Rutland Council – Local Plan Viability Note – Strategic Sites

Scope and Introduction

- 1.1 HDH Planning & Development Ltd (HDH) has produced a series of Viability Assessments for Rutland County Council (RCC).
 - a. Leicester, Leicestershire and Rutland CIL Viability Study, HDH Planning and Development Ltd, 14th March 2013 (the CIL Viability Study). This report was jointly commissioned by Blaby, Charnwood, Harborough, Hinckley and Bosworth, Leicester City, Melton, North West Leicestershire, Oadby and Wigston.
 - b. RCC, Affordable housing commuted sums in the context of CIL, (HDH, January 2013).
 - c. Rutland County Council CIL Viability Study Update, (HDH, June 2014), which lead to the adoption of CIL.
 - d. Local Plan Review 2017, Viability Update, (HDH, February 2018)
- 1.2 RCC has progressed the Local Plan Review. As part of the process it is now considering two potential, large strategic sites:
 - a. <u>Woolfox Garden Village</u>. This is a new settlement focused on the disused airfield at Woolfox. The site has the potential to deliver about 10,000 new homes as well as other development.
 - b. <u>St George's Barracks</u>. This is the redevelopment of the St Georges Barracks site when it is decommissioned by the MOD in 2020. It involves the redevelopment of the existing developed areas and the potential delivery of 2,215 new homes. This site is subject to a Housing Infrastructure Fund (HIF) bid.
- 1.3 The delivery of these potential development sites was not considered in the earlier viability work. The purpose of this note is to:
 - a. consider the changes to the National Planning Policy Framework, Planning Practice Guidance and CIL Regulations.
 - b. consider the effect of new RICS Guidance.
 - c. assess the delivery of the Woolfox Garden Village and St Georges Barracks sites.
- 1.4 This note does not update the above viability assessments, rather it has been prepared to assist with the finalisation of the Local Plan.

National Planning Policy Framework, Planning Practice Guidance and CIL Regulations

2.1 After the 2018 Viability Assessment was published the Government published new National Planning Policy Framework (2018 NPPF) and replaced sections of the Planning Practice Guidance (PPG) that relate to viability. The NPPF and PPG were further updated in February 2019, although those changes did not relate to plan-wide viability testing.

- 2.2 In May 2019 a range of further changes relating to viability were made to the PPG. The main changes related to establishing the Benchmark Land Value (BLV). A particular change has been in relation to the starting point of the assessment. This is now defined as only being the Existing Use Value (EUV), with most references to Alternative Use Value (AUV) removed.
- 2.3 These recent changes do not impact on the 2018 Viability Update, rather they confirm the shift in emphasis in viability testing. Under the 2012 NPPG the test was (as set out in paragraphs 173 and 174) that:

... the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, ... provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable. Local planning authorities ... should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, ... and policies ..., when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle.

2.4 The purpose of viability testing was to ensure that cumulative impact of the policy requirements do not put implementation of the Plan at serious risk, in the context of providing a competitive return to a willing landowner and willing developer. Now, under the updated PPG, (paragraph 10-010-2018072) viability testing is to ensure that the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission has been met.

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.

2.5 In May 2019 the CIL Regulations were further amended¹. These changes do not directly impact on the setting of CIL or how to undertake a viability assessment. The principle practical change for RCC is that CIL Regulation 123 is to be deleted. As a result, the requirement f to publish a Regulation 123 List has been removed. Key for RCC is that the s106 pooling restrictions are likely to be lifted from September 2019.

Financial viability in planning: conduct and reporting. 1st edition, May 2019

- 3.1 HDH is a firm regulated by the Royal Institution of Chartered Surveyors, so it is necessary to have regard to RICS Professional Standards and Guidance. The appropriate guidance at the time of the 2018 Update was *Financial Viability in planning (1st edition)*, *RICS guidance note 2012*.
- 3.2 Financial Viability in planning (1st edition), RICS guidance note 2012 is currently subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (May 2019). As part

¹ **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **2014 No.** ### COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) Regulations 2014 *Made - - - - *****. *Coming into Force 1st September 2019*.



of the updating *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published on 28th May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. Whilst 2018 Viability Update was published well before *Financial viability in planning: conduct and reporting. 1st edition, May 2019*, this opportunity is taken to confirm as follows:

- 3.3 HDH confirms that in preparing the 2018 Viability Update, the firm has acted with objectivity, impartially and without interference, and with reference to all appropriate available sources of information.
- 3.4 The HDH confirms it had no conflicts of interest in undertaking the 2018 Viability Update, or earlier work. HDH confirms that in preparing the 2018 Viability Update (and earlier studies), no performance-related or contingent fees were agreed.
- 3.5 The presumption is that a viability assessment should be published in full. HDH prepared the 2018 Viability Update on the assumption that they will be published in full (and they have been published in full by the Council).
- 3.6 The derivation of the BLV is set out in Chapter 6 of the 2014 Viability Assessment and the 2018 Viability Update. This is in accordance with the requirements of the PPG.
- 3.7 The 2018 Viability Update includes appropriate sensitivity testing in Chapter 10. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.
- 3.8 Consultation with the development industry formed part of the 2018Viability Update.
- 3.9 The 2018 Viability Update is dated but do not include a formal sign off. This opportunity is taken to confirm that the final versions of both reports were approved by RS Drummond-Hay MRICS ACIH in his capacity of a director of HDH and as an experienced and appropriately qualified professional in the field of undertaking plan-wide viability assessments.
- 3.10 The Guidance includes a requirement that, 'all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm'. Much of the information that informed the 2017 Viability Assessment and the 2018 Viability Update (and this note) has been provided by RCC, some of which had been provided to them by others (such as other statutory providers). This information was not provided in a subcontractor role, and in accordance with HDH's instructions this information has not been challenged or independently verified.
- 3.11 HDH confirms that ample time was allowed for to undertake the 2019 Viability Update.

Strategic Sites

4.1 The updated PPG requires the consideration of Strategic Sites:

Why should strategic sites be assessed for viability in plan making?



It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.

Paragraph: 005 Reference ID: 10-005-20180724

4.2 When the 2017 Viability Update was being prepared, no specific strategic sites had been identified. A typology was included based on a 1,000 unit urban extension. Both the Woolfox Airfield and St Georges Barracks sites are new settlements so somewhat different. It is therefore appropriate to consider them now.

Modelling

4.3 The promoters of the sites have submitted the following information about the sites.

Table 1 High Level Site Details					
Woolfox	St George's				
Site size 486 ha The evidence for Woolfox delivery is contained in the Sustainability Appraisal (SA) (Development concept Site Masterplan - Woolfox). The Woolfox evidence has the capacity to deliver some 2,500 homes (phase 1) and 10,000 homes in total. 27 ha employment land B1 (2 ha), B2 (2 ha), B8 (19 ha) and a Trunk Road service area (4ha). A gross density of 20dph can be achieved. 20 dph assuming 50% net to gross ratios.	Site size 300 ha St George's evidence contained in the masterplan https://www.stgeorgesrutland.co.uk/themasterplan/ 2,215 new homes. 14 ha of employment land are proposed in the masterplan 9ha (B1, B2 and B8) and 5 hectares (B1 employment space) to be dispersed A density of 25 dwellings per hectare (net) is proposed across the site.				
Evidence provided by the site promoter's viability assessment indicates first completions could be in 2024. The promoters indicate potential delivery of some 2,500 houses up to 2036. C.200 houses per year at peak years.	Evidence provided in the St George's trajectory indicates first completions as early as 2023 / 24. The promoters indicate potential delivery of 2,215 houses up to 2036. C.225 houses per year at peak years.				
Mix of units included in viability work	Mix broken down in detailed information in HIF submission				
No abnormal development costs included in viability assessment – other than runways site area in arable use. It is understood that there may be costs associated with service connections or relocation (lift and shift).	abnormal costs – see site contamination and ground conditions reports in HIF				
Limited infrastructure costs included in viability assessment	Infrastructure costs – see HIF				

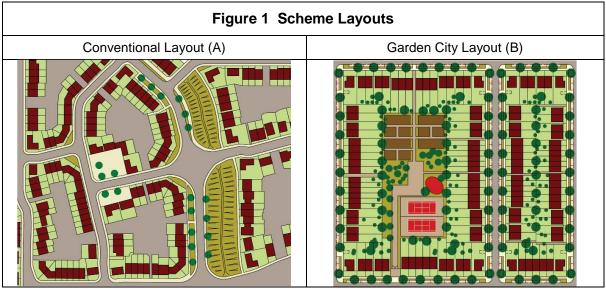


- 4.4 The 2018 Viability Update based the modelling on a full policy compliant development scenario. This included basing the housing mix on that set out in the SHMA (as per Table 8.1 and 8.2 of the 2018 Viability Update).
- 4.5 In this note the Woolfox Airfield and St Georges Barracks sites have been modelled as per the 2018 update, using the same assumptions as in the update.
- 4.6 Woolfox Airfield has been modelled as a whole scheme on the basis that it is a 10,000 unit garden village. This approach has been taken as requirements for Strategic Infrastructure and mitigation measures are for the whole scheme.
- 4.7 The sites are modelled at 30 units/ net ha. It is accepted that densities will vary within the sites considerably, however this is consistent with the 2017 Viability Update. A net developable area of 60% is assumed.

