



HEARING STATEMENT – MATTER 20 PLAN VIABILITY AND MONITORING

ROSSENDALE LOCAL PLAN EXAMINATION

TAYLOR WIMPEY (UK) LTD

Date: August 2019

Pegasus Reference: (KW/GL/MAN.0299/R016)

Pegasus Group

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1. INTRODUCTION

1.1 Pegasus Group have been instructed on behalf of their client, Taylor Wimpey (UK) Ltd, to prepare Hearing Statements to the Rossendale Local Plan Examination (EiP) in support of their land interests in the Borough. This relates to the following sites, which are both allocated in the submitted plan:

- Land west of Market Street, Edenfield (Housing Allocation H72); and
- Grane Village, Helmshore (Housing Allocation H74).

1.2 This Statement deals with Matter 20 'Plan Viability and Monitoring' which addresses the following issue:

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

2. MATTER 20: QUESTION A – LOCAL PLAN MONITORING

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?

- 2.1 The 2019 NPPF has put an increased emphasis on monitoring, particularly in relation to the housing delivery test. This is a result of the 2017 Government Housing White Paper, entitled 'fixing our broken housing market'. Paragraph 73 of the NPPF now requires a Council's housing land supply to be measured against the Housing Delivery Test. If housing delivery falls below 85% of the housing requirement and has resulted in significant under delivery over the previous three years, a 20% buffer is to be applied when calculating land supply matters.
- 2.2 We therefore support the wording in Policy HS1 (Meeting Rossendale's Housing Requirements), which states that housing delivery performance will be reviewed on a yearly basis. We also support paragraph 54 of the Local Plan which further confirms that housing delivery performance will be kept under review on a yearly basis in Rossendale's Five-Year Housing Land Supply Reports and the Housing Delivery Test.
- 2.3 It is recommended that the policy wording should go one step further in terms of monitoring, and that cross-referencing should be made to the monitoring chapter which is contained at the end of the Local Plan. It is recommended that the wording of HS1 should be amended as follows:
- c) Keeping under review housing delivery performance on a yearly basis, to be reported in Rossendale's Five-Year Housing Land Supply Reports.*
- 2.4 This additional wording will ensure that monitoring of housing delivery can be effectively managed and that appropriate monitoring mechanisms are in place.
- 2.5 On a final note, the revised NPPF has put greater emphasis on the need to regularly review plans to ensure that development requirements are being met. Indeed, paragraph 33 states that policies in local plans should be reviewed to assess whether they need updating at least once every five years and should then be updated as necessary. Furthermore, reviews should be completed no later than five years from the adoption date of the plan and should take into account changing circumstances affecting the area, or any relevant changes in national policy.
- 2.6 The emerging Local Plan does not contain any wording relating to a Local Plan Review, or trigger points which may necessitate one. We recommend that wording is added to the monitoring chapter to reflect this, stating that the monitoring targets will be used when considering the need for a Local Plan Review. We also recommend that particular trigger points could be explored, as for example if housing delivery is falling below targets, there may be a need for a Local Plan Review to identify additional sites.

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- 2.7 To future proof the plan, we therefore recommend that in line with the sentiment of the NPPF, if the annual monitoring reports reveal that housing delivery has fallen below the 85% requirement for three consecutive years, a Local Plan Review should be commenced. This will provide greater certainty and comfort that the development requirements of the Borough will be met, as a review of the Local Plan will allow for additional sites to come forward for allocation if this is required.

3. MATTER 20: QUESTION B – ECONOMIC VIABILITY

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?

- 3.1 Please find attached (at **Appendix 1**) a brief critique of the Council’s Viability Assessment prepared by Savills, which analyses the methodology and inputs used.
- 3.2 Beyond that, we would reiterate our concerns raised elsewhere in terms of compensatory improvements to the Green Belt and SANGS. At present there is insufficient detail on what these improvements will be and how they will be funded. It is likely that there will be an expectation on Developers and Landowners to fund these initiatives and at present this has not been factored into the Viability Assessment. This is a particularly critical issue given that the Viability Assessment indicates that some of the site allocations are not viable. For example, sites in Bacup are deemed as unviable if affordable housing provision is to be provided. Therefore, we strongly recommend that compensatory improvements and SANGS are fully factored into future viability work.
- 3.3 We would reiterate that policy wording needs to always account for viability considerations, and that sufficient flexibility is built into policy to allow for any future changes which may affect viability considerations.

APPENDIX 1 – CRITIQUE OF COUNCIL’S VIABILITY ASSESSMENT (SAVILLS)

29 August 2019



Graham Lamb
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Dear Graham

RE: ROSSENDALE LOCAL PLAN – VIABILITY ASSESSMENT

In respect of the hearing statements you are preparing for the Rossendale Local Plan Examination, I set out our initial review of the Rossendale Local Plan Economic Viability Assessment (VA) which has been produced by Keppie Massie and dated March 2019.

