job growth previously assumed in the evidence base. It then proceeds to examine whether it is more reasonable – when accounting for the latest evidence – to plan for a higher level of job growth, establishing the resultant implications for housing need.

Testing the upper end of the Council's previously evidenced range

3.3 As outlined in the previous section, the Council's '*aspirational*' approach of providing sufficient land to deliver 200 dwellings per annum is based on its latest published SHMA, which estimated that such a level of housing provision would be needed to support the creation of around 1,100 new jobs over the plan period (2017-35).

3.4 The SHMA's modelling is now relatively dated, having for instance drawn assumptions from official 2014-based sub-national population projections (SNPP) that have twice been superseded. While subsequent 2016- and 2018-based projections have raised some issues – particularly when translated into households – their underlying assumptions undoubtedly reflect more recent *population* trends than the 2014-based SNPP. They provide a more up-to-date position on birth rates, life expectancy and the profile of migrants, for example, which supersedes the assumptions made by the SHMA in its modelling of the housing needed to support job growth.

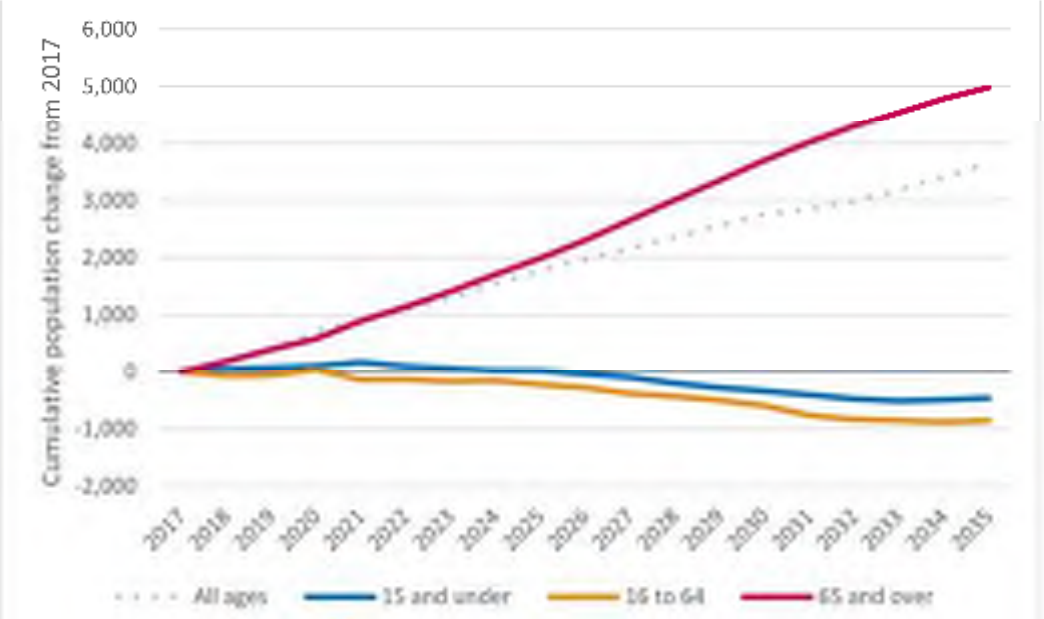
3.5 Up-to-date modelling has therefore been developed by Edge Analytics, using the leading POPGROUP model, to understand whether the provision of 200 dwellings per annum over the plan period could still be expected to support the 1,100 new jobs previously anticipated in the SHMA, when more recent demographic trends in Copeland are taken into account. **Appendix 1** details the assumptions made in this modelling.

3.6 This process does notably reaffirm that such a level of provision could, in combination with changing demographics and labour force behaviours, support the creation of 1,100 new jobs over the plan period, or indeed slightly more. This updated modelling suggests that the labour force could actually grow to support circa 1,280 jobs in this scenario, albeit this difference from the SHMA is a relatively modest 10 jobs per annum over the whole plan period.

3.7 While likely enabling a level of job growth, it is important to recognise that there remain significant limitations to this scenario which could have consequences for the long-term competitiveness of Copeland and its economic vitality. Such issues were not adequately addressed and considered in the SHMA, and therefore appear to have not been accounted for in the translation of evidence into policy.

3.8 For example, while the population of Copeland would be expected to grow where 200 dwellings per annum were consistently provided, the modelling suggests that this will be *entirely* concentrated amongst those aged 65 and over. The number of children, and the number of residents of traditional working age (16-64), would both be expected to decline by a relatively substantial amount over the plan period in this scenario, particularly beyond the next five years. This is illustrated at Figure 3.1, which shows cumulative change in different age cohorts.

Figure 3.1: Population Change Associated with Planned Housing Provision (200dpa)



Source: Edge Analytics; Turley analysis

3.9 The working age population of Copeland was already relatively small at the beginning of the plan period (2017) when compared to the wider North West and England[8]. The contraction that appears likely to result when providing for the delivery of only 200 dwellings per annum would only reinforce this trend, potentially discouraging investment in Copeland and threatening its long-term economic resilience.

3.10 There appears ample scope for a more ambitious approach to housing provision that positively plans to support a more prosperous economic future, as explored below.

Reconsidering future job growth

3.11 While the above reinforces that delivery of the *'aspirational'* land supply could indeed be expected to broadly support the level of job growth previously anticipated by the Council – albeit not without the unsustainable consequence of a markedly ageing population – it is important to recognise the time that has passed since this level of job growth was justified in the evidence base. There now appears scope for a considerably

[8] ONS (2018) Population estimates, mid-2017. Circa 61% of Copeland residents were aged 16 to 64 in 2017, compared to 63% across both the North West and England

more positive approach, and a parallel risk that simply planning for no more than 200 dwellings per annum will actually serve to undermine recent progress in this regard.

3.12 The ostensible target of 1,100 new jobs over the plan period appears to have originated from the SHMA, which introduced four economic scenarios of which the majority actually anticipated job losses. This unusually negative outlook – from a planning policy perspective – flowed from a Cambridge Econometrics forecast that was sourced in March 2018 and used as a baseline, suggesting that some 3,400 jobs would be lost in Copeland over the plan period. This effectively meant that one in every ten jobs that already existed in the borough were assumed to be lost under this scenario[9].

3.13 Our previous report queried the use and influence of this single and particularly negative baseline forecast from Cambridge Econometrics, which apparently had not been checked against the views of other reputable forecasting houses in conflict with widespread best practice. This remains a concern, when obtaining an up-to-date and comparable baseline forecast from Experian which again requires further interrogation – to locally verify its key assumptions, recognising the limitations of any "off the shelf" forecast – but suggests that Copeland could create around 900 jobs over the plan period[10]. The gap between this and the Cambridge Econometrics forecast referenced in the SHMA is stark, at some 4,300 jobs, and certainly warrants further investigation by the Council.

3.14 The newly published Economic Development Needs Assessment[11] (EDNA) might have been expected to explore this issue and rectify this critical flaw, but its publication date of July 2020 obscures the fact that it was largely drafted in 2017 before the study was paused. This appears to explain what are otherwise surprising references to still more dated forecasts from Cambridge Econometrics, obtained more than three years ago in summer 2017. The EDNA recognises the consequences of its delayed publication, listing a series of economic changes, issues and opportunities that it ignores but should now be factored in to any consideration of the economic needs of Copeland[12]. This includes:

- Priorities in the emerging Copeland Economic Vision;
- Priorities in the Cumbria Nuclear Prospectus, published in August 2020;
- The development of a Clean Energy Park, potentially incorporating advanced nuclear technologies, hydrogen production and large-scale nuclear build;
- More detailed information on how Sellafield Ltd will operate;
- The creation of the Enterprise and Innovation Hub, forming a genuine cluster of expertise in nuclear and clean energies;

[9] JG Consulting (October 2019) Report for Copeland Borough Council: Strategic Housing Market Assessment and Objectively Assessed Housing Need, Figure 5.1

[10] Experian (September 2020) Local Market Forecasts Quarterly

[11] Lichfields (2020) Economic Development Needs Assessment: Copeland Borough Council

[12] *Ibid*, paragraph 1.8

- The latest round of offshore wind farm auctions;
- The proposal for a Digital Grid in Whitehaven;
- Town centre regeneration, through vehicles such as the Future High Streets Fund and Town Deals;
- The impacts of Covid-19, over the short, medium and long term; and
- The impacts of the UK's departure from the European Union.