Table 2 Modelling Criteria						
	Woolfox Airfield	St Georges Barracks				
Units	10,000	2,215				
Density	30	30				
Net Area	333.33	73.83				
Net Developable Area	60%	60%				
Gross Area	555.56	123.06				
Site Area	486.00	300.00				

- 4.8 The modelling for the Woolfox Airfield site is based on the actual site area. Whilst a wider review of the proposal is beyond the scope of this note we are sceptical about the ability to achieve the full garden town principles at densities shown. Generally garden town principles lead to lower densities.
- 4.9 The difference between the Garden Town and the conventional approach is in two main parts. The first being the total land requirement and the second being the layout.
- 4.10 In this assessment the construction costs are based on the BCIS costs. The BCIS costs include the costs of the building but not the costs of services and external works. For this assessment we have had regard to the work we carried out with URS (now AECOM) to support the TCPA's *Nothing gained by overcrowding!* paper. In that paper, two 4ha schemes were modelled as per the layouts below (at 2012 prices) to ascertain the estimated site costs. It found that the site costs on the Garden Town scheme, on a per unit basis, are about 65% of the costs on the conventional scheme.





Source: Nothing gained by overcrowding! TCPA 2012

- 4.11 The reason for this is set out in the report as follows (where Scheme A is the Conventional scheme and Scheme B adopts the Garden City principles):
 - ... the real difference between the two approaches becomes apparent when we then take into account the substantially larger plot size of homes in Scheme B. It can be seen that the cost per square metre is more than 40% less for homes in Scheme B, and more than 50% less if one includes a share of the communal open space area. Aside from the adoption of the highway and footways, no additional cost has been included for the long-term management and maintenance of communal areas in either scheme. However, there are significant differences between the two approaches. In Scheme A only 31% of the total area is looked after by the individual property owners or tenants, leaving almost 70% of the area to be maintained by the highway authority or management company. In contrast, in Scheme B the area to be maintained communally is just 39%, and would be reduced to just 24% if the communal gardens were managed directly by the residents.
- 4.12 Under a conventional scheme it is generally assumed that the site costs would be in the range of 15% to 20% of the construction (i.e. BCIS based) costs. In the Garden Town format site costs are normally assumed to be 13% of the BCIS based construction cost.
- 4.13 The Garden City principles put considerable importance on the access to local employment and services. The proposed sites are major development propositions and require the provision of appropriate employment service and ancillary supporting development, as well as infrastructure. We do not have not tested this.

Infrastructure Costs

4.14 The delivery of any large site requires significant amounts of infrastructure. The current estimate of this has been incorporated into this assessment.



Woolfox

- 4.15 The Council commissioned AECOM to undertake a review of the strategic infrastructure and mitigation costs. They have estimated the costs of providing the infrastructure to enable this site to be delivered is about £464,000,000 for 10,000 units which gives a cost of £46,300/unit.
- 4.16 This figure includes many items that items that would be included in the base development assumptions (such as CIL and on site works). When these are deducted the estimated costs of providing the infrastructure to enable this site to be delivered is about £137,000,000 (£13,700/unit).
- 4.17 It is assumed that the development is required to bear the costs of all the infrastructure that is required for its delivery. A figure of £13,700/unit is therefore used and a range of higher and lower costs have also been tested. It is important to note that the Council has implemented CIL and if this site was to be allocated and come forward CIL would be payable and some of it could be used towards delivering some of the infrastructure requirements (subject to the CIL Regulations). Similarly, it is possible that external funding may be available (although we are not aware of any funding at present).

