

Rossendale Local Plan Examination

MATTERS, ISSUES AND QUESTIONS (MIQs)



Matter 20 – Plan viability and monitoring

Issue – Does the Plan identify an effective monitoring framework and is development proposed in the Local Plan viable?

Questions

a) How will the Local Plan be monitored? Would the housing, employment, retail, leisure and environmental indicators proposed provide an effective monitoring framework? How will performance be measured? What actions would be taken if the Local Plan is not being delivered as envisaged?

20.1 The submission Local Plan ([SD001](#)) includes a Monitoring section on page 115 covering the main Plan topics of Housing, Employment, Retail and Leisure and Environmental policies. A more detailed schedule of monitoring indicators is also being prepared. Monitoring data will be reported on through the Authority Monitoring Report which is published annually. This will include action points to address any issues that arise in relation to the effectiveness of policies.

20.2 Housing delivery and effectiveness is also monitored separately through national reporting as part of the quarterly returns (P2) to MHCLG, the annual Housing Flows Reconciliation data return and the results of the Housing Delivery Test (HDT). The Council have prepared a Housing Action Plan in response to the HDT and will continue to regularly update this in order to respond to Government guidance and as a matter of good practice. The Action Plan provides an analysis of the root causes of any housing under-delivery and sets out a series of actions that the Council will undertake to address these and to boost housing delivery.

b) Is the Local Plan Economic Viability Assessment (2019) robust? Does it demonstrate the Local Plan is viable? Is it based on reasonable assumptions? Has the cost of the full range of expected requirements on new development been taken into account including those arising through Policies in the Plan? Does it demonstrate each of the proposed land allocations is financially viable?

20.3 The March 2019 Local Plan Viability Assessment (VA) ([EB019](#)) is robust and is based on reasonable assumptions. The assumptions in the VA are set out

in Section 5 of the Report and are informed by the Evidence Base set out in Section 4. The assessment has regard to guidance contained in the National Planning Practice Guidance (PPG) (July 2018) and the 'Viability Testing Local Plans' document.

Assumptions used:

20.4 In accordance with the PPG, the benchmark land values (table 5.1) are based on existing use value plus a premium for the landowner to incentivise them to sell. Further assessments which have informed these assumptions are also set out in section 4 of the VA.

20.5 An extremely robust position has been taken in relation to the application of a developer's profit. For the residential developments the study applies a developer's profit of 20% of GDV both for the market and affordable housing. This is considered to be a very robust position as typically a lower level of profit (at around 6%) will be applied to affordable housing which carries less risk. Indeed as noted at para 5.51 of the study the PPG suggests that for the purpose of plan making an assumption of 15-20% of GDV may be considered a suitable return and that a lower figure may be more appropriate in the consideration of delivery of affordable housing. For the small developments tested (5 and 10 dwellings) a profit of 17.5% has been applied reflecting the more limited risk profile of these developments. The viability testing for the speculative commercial developments is based on a developer's profit of 15% on cost which is a typical level and widely applied in the development industry.

20.6 To ensure robustness the construction costs that have been adopted for the site specific and generic testing have been prepared by a Quantity Surveyor and full details relating to their approach and assessment is contained at Appendix 5.

20.7 The Study also includes reasonable, typical industry standard allowances for matters such as finance costs (7%) and sales and marketing costs (3.5% of GDV).

20.8 The assumptions are considered realistic and robust based on best available information. They align with advice in guidance and are typical of similar studies that Keppie Massie have undertaken elsewhere which have been found sound.

20.9 The full range of expected requirements on new development have been taken into account including those arising through policies in the plan. Table 3.16 of the study contains a summary of the viability considerations arising from the Local Plan Policies. In arriving at the forms of development for testing, both housing and commercial, the study considers past delivery together with emerging strategic policies and proposed allocations to achieve a reasonable and representative framework of future development sites for testing. This testing involves both generic assessments and in the case of housing sites some case study allocations.