3.15 This should not necessarily be viewed as an exhaustive list, where recognised for example that the Government has very recently launched its *'ten point plan for a green industrial revolution'*[13]. This emphasises its commitment to delivering new and advanced nuclear power, for example, and advancing offshore wind. With the EDNA having already highlighted opportunities in these areas for Copeland, as a location that is uniquely positioned as a pioneer in the green energy sector, these recent announcements can be considered to only raise the prospect of such investments in the borough. This certainly has the potential to offset short-term challenges relating to the latter two points listed above.

3.16 The authors of the EDNA clearly advise the Council to commission a review and update *'later in 2020'* to inform a Publication version of the Local Plan, and while this timeframe now overlaps with the extended Preferred Options consultation – and thus may be delayed – the principle is strongly supported. Like the SHMA, this update is considered essential to provide up-to-date and robust evidence that justifies policies in the emerging Local Plan, as required by the NPPF[14]. The draft Plan thankfully indicates that a new EDNA will indeed be *'commissioned prior to the next stage of plan production'*[15].

3.17 Until this review is completed, it is unclear precisely how many additional jobs the Council needs to support through its approach to housing provision, if it is to deliver the integrated approach expected by national policy[16]. It is therefore premature to assume, as the Council appears to have done, that the 1,100 new jobs associated with its *'aspirational'* housing land supply are all that need to be planned for. This recognises evidence noted above with regards a potentially improving baseline position and the importance of considering the implications of planned economic investment, the support of which will be critical through the employment policies of the Local Plan.

3.18 Indeed, it appears that planning only for 1,100 additional jobs over the plan period would actually slow the job creation that has occurred in Copeland over recent years. The Business Register and Employment Survey[17] (BRES) suggests that the level of

[13] HM Government (November 2020) The Ten Point Plan for a Green Industrial Revolution: building back better, supporting green jobs, and accelerating our path to net zero

[14] MHCLG (2019) National Planning Policy Framework, paragraph 31

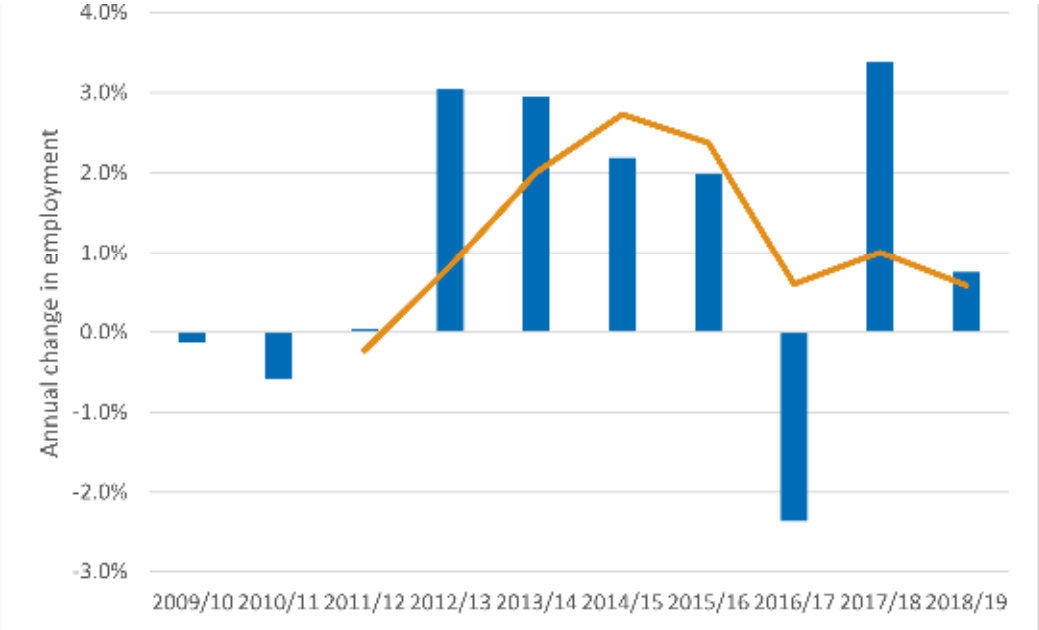
[15] Copeland Borough Council (September 2020) Copeland Local Plan 2017-2035: Preferred Options Draft, paragraph 21.3.3

[16] MHCLG (2019) National Planning Policy Framework, paragraph 81c

[17] *'...the official source of employee and employment estimates by detailed geography and industry'* (link)

employment in the borough has risen in all but one of the last eight years, and significantly so on several occasions. This is shown in proportionate terms at Figure 3.2, which also overlays a rolling three year average to soften the influence of annual volatility.

Figure 3.2: Annual Change in Employment in Copeland (2009-19)



Source: BRES; Turley analysis

3.19 The past three years (2016-19) have seen employment levels in Copeland grow by 0.6% per annum on average, matching the trend recorded over three years to 2017 and appearing relatively modest against the more pronounced growth in earlier years. This is also a lower rate of growth than seen across the North West or England over the latest three years for which data is currently available[18] (1.5/1.0% per annum).

3.20 In comparison, the creation of 1,100 jobs over the entire plan period – as apparently planned, in housing terms, by the Council through its '*aspirational*' supply of land if not its lower proposed housing requirement – would represent growth of only 0.2% per annum; a third of the recent trend, and still less than recorded prior.

3.21 This regression is at odds with the '*aspirational*' label and indeed the overarching vision of the draft Plan, which foresees '*a prosperous, diverse economy*' that has capitalised on local strengths and facilitated growth[19]. It references the Housing Strategy, which aims to '*sustain and grow*' the local economy[20], and more broadly recognises the link between housing provision and economic growth by stating that:

[18] ONS (2020) Business Register and Employment Survey

[19] Copeland Borough Council (September 2020) Copeland Local Plan 2017-2035: Preferred Options Draft, p21

[20] *Ibid*, p12

"It is vital that we provide the right amount and type of housing in the Borough in order to reverse the trend of population decline and ensure that we have a sufficiently sized workforce to support local businesses and create further opportunities for education and training for our residents. This in turn will help create economic growth and reduce deprivation levels in the Borough"[21]

3.22 As the Council seeks to sustain and grow its local economy and produce a positive and supposedly *'aspirational'* plan, and in advance of the essential update to the EDNA mentioned above, it must at least acknowledge success over recent years and assess the implications of sustaining this performance. This is likely to require a more ambitious approach to housing provision.

3.23 Further modelling has been developed by Edge Analytics to illustrate this point and estimate the level of housing provision that could be needed to sustain the rate of job growth achieved on average in each of the last three years (0.6%) over the plan period. The assumptions which have been applied in this modelling are summarised at **Appendix 1**.

3.24 This modelling suggests that **circa 304 dwellings per annum** could be needed in Copeland over the emerging plan period, if the borough is to sustain employment growth at a rate of 0.6% per year and thereby create a total of 3,760 new jobs. While acknowledged to be nearly double the recent peak in housing delivery[22], there is some precedent to be found from the existing Core Strategy which planned to provide for 300 dwellings per annum over its latter years[23] (2018-28). This deliberately uplifted a lower requirement for 230 dwellings per annum that was demographically derived and applied in the first five years, in order to allow for the additional demand generated by major investment in the local economy.

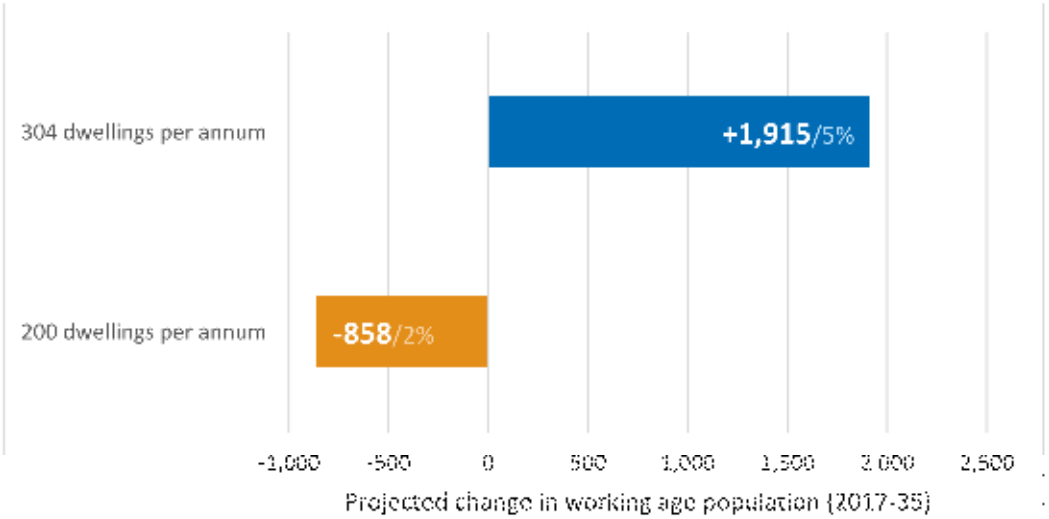
3.25 Furthermore, where delivery even of the *'aspirational'* land supply identified by the Council appears unlikely to facilitate growth in the working age population of Copeland – as shown at the earlier Figure 3.1 – the modelling suggests that a higher level of housing provision, in the order of 300 dwellings per annum, could in contrast allow for the growth of this important cohort. Figure 3.3 below shows that the working age population could grow by around 1,900 persons over the plan period where circa 300 dwellings per annum are provided, representing growth of 5% rather than the 2% decline expected where only 200 homes are provided each year. This is enabled through this higher level of housing provision, which allows such residents to be retained and attracted. This, in turn, can help to attract investment to Copeland.