St Georges Barracks

- 4.18 AECOM have estimated the costs of providing the infrastructure to enable this site to be delivered is about £107,000,000 for 2125 units which gives a cost of about £50,000/unit.
- 4.19 This figure includes many items that items that would be included in the base development assumptions (such as CIL and on site works). When these are deducted the estimated costs of providing the infrastructure to enable this site to be delivered is about £55,000,000 (£26,000/unit).
- 4.20 It is assumed that the development is required to bear the costs of all the infrastructure that is required for its delivery. A figure of £26,000/unit is therefore used and a range of higher and lower costs have also been tested. It is important to note that the Council has implemented CIL and if this site was to be allocated and come forward CIL would be payable and some of it <u>could</u> be used towards delivering some of the infrastructure requirements (subject to the CIL Regulations). Similarly, it is possible that external funding may be available (although we are not aware of any funding at present).
- 4.21 It is important to note that the Council has implemented CIL and if this site was to be allocated and come forward CIL would be payable and some of it could be used towards delivering some of the infrastructure requirements (subject to the CIL Regulations). Similarly it is possible that external funding may be available. The site is subject to a HIF bid, and was recently included in a list of sites to receive assistance from Homes England as part of the Garden Towns programme.
- 4.22 No allowance has been made for the anticipated HIF receipts in this assessment.



Appraisals

- 4.23 As in the earlier work, the appraisals use the residual valuation approach they are designed to assess the value of the site after taking into account the costs of development, the likely income and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for the Residual Value to exceed the Existing Use Value (EUV) by a satisfactory margin.
- 4.24 As set out above, for each development type the Residual Value is calculated. The results are presented per gross hectare to allow comparison between sites. In the tables in this chapter the results are colour coded using a simple traffic light system:
 - a. **Green Viable** where the Residual Value per hectare exceeds the indicative Benchmark Land Value (BLV) per hectare (being the EUV +).
 - b. **Amber Marginal** where the Residual Value per hectare exceeds the EUV but not the BLV per hectare. These sites should not be considered as viable when measured against the test set out however, depending on the nature of the site and the owner, they may come forward.
 - c. Red Non-viable where the Residual Value does not exceed the EUV.
- 4.25 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa.

Base Appraisals – full current policy requirements

4.26 The initial appraisals are based on the full policy requirements of the emerging Local Plan. The main assumptions are summarised as follows:

a. Affordable Housing 30% (1/3 as Intermediate to Buy and 2/3 Affordable Rent) on sites of 6 and larger.

b. Environmental Standards Enhanced Building Regulations (Part M) on 4 bed detached units. On-site charging.

c. CIL and s106 s106 as shown, CIL as £106/m².

4.27 All the assumptions are as in the *Local Plan Review 2017, Viability Update*, (HDH, February 2018), including all costs and values. No allowance is made for abnormal costs or potential outside funding. In line with the updated PPG these will be considered by the developer as part of the Benchmark Land Value.



Table 3 Residual Values 30% Affordable, s106 as shown. Site -86,574,380 -486,021,788 -95,758,640 -107,761,103 17,628,865 -6,253,505 -31,106,568 -377,647,404 -431,834,596 -35,857,543 -47,748,788 -71,753,714 -57,455,112 -120,228,693 -161,828,531 -215,085,827 -269,273,019 -323,460,212 22,229,868 13,363,078 4,306,247 -14,965,319 -25,167,380 -59,751,251 -5,114,387 -83,756,177 Residual Value (£) -1,459,518 Net ha -360,686 -807,819 -970,381 -1,132,942 -1,458,065 301,082 180,990 58,324 -69,269 52,887 -172,365 -485,486 -645,257 -1,295,504 -646,710 -1,134,395 -18,761 -93,320 -259,723-202,691 -340,867 -485,655 -809,272 -971,834 -1,296,957 36,273 -485,655 -12,867 -64,005 -665,556 -777,052 301,082 180,990 58,324 -69,269 -646,710 -809,272 -1,459,518 Gross ha -118,220 -247,384 -332,981 -442,563 -554,060 -888,549 -1,000,045 -202,691 -340,867 -971,834 -1,134,395-1,296,957 -178,137 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 10,000 2,215 2,215 2,215 2,215 2,215 2,215 2,215 2,215 2,215 2,215 2,215 2,215 2,215 Units 333.33 333.33 333.33 333.33 333.33 333.33 333.33 333.33 333.33 333.33 333.33 333.33 333.33 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 Area (ha) 486.00 486.00 486.00 486.00 486.00 486.00 486.00 486.00 486.00 486.00 486.00 333.33 486.00 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 73.83 Agricultural Agricultura Agricultural Agricultural Agricultural Agricultural Agricultural Agricultural Agricultural Agricultural Agricultural Green s106 £/unit £25,000 £30,000 £35,000 £40,000 £45,000 £50,000 £55,000 £60,000 £10,000 £15,000 £20,000 £25,000 £30,000 £35,000 £40,000 £45,000 £50,000 £55,000 £60,000 £15,000 £20,000 £10,000 £5,000 £5,000 6 03 St Georges Barracks Woolfox Airfield Site 15 Site 10 Site 12 Site 13 Site 14 Site 16 Site 17 Site 18 Site 19 Site 20 Site 22 Site 23 Site 25 Site 1a Site 11 Site 21 Site 24 Site 2 Site 3 Site 4 Site 5 Site 6 Site 7 Site 8 Site 9 Site 1