We have been instructed by Taylor Wimpey to undertake a review of the VA, with particular reference to the H74 (Grane Village) and H72 (Edenfield) site allocations. Our comments at this stage are summarised as follows:

	Keppie Massie Assumptions	Comments
Methodology	Typology approach	<p>On the whole, we agree with the methodology adopted in the VA.</p> <p>As per PPG guidance, the sites of strategic importance have been tested on an individual basis, although it is not clear if the GDV has been assessed on a site specific basis or if the figure for each zone has been adopted. This is important because the GDV is often fundamental in determining viability and as per the PPG, a ‘more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies’.</p> <p>Please note the specific appraisals have not been provided so we cannot comment on these in any detail. We would therefore request full disclosure of the allocated site appraisals because we cannot undertake a meaningful review of the site specific testing without it.</p>
Benchmark Land Value (BLV)	<u>Greenfield (per net acre)</u> Zone 1 - £150,000 Zone 2 - £175,000 Zone 3 - £225,000 Zone 4 - £250,000	Whilst we agree with a zoned approach to benchmark land values, the extent of evidence used to inform the greenfield BLV assumptions is not clear.



	<p><u>Brownfield (per net acre)</u> Zone 1 - £150,000 Zone 2 - £200,000 Zone 3 - £300,000 Zone 4 - £350,000</p>	<p>There is a contention that the BLV should not be based on a site having the benefit planning permission, but this is not stated in the PPG.</p> <p>In fact, the PPG is clear in that when assessing BLV there should be an assumption that all up to date planning policies are accounted for. We therefore believe that a landowner would have reference to market evidence of other land that transacts with planning permission in place, when establishing a reasonable level of minimum return (the 'premium'). This market evidence is therefore key to underpinning BLV assessments because a landowner would not sell significantly below the level of land values established by sites with planning permission in place.</p> <p>We have therefore reviewed market evidence on this basis. The Dale Moor View site in Rawtenstall for example, was purchased for c. £600,000 per net acre with 20% affordable housing and S.106 costs of c. £1,260 per unit. This site is located in Zone 4. On this basis, we would expect BLVs in this zone to be well in excess of £250,000 per net acre for greenfield sites when accounting for a minimum return and the need for land to be assessed on the basis it is policy compliant. On a comparative basis, this would lead to an increase in BLVs across Zone 3. We believe figures in the order of £300,000 per net acre for Zone 3 and £450,000 per net acre for Zone 4 are more appropriate.</p> <p>It is reasonable to assume that BLVs will be higher in higher value locations, as per the Keppie Massie zonal assessment, but we believe that they are too low. This is particularly the case for Zones 3 and 4.</p> <p>We also believe that site H74 (Grane Village) has been incorrectly zoned and should be located in Zone 3, rather than Zone 4. This is because, even though the site falls within the Helmshore ward, it is more closely related to the larger settlement of Haslingden, which is lower value and located in Zone 3. Whilst the site benefits from some proximity to Helmshore (a Zone 4 location), it is located on outskirts of Haslingden (a Zone 3 location) and directly off a busy through road, which will impact on values. Most purchasers in this location are local and are unlikely to pay Helmshore values for a site that is located on the outskirts of Haslingden. It is also unclear what BLV has been adopted to reflect the mixed brownfield and greenfield nature of the site.</p> <p>As set out in the PPG, the BLV is key to assessing viability because ensuring an appropriate premium to a landowner is key to ensuring the delivery of the Local Plan. Should this be set at a level that is too low, land will not come forward and development will not take</p>
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		<p>place. We would therefore strongly recommend that particular care is taken when assessing BLVs to ensure that land owners release land for development.</p>
Private Sales Values	<p>Zone 1 - £175 per sq ft Zone 2 - £195 per sq ft Zone 3 - £215 per sq ft Zone 4 - £240 per sq ft</p>	<p>On the whole we agree with a zoned approach to GDV.</p> <p>Again, we would suggest that the H74 (Grane Village) site is incorrectly zoned. As per the evidence submitted in the VA, the Dale Moor View site in Rawtenstall is achieving gross values of £229 per sq ft. This is a higher value and more popular location compared to Haslingden, where Grane Village is located. On a site specific basis we would expect an average GDV in the order of £210 - £220 per sq ft to reflect an appropriate discount for the inferior location and setting.</p> <p>This would also suggest that the Zone 3 pricing is at the higher end of where would be expected, with values in Haslingden itself likely to be lower still. We also note that the Keppie Massie assessment of Zone 3 GDV references developments in Rawtenstall which are located in Zone 4. Given that the VA assumptions need to reflect the market characteristics across each zone, we would therefore suggest a more general view of pricing in this zone would be appropriate and therefore the GDV should be slightly lower.</p>
Site Density	<p>Less than 0.4 ha = 100% site coverage 0.4 – 2 ha = 90% site coverage Over 2 ha = 75% site coverage</p>	<p>The net developable area of a site can vary significantly compared to the gross area because of site specific constraints. This is particularly the case across larger strategic sites in excess of 100 units.</p> <p>Whilst the typology testing does not consider sites over 50 units, the site specific testing considers allocations for unit numbers well in excess of this. We would expect sites for over 100 units to have less site coverage to account for site specific development constraints. For example the site levels, drainage and access requirements at Grane Village result in capacity for 131 units, rather than 174 units as suggested, which affects site viability. The gross area is 15.3 acres and net area is 9 acres, which results in a site coverage of 59%.</p> <p>On a more general basis, our experience with sites of scale would suggest a site coverage more in the order of 60 – 65% for sites of between 100 - 250 units and 55% for sites of up to 500 units. We therefore believe that the site coverage assumptions are too low for the allocated sites.</p>
Housing Mix	<p><u>Private Housing</u> 5% x 1 beds 25% x 2 beds 45% x 3 beds 20% x 4 beds</p>	<p>A number of data sources have been used to inform the mix assumptions and we note that the scenarios have been testing based on different site densities, which we support as an approach.</p>