[21] *Ibid*, p159

[22] *Ibid*, Table 12. Over the period back to 2010, housing delivery peaked when 158 homes were provided in 2011/12

[23] Copeland Borough Council (2013) Copeland Local Plan 2013-2018: Core Strategy and Development Management Policies DPD, Policy SS2

Figure 3.3: Effect of Higher Housing Provision on Working Age Population (16-64)



Source: Edge Analytics; Turley analysis

3.26 The above analysis has drawn upon the latest available demographic datasets where appropriate to explore the inter-relationship between jobs and housing in Copeland. This provides an updated position to that presented in the Council's published evidence base. It is recognised that further consideration is required as to a reasonable and appropriate level of employment growth in Copeland. Such a detailed exercise has not been undertaken here, where it is emphasised by the Council that this will be forthcoming through the updating of its EDNA. This represents a critical component of the evidence base for the Local Plan, and in establishing a reasonable forecast it must:

- Include consideration of up-to-date baseline forecasts from more than one forecasting house;
- Assess the implications of local performance of key sectors, drawing comparison with baseline assumptions; and
- Understand the additionality of planned investment already identified as being pertinent to this exercise in the current EDNA.

Summary

3.27 This section has tested the conclusions made in the Council's increasingly dated evidence base – drawn upon to justify its proposed approach to housing provision – using the latest available information, and new demographic modelling.

3.28 The Council's '*aspirational*' approach of identifying land to deliver 200 dwellings per annum is informed by modelling that is now outdated, which estimated the housing needed to support 1,100 new jobs over the plan period. This does remain a conceivable outcome when remodelling to account for more recent population trends, albeit it must be recognised that such a scenario does not allow for *any* growth in the

population aged under 65. This could critically undermine the borough's economic resilience, and potentially discourage future investment.

3.29 Furthermore, it is important to recognise that an ostensible target of 1,100 new jobs has not been recently justified by the Council. It originated as the only one of four scenarios presented in the SHMA to envisage job growth, rather than job losses, but this process was arguably undermined at the outset by the questionable decision to draw upon a single and particularly negative baseline forecast from Cambridge Econometrics rather than obtaining a range of reputable views. Experian, for example, now envisage around 900 new jobs in Copeland under its own baseline scenario, starkly contrasting with the 3,400 jobs assumed to be lost over the plan period by Cambridge Econometrics. The newly published EDNA might have been expected to rectify this issue, had it not actually been produced in 2017 before its publication was delayed. It is clear in this context to identify the consequences of this delay and the changing economic context which will need to be taken into account, and the imminent update to this study is therefore both welcomed and essential. It is premature to assume, in the meantime, that the Council need only plan for the creation of 1,100 new jobs where a more substantive growth in the labour force may ultimately need to be sustainably accommodated through a higher level of housing provision.

3.30 The updated EDNA should fully account for a local economic context that has recently become increasingly positive in Copeland, with employment levels growing by an average of 0.6% in each of the past three years for which data is currently available (2017-19) and indeed more prior to this period. A target of 1,100 new jobs over the plan period is equivalent to only a third of this recent growth rate, and appears to conflict with the Council's economic ambitions which arguably justify an aspiration to *at least* sustain the rate of growth recently recorded. Further modelling suggests that this could require **around 300 dwellings per annum** over the plan period, with such a level of provision allowing for some growth in the working age population – unlike the '*aspirational*' approach favoured by the Council – and coincidentally aligning with the housing requirement now in place from the Core Strategy. This suggests that the Council should not discount the possibility of continuing to plan for a similar level of housing provision, as it considers the findings of the updated EDNA and establishes in parallel the housing that could be needed to support future economic growth.

4. Consequences of Emerging National Policy

4.1 The Council has clearly produced the draft Plan in the context of the existing NPPF and its associated guidance. It has applied the standard method to *'determine the minimum number of homes needed'*[24], but in the case of Copeland this produces a scarcely credible figure of only 11 dwellings per annum which the Council has rightly proposed to exceed by some way as is currently permitted by national policy. The draft Plan is correct to state, in this context, that:

> ***"The housing need figure produced using the standard methodology does not provide a true reflection of housing need in the Borough.*** *It is significantly lower than the number of homes that have been delivered on average over the past 10 years, and each individual year, and if it was taken forward as a housing requirement in the Local Plan would lead to further population loss and economic decline. A housing requirement this low would also be contrary to the Council's Growth Strategy, Housing Strategy, Corporate Strategy and the NPPF which requires Local Authorities to be aspirational. Responses received to the Local Plan Issues and Options consultation also indicate that the development industry would not support a housing requirement based on this figure"*[25] (emphasis added)

4.2 It is important to recognise, however, that the Government is in the process of revising the standard method, and – as shown by this section – this will almost inevitably raise the minimum housing need in Copeland to be met by the emerging Local Plan.

Proposed changes to the standard method

4.3 The Government consulted on its initial proposals for a revised approach over the summer[26]. It acknowledged that the method could no longer use the increasingly dated 2014-based household projections that currently form the baseline, and felt that a new approach should be *'more agile in using the most recent data'*[27]. It has, though, also recognised that such projections are volatile and *'cannot in isolation forecast housing need'*[28].

4.4 The Government therefore proposed to introduce a new element into the standard method, linked to existing housing stock, to take account of the number of homes that are already in an area. This was intended to account for the diversity of housing needs throughout the country, recognising that *'new homes can play a vital role in schemes to regenerate deprived areas'* for example, and offer *'the stability and predictability which has been absent when solely relying on household projections'*[29].

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[24] MHCLG (2019) National Planning Policy Framework, paragraph 60

[25] Copeland Borough Council (September 2020) Copeland Local Plan 2017-2035: Preferred Options Draft, paragraph 40.2.17

[26] MHCLG (2020) Changes to the current planning system: consultation on changes to planning policy and regulations

[27] *Ibid*, paragraph 14a

[28] *Ibid*, paragraph 13

[29] *Ibid*, paragraphs 19 and 20

4.5 Household projections were nonetheless intended to retain a role, in a '*blended approach*' which prevented any such projection from falling below a certain proportion (0.5%) of the existing stock[30]. The growth suggested by household projections was to feature in the calculation where this is higher than the stock-based figure.

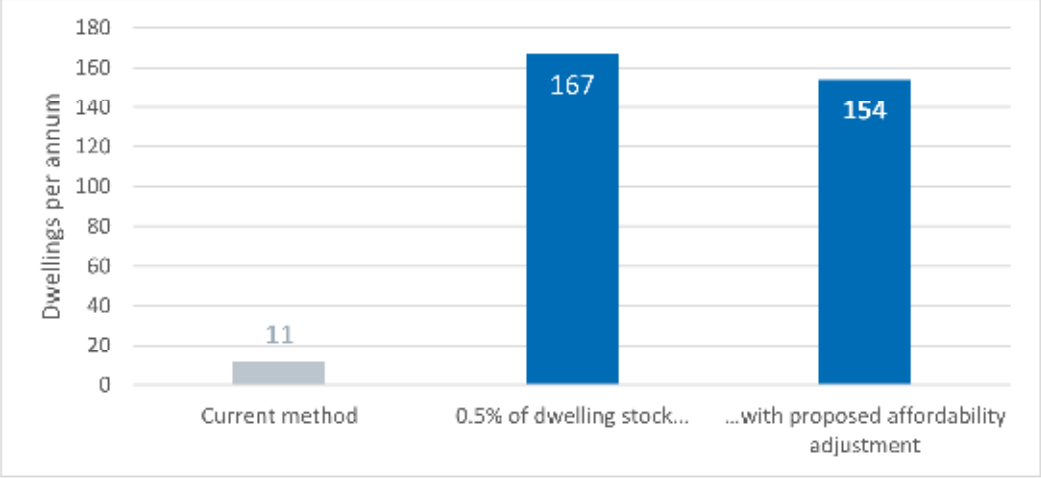
4.6 This process was to produce a baseline for the calculation, which – as in the current method – would continue to be adjusted to reflect the ratio between house prices and earnings. The current formula was proposed to be adapted and extended to further account for changing affordability trends over time. This would apply a larger adjustment where housing is increasingly unaffordable – relative to a threshold of 4 years earnings – but moderate the level of adjustment where the ratio was high but improving, for example.