20.10 A summary of the policies assessed and the testing assumptions used are as follows:

Policies HS7 and HS1 dealing with density and housing mix; testing has been undertaken based on densities of 30, 35 and 40 dpa; the housing mix tested uses data from the SHMA and past delivery, and provision for 3% of the dwellings to be 2 bed bungalows;

Policy HS8, housing standards and meeting the requirements in the Nationally Described Space Standards; dwelling sizes adopted for the testing accord to the requirements of these standards;

Construction cost assessments are based on this mix and dwelling sizes, assuming a development which meets current building regulation requirements; this also makes allowances for onsite open space (**HS10**), attenuation and SUDs requirements (**ENV1 and ENV 9**) and a suitable allowance for the cost of "opening up" greenfield sites.

20.11 Having established a base viability position based on these policy requirements the study goes on to test the impact on viability of the cost of providing the following:

HS6 Affordable Housing –based on 30% provision for developments of 10 or more dwellings and a tenure split of 1/3 affordable home ownership and 2/3 rent.

HS8 Housing Standards – Provision of 20% of new dwellings constructed to Part M4 Category 2 of Building Regulations at an additional cost of £1,100 per house and £750 per apartment.

HS10 Open Space Requirements in New Housing Developments –base construction cost assessments provide for cost of on-site open space and models the impact of additional payments to offsite provision of £1,366 per dwelling.

HS11 Playing Pitch Requirements in New Housing Development – additional contribution of £566 per dwelling

SD3 Planning Obligations –contribution of £1,000 per dwelling towards infrastructure provision.

The study also separately considers the viability impact of requirements for vehicle charging points in **Policy TR4**.

20.12 **The Study's conclusions on viability of the Local Plan are in Section 7 and state that the Local Plan is viable.** Where viability issues do arise such as in relation to some forms of speculative commercial development this is in line with other parts of the region. These are due to relatively low values for employment uses in comparison with build costs rather than due to policies contained in the Local Plan.

20.13 For new housing development the study shows that large parts of the Borough (all sites in zone 4 and greenfield sites in zone 3), are viable and able to support 30% affordable housing and other plan requirements.

20.14 The VA demonstrates that there are viability issues in Zones 1 and 2 and on brownfield sites in Zone 3 where it assesses that not all sites will be able to support 30% affordable housing together with other developer contributions (if required) to for example, offsite open space and playing pitches. However there is sufficient flexibility in the plan policies as currently drafted to allow a relaxation of plan policy requirements if appropriate to ensure that the delivery of the plan is not undermined.

20.15 In relation to the proposed land allocations the PPG advocates the use of site typologies to determine viability at plan making stage and the use of site specific assessments for sample sites or sites that are crucial to the delivering the strategic priorities of the plan. The VA does not therefore include a viability assessment for each of the proposed allocations but instead the study contains generic testing of a range of sites between 5-50 dwellings and specific testing of a number of "case study" sites comprising the larger allocations. The allocations tested range in size from 45-400 dwellings and comprise greenfield, mixed and brownfield sites. The sample is considered sufficiently wide to provide a viability framework for all sites above 50 dwellings during the plan period.

20.16 Allocations of fewer than 50 dwellings, can be assessed by the Council against the results from the most appropriate generic typology in terms of location, density and site type from the generic testing.

20.17 The results show that the allocations in zones 3 and 4 are viable at 30% affordable provision and able to support additional contributions if required (apart from H5 which would not be able to meet the cost of all additional contributions).

20.18 In zone 2 all of the allocations tested were viable with 10% affordable housing and 75% were viable with 20% provision. In zone 1 the allocations were viable or marginal in the absence of affordable housing and in common with the generic testing housing development in zone 1 is unlikely to be able support affordable housing or other local plan policy requirements.

20.19 With reference to the proposed housing allocations at HS2 their viability can therefore be assessed against this framework of site specific and generic testing to determine viability in the context of the requirements of the plan.

20.20 Proposed employment sites are likely to be developed for a range of types of development and by a variety of different mechanisms. Viability has therefore been considered with reference to the results of the generic testing at table 6.33. This shows that, in common with other locations in the North West, speculative development of offices and industrial is not viable. However, new employment development in the Borough is likely to come forward as a result of, for example, existing business wishing to expand, the sale of site for owner occupation or design and build. In addition, with the aid of public sector funding or with the aid of enabling development, employment development will occur.