	<p>5% x 5 beds</p> <p><u>Affordable Housing</u> 65% x 1 and 2 beds 35% x 3 and 4 beds</p>	<p>We would stress that the mix set out in the SHMA 2016 for 40% x 1 and 2 beds and 60% x 3 and 4 beds is not reflective of private market demand. The planning consent data in Table 3.8 is considered to be more reflective of market demand as this is what developers have chosen to build to meet market demand when not restricted by mix policies. This data shows development is weighted towards 3 bedroom (39%) and 4 bedroom (46%) housing.</p> <p>We therefore strongly support Keppie Massie's view that the assumed mix 'leads to a reduction in the level of square footage per acre to below a considered to be an optimum position by the development industry'. This means that any imposition of a housing mix across sites in the borough will affect viability and the deliverability of the Local Plan.</p> <p>In respect of the affordable housing, delivery is typically for 1, 2 and 3 bedroom housing. We understand there is limited RP demand for 4 bedroom units, creating difficulties with delivering these house types. We therefore believe that the mix assumptions should reflect this and not contain any 4 bedroom housing.</p>
<p>Costs</p>	<p>Various assumptions as set out in Appendix 5.</p>	<p>The cost assumptions that have informed the typology testing vary depending on the number of units and greenfield/ brownfield nature of the site. They are based on a Keppie Massie internal database that cannot be published for confidentiality reasons.</p> <p>In respect of the typologies up to 35 units in particular, these are likely to be progressed by local developers. Developers of this nature typically employ contractors to undertake building work. We would therefore expect smaller developers to attract contractor overhead and profit costs on this basis, and disagree with the exclusion of these from the cost assessment. Artificially low construction costs with exclude smaller local developers from the market. Given that the local plan is dependent on the delivery of a range of sites of this nature, we would expect higher construction costs for these typologies.</p> <p>In respect of the allocated H72 and H74 sites, the standard costs are in the order of £99 per sq ft. In terms of an evidence base, whilst it is not directly comparable, BCIS data is a useful and accessible benchmark for volume housebuilder costs. We have referenced BCIS data for Rossendale, which is attached at Appendix 1.</p> <p>For estate housing generally, the lower quartile costs are £100 per sq ft and the median costs are £113 per sq ft. We would expect these costs plus an additional allowance for external works to be appropriate for large</p>

		<p>regional and national housebuilders. This would therefore suggest that the adopted costs in the VA are too low.</p> <p>We are also concerned that the allowance for abnormal costs in respect of the allocated sites is too low. The brownfield nature and site specific constraints of the Grane Village site in particular results in abnormal costs items for re-grading the site levels, retaining structures, abnormal foundations, ground remediation and a roundabout at the site access.</p>
Developer's Profit	20% on GDV	<p>We support this profit margin, albeit would also raise the significance of Internal Rate of Return (IRR) for the Edenfield allocation to reflect its scale. IRR becomes increasingly important on large scale sites and given that this site has capacity for c. 400 dwellings we believe that the IRR will be a key performance indicator on this site.</p>
Review Mechanisms	No detail provided	<p>Market conditions change over time and market evidence typically becomes out of date within 12 months. The NPPF, at paragraph 11 states: 'plans should positively seek opportunities to meet the development needs of their area, and be sufficiently flexible to adapt to rapid change.'</p> <p>We would therefore expect there to be review mechanism provisions that account for all appraisal inputs or annual VA updates to account for this and ensure the delivery of housing over the plan period.</p> <p>Keppie Massie have advised for planning policy to be flexible on viability grounds and we support this stance.</p>

We trust that the information provided is useful for your hearing statements. It is difficult to comment on the conclusions in any great detail without seeing the site specific appraisal summaries and we would welcome the opportunity for these to be provided by the Council for further comment.

Should you have any queries or require any additional information, please do not hesitate to contact me.

Yours sincerely

Laura Mackay MRICS
Associate Director