4.7 The current method caps the level of adjustment that can be made based on affordability, relative to the baseline or a recently adopted housing requirement, but the Government suggested that this step would be removed in its entirety to facilitate the '*step change*' that it considers to be necessary[31].

Outcome for Copeland

4.8 In the case of Copeland, the approach described above would substantially raise the minimum need currently implied by the standard method, from 11 to **154 dwellings per annum**. This is entirely caused by the proposed introduction of a stock-based measure into the method, which takes precedence over a 2018-based projection that unhelpfully envisages zero additional households in Copeland. The approach sets a baseline of 167 homes per annum – equivalent to 0.5% of the 33,433 homes recorded in the borough as of 2019 – that is actually *reduced* by 8% through the affordability adjustment, because the ratio between house prices and earnings (2.78) is currently lower than four.

Figure 4.1: Current and Proposed Standard Method – Outcome for Copeland



Source: Turley analysis

[30] *Ibid*, paragraph 21

[31] *Ibid*, paragraph 39

Potentially significant refinements

4.9 It is important to recognise, however, that the approach described above was merely a proposal that was subject to consultation. The Government has recently confirmed reports that the formula would be '*rebalanced so that more homes are built in urban areas, particularly in the Midlands and the North*'[32]. While it is currently unclear precisely how the formula will be altered, one mechanism for directing more homes towards urban areas is the stock growth rate that features in the baseline of the Government's earlier proposals and indeed is the primary driver of need in the case of Copeland. The Government may choose to raise the minimum growth rate from its current level of 0.5%, and even a fractional increase – to 0.6% for example – would increase the baseline for Copeland to 201 dwellings per annum, from 167 dwellings per annum under the proposals to date. This is likely to once again be adjusted, and conceivably lowered in the case of Copeland, based on affordability but it is more challenging to predict how this element of the proposals may evolve in response to a higher baseline.

4.10 The revised method, in its final form, is likely to have a direct consequence for the emerging Local Plan, as the Government has proposed only a short transition from the existing approach. Authorities like Copeland, that are yet to undertake a Regulation 19 consultation, are proposed to be given only three months to reach this stage from the point at which a revised method is formally introduced, and a further six months to submit their plan to the Planning Inspectorate. According to the draft Plan, the Council aimed – before extending the current consultation by two weeks – to reach the Publication (Reg.19) stage in spring 2021, which could conceivably be more than three months after the revised method if the latter is introduced before the end of the year. This is certainly a possibility where the Government is understood, at the time of writing, to be announcing its revised approach within weeks[33].

Summary

4.11 While the Council's proposed approach to housing provision cannot help but appear positive in the context of a standard method that currently implies a scarcely credible need for only 11 dwellings per annum, it is markedly less so where the method is revised in the manner that now appears likely. The proposed housing requirement of 140 dwellings per annum would fail to meet housing needs where the latter are calculated using the method that was subject to consultation this summer, and the same could conceivably be true even of the '*aspirational*' supply if – as appears a possibility – this is reweighted in favour of the existing housing stock.

4.12 The draft Plan does acknowledge this evolving context, stating that the '*progress*' of the new method will be '*monitored and considered prior to the production of the Publication Draft*'[34]. This is strongly supported and indeed appears a necessity, given that the Council appears unlikely to be covered by transitional arrangements and is therefore likely to have to meet the minimum need implied by any revised method.

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[32] Planning Resource, 16 November 2020

[33] *Ibid*

[34] Copeland Borough Council (September 2020) Copeland Local Plan 2017-2035: Preferred Options Draft, p154

5. Summary and Conclusions

5.1 Copeland Borough Council is consulting on its Preferred Options for the emerging Local Plan. This report has been prepared by Turley on behalf of a consortium of housebuilders[35] – superseding an earlier submission during the previous Issues and Options consultation – to critically review the proposed approach to housing provision, that would set a requirement for at least 140 dwellings per annum over the plan period (2017-35) but '*be aspirational*', '*plan positively and support employment growth*' by identifying additional land to provide a total of 200 dwellings per annum.

5.2 These figures align with the range concluded in the Strategic Housing Market Assessment (SHMA) which was finalised in October 2019 but produced around 18 months earlier, thereby taking no account of substantive new data, policy and guidance published in the intervening period. The Council was advised to test the conclusions of the SHMA, but this is yet to have visibly occurred and there surprisingly no longer appears a firm commitment to doing so in the Preferred Options draft. An update is considered essential prior to consultation on the Publication version (Reg.19) of the Local Plan, to provide the '*up-to-date evidence*' expected by national policy[36].

5.3 This report has aimed to assist the Council in the context of this evidential shortcoming by considering how such an update, taking account of the latest available information, could alter the conclusions of the SHMA. In summary, it has found that:

- The '*aspirational*' approach of identifying land to deliver 200 dwellings per annum was informed by the SHMA's modelling of the homes needed to support 1,100 new jobs over the plan period. While this modelling is now outdated, this remains a conceivable outcome when remodelled by Edge Analytics to account for more recent population trends, albeit in evaluating the consequences regarding the sustainability of growth in Copeland it must be recognised that such a level of provision is unlikely to encourage or allow for any growth in the population aged under 65. This could critically undermine the economic resilience of Copeland, and potentially discourage future investment;

- Further to the above, there is a concerning lack of justification for the ostensible target of 1,100 new jobs, which originated as the only positive scenario of four presented in the SHMA in a process that was arguably undermined at the outset by the decision to unquestioningly use a single and particularly negative baseline forecast – that expected some 3,400 jobs to be lost – rather than obtaining a range of reputable views, or testing its robustness in the context of local evidence. The newly published EDNA dated July 2020 might have been expected to rectify this issue, had it not actually been produced in 2017 before its publication was delayed. A stated commitment to produce an update to the EDNA, to account for a range of new information and identified investment and growth opportunities, is both welcomed and essential, and in the meantime it is premature for the Council to assume that it need only plan for sufficient homes –

[35] Gleeson Homes, Persimmon Homes and Story Homes

[36] MHCLG (2019) National Planning Policy Framework, paragraph 31

circa 200 per year – to support 1,100 new jobs. In assessing an appropriate and reasonable level of job growth, consideration should be given to recent historic performance as well as up-to-date forecasts and the impact of potential and committed investment. Where the update to the EDNA will need to consider this in detail, it is observed that Copeland's economy has seen a strong period of job growth, equating to 0.6% per annum over the last three years, with previous years showing an even higher rate of growth. Using this as an appropriate proxy, the analysis in this report confirms that to even sustain this recent rate of job growth could require around 300 dwellings per annum to adequately grow the resident labour force, including the working age population; and

- Although the Council's proposed approach to housing provision cannot help but appear positive in the context of a standard method that currently implies a barely credible need for only 11 dwellings per annum, it is markedly less so where the method is revised in the manner that now appears likely based on a recent consultation and more recent messages from within Government. The housing requirement of 140 dwellings per annum proposed in the draft Plan would fail to meet housing needs where the latter are calculated using the method that was subject to consultation this summer, which introduced a stock-based metric and produced a figure of 154 dwellings per annum for Copeland. The same could conceivably be true even of the '*aspirational*' supply if this is reweighted in favour of the existing housing stock, as appears a possibility. The Council is therefore right to be closely monitoring changes in the standard method, not least because it appears unlikely – based on the current Local Plan timetable – to be covered by proposed transitional arrangements and is thus likely to have to meet the need implied by any revised approach as a minimum.