Source: HDH (August 2019)



Table 3 Residual Value v BLV							
		s106 £/unit	EUV	BLV	Residual Value		
			£/ha	£/ha	£/ha		
Site 1	Woolfox Airfield	£0	20,000	374,000	36,273		
Site 1a	Woolfox Airfield	£5,000	20,000	374,000	-12,867		
Site 2	Woolfox Airfield	£10,000	20,000	374,000	-64,005		
Site 3	Woolfox Airfield	£15,000	20,000	374,000	-118,220		
Site 4	Woolfox Airfield	£20,000	20,000	374,000	-178,137		
Site 5	Woolfox Airfield	£25,000	20,000	374,000	-247,384		
Site 6	Woolfox Airfield	£30,000	20,000	374,000	-332,981		
Site 7	Woolfox Airfield	£35,000	20,000	374,000	-442,563		
Site 8	Woolfox Airfield	£40,000	20,000	374,000	-554,060		
Site 9	Woolfox Airfield	£45,000	20,000	374,000	-665,556		
Site 10	Woolfox Airfield	£50,000	20,000	374,000	-777,052		
Site 11	Woolfox Airfield	£55,000	20,000	374,000	-888,549		
Site 12	Woolfox Airfield	£60,000	20,000	374,000	-1,000,045		
Site 13	St Georges Barracks	£0	20,000	374,000	301,082		
Site 14	St Georges Barracks	£5,000	20,000	374,000	180,990		
Site 15	St Georges Barracks	£10,000	20,000	374,000	58,324		
Site 16	St Georges Barracks	£15,000	20,000	374,000	-69,269		
Site 17	St Georges Barracks	£20,000	20,000	374,000	-202,691		
Site 18	St Georges Barracks	£25,000	20,000	374,000	-340,867		
Site 19	St Georges Barracks	£30,000	20,000	374,000	-485,655		
Site 20	St Georges Barracks	£35,000	20,000	374,000	-646,710		
Site 21	St Georges Barracks	£40,000	20,000	374,000	-809,272		
Site 22	St Georges Barracks	£45,000	20,000	374,000	-971,834		
Site 23	St Georges Barracks	£50,000	20,000	374,000	-1,134,395		
Site 24	St Georges Barracks	£55,000	20,000	374,000	-1,296,957		
Site 25	St Georges Barracks	£60,000	20,000	374,000	-1,459,518		

Source: HDH (August 2019)

Conclusions on Strategic Sites

4.28 The 2018 Viability Assessment concluded:

The large greenfield sites adjacent to the main settlements (not Stamford) are not shown as viable. It is important to note that this analysis assumes £2,000/unit s106 contributions and CIL at £106/m² (which typically equates to somewhere between £10,000/unit and £11,000/unit).



- 4.29 The findings of this note are consistent with those findings. It is therefore no surprise that when tested with strategic infrastructure costs in excess of £25,000/unit that these potential housing sites are not shown as viable. Further the fact that the St Georges Barracks (which is already in public ownership) is seeking HIF funding to enable its delivery supports and is consistent with these findings.
- 4.30 We have concerns about the deliverability of both these sites. We would urge caution about relying on either of these sites to deliver the Council's housing requirements. As in the earlier work, it is recommended that the Council continues to engage with the owners in line with paragraph 10-006-20190509 of the updated PPG.

Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment 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. Policy compliant means development which fully complies with up to date plan policies...

4.31 Similar advice is set out in the Harman Guidance (page 23):

Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.

4.32 The ongoing HIF bid process will clearly be material on the deliverability of the St George's Barracks site. If the HIF bit is successful, the funds will be available for the infrastructure requirements to deliver the site. It will be necessary for the Council to continue to pursue this with Homes England (and the site's landowners). We recommend the Council is cautious with regard to including either of these sites in the Plan pending the outcome of the HIF process. If the HIF bid on the St George's Barracks site is successful the Council will then be able to demonstrate that this site is deliverable and will come forward (but not the Woolfox Airfield site).



HDH Planning & Development Ltd 28th October 2019