5.4 The analysis summarised above suggests that even the '*aspirational*' target of 200 dwellings per annum may fail to meet the housing needs of Copeland, or properly support the Council's economic ambitions. Around **300 dwellings per annum** could be needed even to sustain recent economic success, and where this aligns with the existing housing requirement – applied from 2018 onwards by the Core Strategy – it is clear that the Council should not prematurely or unjustifiably discount the possibility of continuing to plan for a similar level of housing provision through the new Local Plan. It should, however, also be mindful in updating its evidence on housing need both of emerging changes to the standard method and the findings of the anticipated and necessary update of the EDNA, establishing in the case of the latter the housing that could be needed in parallel to support its scenarios of future job growth. This evidence is considered likely to require a more ambitious approach to housing provision than proposed in the ongoing Preferred Options consultation.

Appendix 1: Modelling Assumptions

Copeland

Data Inputs & Assumptions

November 2020



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Acknowledgements

Demographic statistics used in this report have been derived from data from the Office for National Statistics licensed under the Open Government Licence v.3.0.

The authors of this report do not accept liability for any costs or consequential loss involved following the use of the data and analysis referred to here; this is entirely the responsibility of the users of the information presented in this report.

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1 POPGROUP Methodology

1.1 Evidence is often challenged on the basis of the appropriateness of the methodology that has been employed to develop growth forecasts. The use of a recognised forecasting product which incorporates an industry-standard methodology (a cohort component model) removes this obstacle and enables a focus on assumptions and output, rather than methods.

1.2 Demographic forecasts have been developed using the POPGROUP suite of products. POPGROUP is a family of demographic models that enables forecasts to be derived for population, households and the labour force, for areas and social groups. The main POPGROUP model (Figure 1) is a cohort component model, which enables the development of population forecasts based on births, deaths and migration inputs and assumptions.

1.3 The Derived Forecast (DF) model (Figure 2) sits alongside the population model, providing a headship rate model for household projections and an economic activity rate model for labour-force projections.

1.4 For further information on POPGROUP, please refer to the Edge Analytics website: http://www.edgeanalytics.co.uk/.

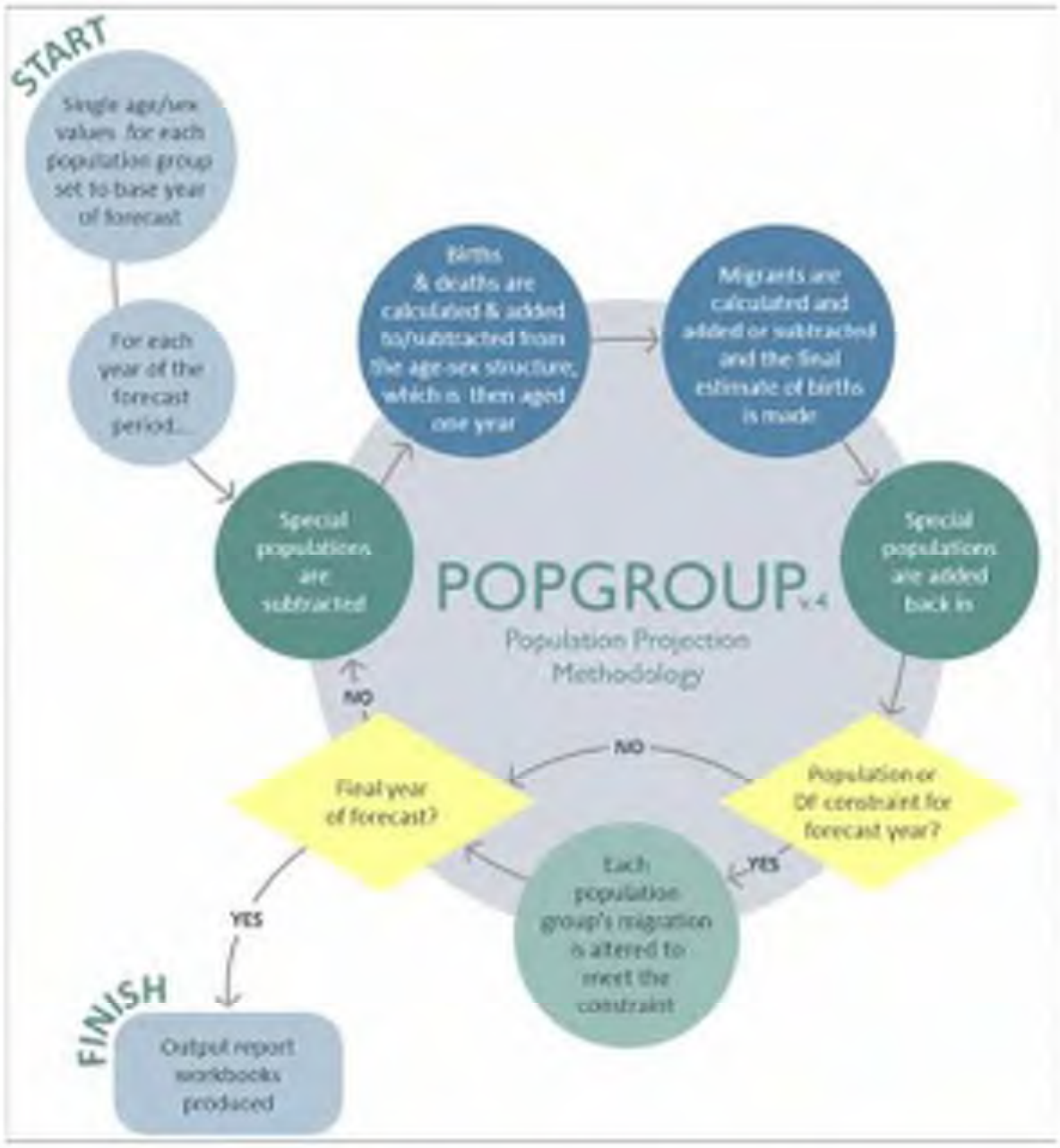
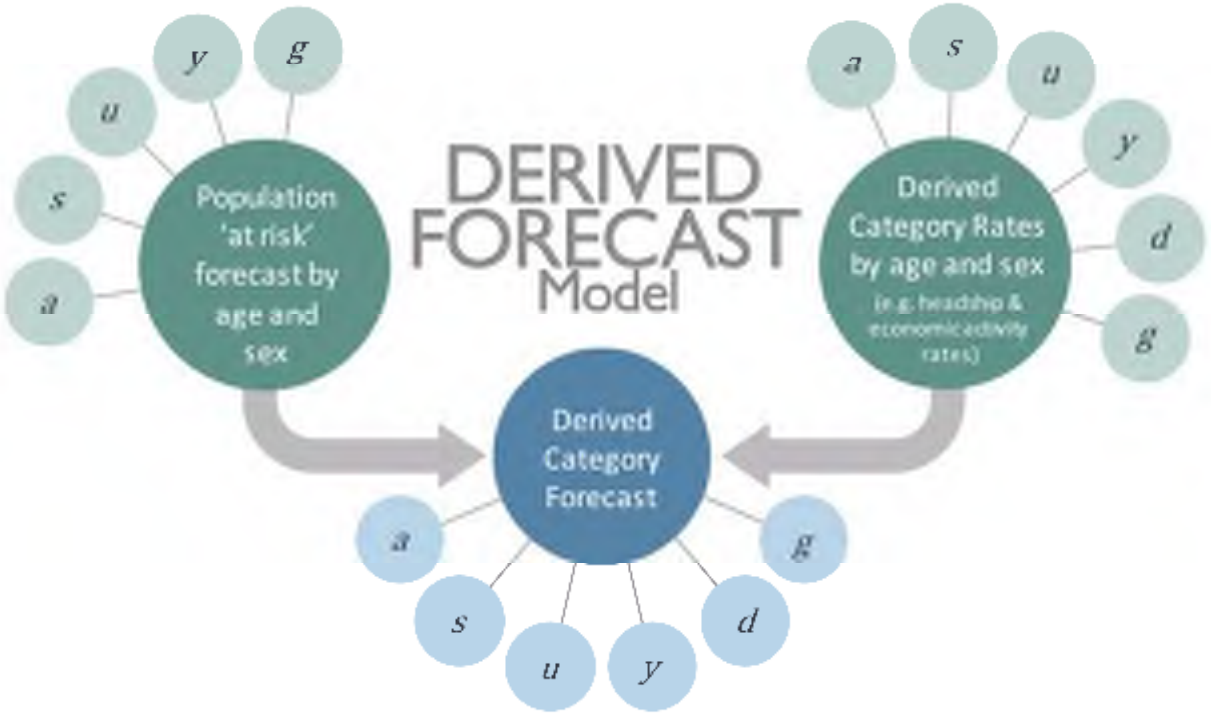


Figure 1: POPGROUP population projection methodology



$$D_{a,s,u,y,d,g} = \frac{P_{a,s,u,y,g} \; R_{a,s,u,y,d,g}}{100}$$

D	Derived Category Forecast	y	Year
P	Population 'at risk' Forecast	d	Derived category
R	Derived Category Rates	g	Group (usually an area, but can be an ethnic group or social group)
a	Age-group		
s	Sex		
u	Sub-population		

Figure 2: Derived Forecast (DF) methodology

2 Data Inputs & Assumptions

Introduction

2.1 Edge Analytics has configured two demographic scenarios for Copeland, using POPGROUP v4.0 and the Derived Forecast model. The POPGROUP suite of demographic models draws data from a number of sources, building an historical picture of population, households, fertility, mortality and migration on which to base its scenario forecasts.

2.2 Using historical data evidence for 2001–2017, in conjunction with information from the Office for National Statistics (ONS) latest sub-national population projections (SNPPs) and Ministry of Housing, Communities and Local Governments (MHCLG) household projections, a series of assumptions have been derived which drive the scenario forecasts.

Scenario Definition

2.3 Edge Analytics has developed a **Dwelling-led** and an **Employment-led** scenario for Copeland, taking account of the latest demographic and economic evidence.

2.4 Under **both** scenarios, historical mid-year population estimates have been used up to 2017 and the annual dwelling or employment growth targets have been applied as follows:

- **Dwelling-led 200 dpa (HH-14 Return) –** From 2017/18 onwards, annual dwelling growth targets of +200 dpa have been applied. Assumptions related to fertility, mortality and the profile of migrants are derived from the 2018-based SNPP. A sensitivity, **HH-14 Return**, has been applied to household headship rates (see 2.24).
- **Employment-led (HH-14 Return)** – From 2017/18 onwards, annual employment growth targets have been applied, assuming annual employment growth of 0.6%[1]. Assumptions related to fertility, mortality and the profile of migrants are derived from the 2018-based SNPP. A sensitivity, **HH-14 Return**, has been applied to household headship rates (see 2.24).

Dwelling-led Scenario

2.5 Under a '**Dwelling-led**' scenario, population growth is determined by the annual change in dwellings using key assumptions on household headship rates, communal population statistics and a dwelling vacancy rate.

[1] Annual employment growth targets were provided by Turley, for the period 2017/18–2034/35.

Employment-led Scenarios

2.6 Under an '**Employment-led**' scenario, population growth is determined by the annual change in employment using key assumptions on economic activity rates, a commuting ratio and unemployment rates.

Population, Births & Deaths

Population

2.7 In each scenario, historical population statistics are provided by the ONS mid-year population estimates (MYEs) for Copeland[2] (2001-2017).

Births & Fertility

2.8 In each scenario, historical mid-year to mid-year counts of births by sex have been sourced from the ONS MYEs for the 2001/02-2016/17 period.

2.9 From 2017/18, an age specific fertility rate (ASFR) schedule derived from the ONS 2018-based SNPP is included in the POPGROUP model assumptions. In combination with the 'population-at-risk' (i.e. all women between the ages of 15–49), the area-specific ASFR and future fertility rate assumptions provide the basis for the calculation of births in each year of the forecast period (i.e. from 2018 onwards).

Deaths & Mortality

2.10 In each scenario, historical mid-year to mid-year counts of deaths by 5-year age group and sex have been sourced from the ONS MYEs for the 2001/02–2016/17 period.

2.11 From 2017/18, an age-specific mortality rate (ASMR) schedule derived from the ONS 2018-based SNPP is included in the POPGROUP model assumptions. In combination with the 'population-at-risk' (i.e. the whole population), the area-specific ASMR and future mortality rate assumptions provide the basis for the calculation of deaths in each year of the forecast period (i.e. from 2018 onwards).

Migration

Internal Migration

2.12 In each scenario, historical mid-year to mid-year estimates of the internal in-and out-migration by 5-year age group and sex have been sourced from the 'components of population change' that underpin the ONS MYEs. These internal migration flows are estimated using data from the Patient Register (PR),

[2] https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

the National Health Service Central Register (NHSCR) and the Higher Education Statistics Agency (HESA).

2.13 Historical counts of migrants are used from 2001/02 to 2016/17. From the start of the forecast period, the scenarios calculate their own internal migration assumptions to ensure an appropriate balance between the population and the targeted change in dwellings or employment defined in each year of the forecast period. Under the **Dwelling-led** scenario, a higher level of net internal migration will occur if there is insufficient population and households to meet the forecast change in dwellings. Under the **Employment-led** scenario, a higher level of net internal migration will occur if there is insufficient population and labour force to meet the forecast change in jobs.

2.14 The profile of internal migrants is defined by an age specific migration rate (ASMigR) schedule, derived from the ONS 2018-based SNPP.

International Migration

2.15 Historical mid-year to mid-year counts of immigration and emigration by 5-year age group and sex have been sourced from the 'components of population change' files that underpin the ONS MYEs. Any 'adjustments' made to the MYEs to account for asylum cases are included in the international migration balance.

2.16 Historical counts of international in and out-migrants are used from 2001/02 to 2016/17. From 2017/18, international migration counts are derived from the full sixteen-year historical period (2001/02–2016/17). An ASMigR schedule of rates from the ONS 2018-based SNPP is used to distribute future counts by single year of age.

Households & Dwellings

2.17 The 2011 Census defines a household as:

> *"one person living alone, or a group of people (not necessarily related) living at the same address who share cooking facilities and share a living room or sitting room or dining room."*

2.18 In POPGROUP, a dwelling is defined as a unit of accommodation which can either be occupied by one household or vacant.

2.19 Under the **Dwelling-led** scenario, the population growth outcomes of each dwelling constraint have been estimated through the application of household representative statistics (also known as household headship rate statistics), communal population statistics and a dwelling vacancy rate.

2.20 In the **Employment-led** scenario, the household and dwelling implications of each population growth trajectory are estimated in the same way. These assumptions have been sourced from the 2011 Census and MHCLG's 2014-based household projection model.

Household Headship Rates

2.21 A household headship rate (or household representative rate) is defined as the: *"probability of anyone in a particular demographic group being classified as being a household representative"*[3]

2.22 The household headship rates used in the POPGROUP modelling for Copeland have been taken from the MHCLG 2014-based household projection model, which is underpinned by the ONS 2014-based SNPP. The MHCLG household projections are derived through the application of projected headship rates to a projection of the private household population. The methodology used by MHCLG in its household projection models consists of two distinct stages:

- **Stage One** produces the national and local authority projections for the total number of households by sex, age-group and relationship-status group over the projection period.
- **Stage Two** provides the detailed 'household-type' projection by age-group, controlled to the previous Stage One totals.

2.23 Under each scenario, **Stage Two** headship rates have been applied by age-group, sex and 'household type' (Table 1).

Table 1: MHCLG Stage Two headship rate classification household type classification

MHCLG Category	Description
One person male	One person households: Male
One person female	One person: Female
Couple no child	One family and no others: Couple households: No dependent children
Cple+adlts no child	A couple and one or more other adults: No dependent children
One child	Households with one dependent child
Two children	Households with two dependent children
Three+ children	Households with three or more dependent children
Other households	Other households with two or more adults

2.24 Under **both** scenarios, an adjustment to the MHCLG 2014-based Stage Two headship rates has been applied (**HH-14 Return**). Between 2017 and 2035, the MHCLG 2014-based headship rates in the 25–34 and 35–44 age-groups have been 'returned' to their 2001 values. All other age-groups are unadjusted.

Communal Population Statistics

2.25 Household projections in POPGROUP exclude the population 'not-in-households' (i.e. the communal/institutional population). These data are drawn from the MHCLG 2014-based household projections, which use statistics from the 2011 Census. Examples of communal establishments include prisons, residential care homes, student halls of residence and certain armed forces accommodation.

[3] Household Projections 2014-based: Methodological Report. Ministry of Housing, Communities & Local Government (July 2016). https://www.gov.uk/government/statistics/2014-based-household-projections-methodology

2.26 For ages 0–74, the number of people in each age group not-in-households is fixed throughout the forecast period. For ages 75–85+, the proportion of the population not-in-households is recorded. Therefore, the population not-in-households for ages 75–85+ varies across the forecast period depending on the size of the population.

Vacancy Rate

2.27 The relationship between households and dwellings is modelled using a 'vacancy rate', sourced from 2019 MHCLG Council Tax Data. Under **both** scenarios, a vacancy rate of 5.5% has been applied and fixed throughout the forecast period[4].

Labour Force & Jobs

Economic Activity Rates

2.28 Economic activity rates (also referred to as labour force participation rates) are the proportion of the population that are actively involved in the labour force, either employed or unemployed and looking for work.

2.29 Economic activity rates by five year age group (ages 16–89) and sex have been derived from 2011 Census statistics, with adjustments made in line with the Office for Budget Responsibility's (OBR) analysis of labour market trends in its Fiscal Sustainability Report[5]. The economic activity rate adjustments have been applied to **both** scenarios.

Commuting Ratio

2.30 The commuting ratio indicates the balance between the level of employment and the number of resident workers. A commuting ratio greater than 1.00 indicates that the size of resident workforce exceeds the level of employment available in the area, resulting in a net out-commute. A commuting ratio less than 1.00 indicates that employment in the area exceeds the size of the labour force, resulting in a net in-commute.

2.31 The 2011 Census recorded a 0.95 commuting ratio in Copeland. This commuting ratio has been fixed for the duration of the forecast period.

Unemployment Rate

2.32 The unemployment rate is the proportion of unemployed people within the total economically active population. Under **both** scenarios, historical unemployment rates have been used up to 2019. From 2020 onward, the 10-year average unemployment rate (5.8%) has been applied, fixed throughout the forecast period.

[4] The use of this vacancy rate, based on 2019 MHCLG Council Tax data, was specified by Turley.
[5] Fiscal Sustainability Report - July 2018

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1 New York Street
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Strategic Planning
Copeland Borough Council

VIA EMAIL ONLY: localplanconsultation@copeland.gov.uk

32476/A3/JC/HW

18th March 2022

Dear Sir/Madam,

RE: REPRESENTATIONS TO THE COPELAND LOCAL PLAN 2021-2038 PUBLICATION DRAFT ON BEHALF OF BROOKHOUSE GROUP

We write on behalf of our Client, Brookhouse Group, in response to the consultation on the Copeland Local Plan 2021-2038 Publication Draft published in January 2022.

Our representations seek only to comment on those policies deemed most relevant to our Client's land interests at Moor Farm, Millom, allocated for the development of 195 dwellings in the Publication Draft Local Plan.

However, in general our Client welcomes the Council's continued progress towards the adoption of the Local Plan and their approach to the preparation of the supporting evidence base documents to ensure it is prepared in a positive, effective and justified manner in accordance with national policy.

We trust our representations will be afforded full consideration by the Council prior to its submission to the Secretary of State. Our response to each of the relevant policies is detailed below.

Strategic Policy DS3PU: Settlement Hierarchy

Our Client supports the identification of Millom as a 'Key Service Centre' in Strategic Policy DS3PU. As evidenced in the 2021 Settlement Hierarchy & Development Strategy Paper Update it is a town that is smaller and offers less amenities and facilities than the Principal Town of Whitehaven but is bigger, more accessible and offers more than the day-to-day amenities available in Local Service Centres. For this reason, we consider its position in the second tier of the settlement hierarchy to be justified as it offers a sustainable location for growth over the Plan period in accordance with paragraph 35 of the National Planning Policy Framework (NPPF).

Strategic Policy H2PU: Housing Requirement

Strategic Policy H2PU states the minimum housing requirement will be to provide 2,482 net additional dwellings (146 dwellings per annum (dpa)) over the Plan period. The supporting text confirms that this figure is based on the modelling in the 2021 Strategic Housing Market Assessment (SHMA) rather than the standard method approach required by paragraph 61 of the NPPF and the Planning Practice Guidance (PPG). The reason this approach has been taken is stated as being because the standard method housing need figure to deliver 8dpa would not provide a true reflection of housing need in the

Borough, would not align with the Council's future growth strategy and would ultimately lead to further population loss and economic decline.

Our Client agrees that the standard method figure is not sufficiently aspirational and the demographic and economic modelling in the SHMA demonstrates that there are exceptional circumstances to justify a higher housing requirement in line with the requirements of paragraph 61 of the NPPF and PPG.

As set out in the SHMA, the proposed housing requirement of 146dpa will support demographic change, general economic growth, and the need for affordable housing in the Borough over the Plan period. Based on an average historic delivery rate of 133dpa for the period 2010-2021 it is also considered to be a realistic and achievable figure.

Notwithstanding this, we note that the minimum housing requirement sits at the lower end of the OAN range in the SHMA and would not support the economic growth strategy set out in the Local Plan. To remedy this, Policy H2PU states the Plan identifies a range of allocated housing sites, which when combined with future windfall sites, previous completions and extant permissions will provide a minimum of 3,400 dwellings (200dpa – i.e., the higher SHMA OAN figure) net additional dwellings over the Plan period.

Our Client supports the flexible approach to Policy H2PU and we agree that it would provide a range and choice in the market and support the growth associated with major projects as and when they come forward. With the inclusion of this clause, our Client considers Policy H2PU to be sound in accordance with paragraph 35 of the NPPF.

Strategic Policy HP4U: Distribution of Housing

Strategic Policy HP4U seeks to direct 70% of the minimum baseline and growth housing requirement towards the top two tiers of the settlement hierarchy – 40% is apportioned to the Principal Town of Whitehaven and 30% to the three Key Service Centres of Cleator Moor, Egremont and Millom. The remaining 30% is apportioned across the Local Service Centres, Sustainable Rural Villages and Rural Villages.

Our Client supports this approach because it ensures the housing strategy is consistent with national policy by directing growth towards the most sustainable locations but with sufficient growth in the lower order settlement to support local needs and to sustain local amenities in rural areas. Distributing development towards each tier of the settlement hierarchy rather than each settlement also ensures the strategy is flexible and effective to adapt to changes over the Plan period and is positively prepared to make sure the minimum needs of the Borough are met.

The 2021 Settlement Hierarchy & Development Strategy Paper Update provides robust justification for the proposed housing strategy and the 2022 Strategic Housing Land Availability Assessment (SHLAA) proves that Millom has a deliverable supply of housing land that can make an important contribution towards meeting both the baseline and minimum target for the Key Service Centres. This includes our Client's land at Moor Farm which will contribute up to 195 new homes over the Plan period.

For the reasons set out above we consider the strategy for housing in Policy HP4U to be sound in line with paragraph 35 of the NPPF.

Strategic Policy HSPU: Housing Allocations

Our Client supports the identification of Moor Farm (HMT2) as an allocated housing site that can deliver up to 195 homes over the Plan period. The Site is referenced as Mi026 in the SHLAA and is identified as a '*deliverable housing site*'. We wholly agree that the Site is suitable, available and deliverable for residential development and can make an important contribution towards meeting the future housing needs of the Borough. We provide further comments in support of the allocation below.

Availability

The Site is available now for development and our Client has entered into a formal and legally binding contractual agreement with the landowner to deliver housing on the Site.

As the promoter and developer, our Client is committed to delivering housing on the Site in the first five years of the Plan period. This has been demonstrated through the continuous promotion of the Site through the Local Plan process and ongoing discussions with the Local Planning Authority.

Suitability

We agree the Site is suitable for residential development and would form a logical rounding off to the south of the settlement. The Site is in a sustainable location close to local amenities and facilities in the main urban area. Dedicated pedestrian and cycle routes along the eastern edge will connect the development to the surrounding amenities. A safe and suitable vehicular access can also be achieved from Haverigg Road to the west.

We note the Housing Allocation Site Profile requires our Client to provide a series of off-site highway works as part of the development. Whilst our Client does not object to this in principle, this was not a requirement of the adopted allocation and the need for these works may change over time. As such, this is a matter we believe should be discussed and agreed during the determination of the planning application and for that reason the list of off-site highway works should be removed as a requirement from the Housing Allocation Site Profile.

From a flood risk perspective, the Site lies in Flood Zone 1 on the Environment Agency flood risk map and is at the lowest risk of flooding. However, we note the Housing Allocation Site Profile states that the area has experienced historic integrated flooding and therefore, it is imperative that the approach to sustainable drainage is discussed with United Utilities (UU) at the earliest opportunity. Our Client can confirm that these discussions have already taken place and the principles of a solution has been agreed with UU. Nonetheless, a Flood Risk Assessment and Drainage Strategy will be submitted with any future planning application to ensure the proposals do not increase the risk of flooding on the Site or surrounding area.

The southern edge of the Site is bound by open fields. In line with the requirements of the Housing Allocation Site Profile our Client intends to provide high quality landscape buffer along this boundary to enhance the character and soften the development edge of Millom. Similarly, an area of public open space and landscaping can be introduced along the shared northern boundary with the railway line to protect the amenity of future occupiers in this part of the Site. The Site is not affected by or near any designated heritage designations and as set out in the Housing Allocation Site Profile development on the Site is expected to have a low impact on heritage.

Ecologically, the hedgerow and trees around the field boundaries within and surrounding the Site have potential biodiversity value. At 7.85 hectares the Site is of a size that means these features can largely be retained and enhanced to provide a net gain in biodiversity whilst still delivering development. Our Client will provide the required Ecological Surveys set out in the Housing Allocation Site Profile as part of any future planning application. Although we would note that the fields on Site are likely to be of little ecological value because they are grazed by animals.

Based on our assessment above, it can be concluded that the Site is suitable for housing development and the known constraints, as identified in the Housing Allocation Site Profile, can be addressed and mitigated through technical solutions or incorporated into the layout at the planning application stage.

Deliverability

The technical work undertaken to date by our Client demonstrates that the Site is deliverable and that they are committed to delivering residential development on this Site in the short term.

The Housing Allocation Site Profile at Appendix F of the Publication Draft Local Plan states the Site will start to deliver homes in Year 6 of the Plan period and the housing trajectory at Appendix E states it will start to deliver in 2024/2025 (i.e., Year 5 of the Plan period) at a rate of 24dpa until 2032/33 and 3 dwellings in 2033/34.

Our Client agrees the annual delivery rates in the housing trajectory are realistic. However, as set out above, the Site is available and suitable for development now and with technical work already complete and consultants in place there is a realistic prospect the Site will start delivering homes in the next five years. For these reasons, we consider the Site meets the definition of 'deliverable' in Annex 2 of the NPPF and it should be included as part of the five year housing land supply. The Housing Allocation Site Profile and housing trajectory should, therefore, be amended to reflect this and to start deliver on the Site in Year 4 (2024/25).

Conclusions

Overall, our Client supports the positive steps taken by the Council to progress their new Local Plan and we welcome the 'pro-growth' approach to their development strategy.

Our Client fully supports Millom being identified as a Key Service Centre and we firmly agree that their Site at Moor Farm (HMI2) is suitable, available and deliverable for housing development and will make an important contribution towards meeting future housing needs in the Borough. However, our Client intends to deliver the Site in the first five years of the Plan period. The Local Plan and its supporting evidence base should be updated to reflect this intention.

We trust these representations will be given due consideration by the Council prior to the Local Plan being submitted to the Secretary of State. However, our Client would be delighted to discuss our representations further with the Council should this be considered necessary.

Yours faithfully

[redacted]
Planning Associate

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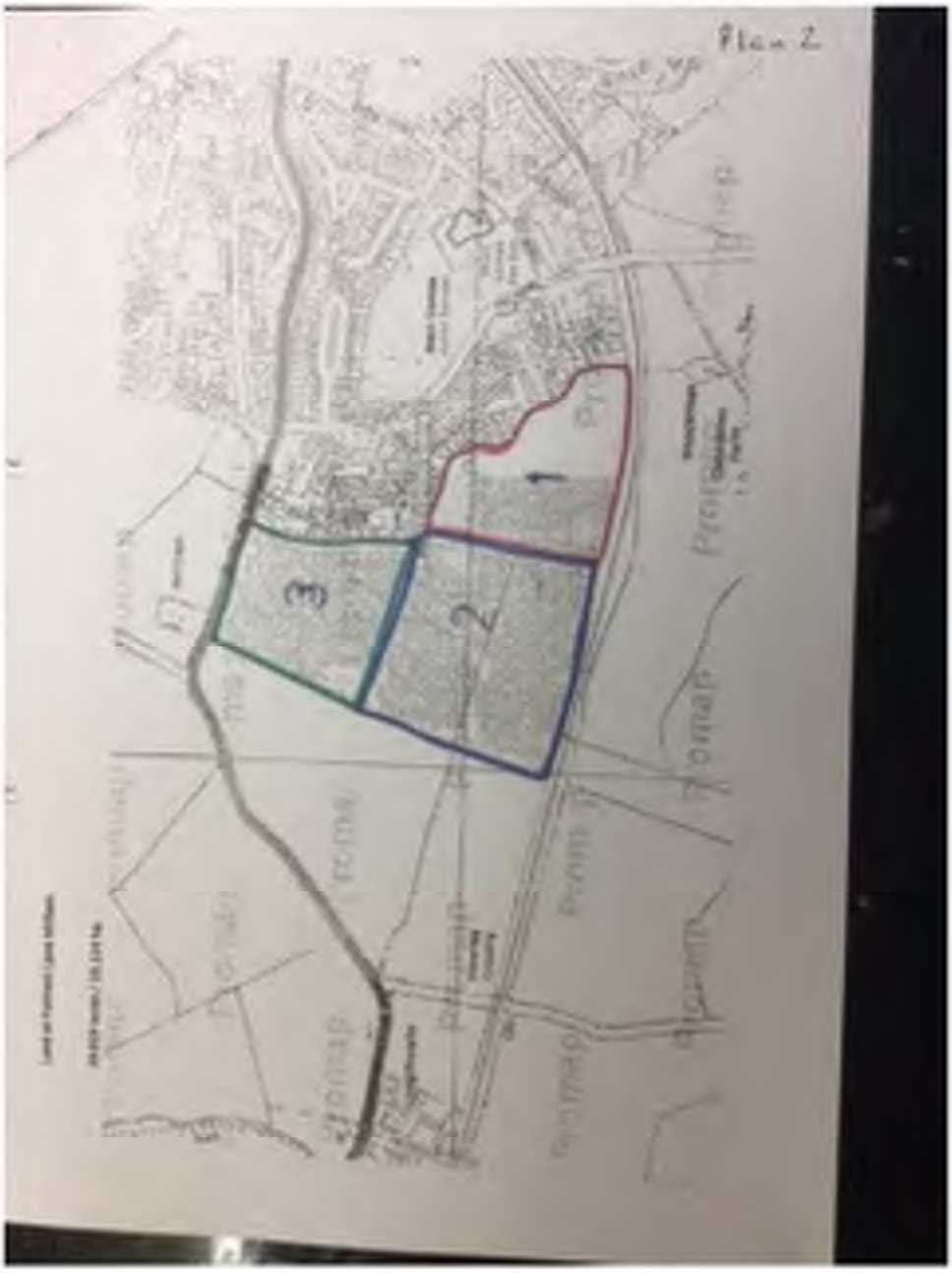
[redacted]

From: [redacted]
Sent: 23 March 2022 10:56
To: Local Plan Consultation
Subject: FW: Copeland local plan

From: [redacted]
Sent: 17 March 2022 07:42
To: [redacted]
Subject: Copeland local plan

CAUTION: External email, think before you click!
Please report any suspicious email to our IT Helpdesk<https://copelandeu.freshservice.com/catalog/request_items>

Pleas find map marked with two additional areas to be considered for the Copeland local plan which are marked 2and 3.
Yours sincerely [redacted]



Sent from my iPad

Information Classification - UNCLASSIFIED

Leanne Parr

From: Local Plan Consultation
Subject: Former open cast, Keekle Head

From: P BOUSTEAD

Sent: 21 March 2022 15:32
To: Chris Hoban <Chris.Hoban@copeland.gov.uk>
Subject: RE: Former open cast, Keekle Head

CAUTION: External email, think before you click!
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Hi Chris,

Thanks for getting back to me on this.

I wasn't able to find a bespoke response form on the website, so I thought that I would express my support below:-

I understand the reasoning behind the change in your approach to tourism sites and fully support the proposed policy. I believe that it's a positive approach and will provide more flexibility which will hopefully result in a boost for the tourism industry.

I consider that the site at Keekle head presents a unique opportunity for tourism and could be developed as a "place-bound asset". Such a development would be a great asset to the borough.

Kind Regards,

Paul

Lakeland Building Design