

## ROSSENDALE LOCAL PLAN EXAMINATION

### MATTER 20 HEARING STATEMENT OF THE PEEL GROUP (REPRESENTOR ID 5160)

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

**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?**

1.1 This question has been answered in full on a topic by topic basis below.

***Is the Local Plan Economic Viability Assessment (2019) robust?***

1.2 No. The main areas of concern are set out under the following headings:

***Transparency***

1.3 The Local Plan Economic Viability Assessment (2019) (“LPEVA”) offers insufficient levels of transparency to be regarded as robust.

1.4 Paragraph 57 of the NPPF confirms that transparency in the preparation of all viability assessments is essential. It states:

*“All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.”*

1.5 PPGV elaborates on the NPPF by confirming the importance of transparency for improving data availability and accountability:

1.6 *“Any viability assessment should follow the government’s recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.”<sup>1</sup>*

1.7 The LPEVA is inconsistent with both the NPPF and PPGV in this respect as it does not provide copies of the development appraisals or cash flows which have been generated to assess the levels of viability for a range of generic schemes in four value locations or fourteen selected site allocations spread across the four value zones.

***Benchmark Land Value***

1.8 Differential benchmark land values are adopted for greenfield and brownfield development sites.

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<sup>1</sup> MHCLG (2018) PPGV: Paragraph: 010 Reference ID: 10-010-20180724

- 1.9 PPGV states explicitly that Benchmark Land Values (BLVs) should, “...be informed by market evidence including current uses, costs and values wherever possible”<sup>2</sup>.
- 1.10 PPGV subsequently requires plan makers to:
- “...establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence...”*<sup>3</sup>
- 1.11 Crucially, PPGV confirms that the BLVs set must reflect the “...reasonable expectations of local landowners”<sup>4</sup>.
- 1.12 Whilst the LPEVA provides details of nine land transactions in Rossendale within Table 4.13, the conclusions in respect of benchmark land values reached in LPEVA paragraphs 5.17 and 5.20 are both provided on the basis that...“we believe that” benchmark land values should be set at certain levels for greenfield and brownfield land, with no reference made to the transactional evidence provided earlier within the LPEVA. Greenfield benchmark land values are proposed at £150-£250,000 per acre and brownfield benchmark land values range from £150-£350,000 per acre.
- 1.13 Therefore, most (zones 2, 3 and 4) greenfield land is assessed at a lower benchmark land value than brownfield with no clear evidence provided to support the differential approach to benchmark land value assessment.
- 1.14 The transaction evidence in Table 4.13 indicates that the greenfield site in Rawtenstall (value zone 2), exceeds the value per acre achieved for brownfield sites in value zone 2 and 3.
- 1.15 PPGV references the use of market evidence to inform the establishment of the land owner premium and it is regarded as inappropriate to assess the benchmark land value on a ‘belief’ rather than with reference to market evidence.
- 1.16 As a result of the differential approach to benchmark land value assessment, all greenfield sites are shown to be more viable than brownfield sites and this simplistic approach is regarded as inequitable and not in line with market expectations. The brownfield land values adopted within the LPEVA are regarded as the absolute minimum required for the release of land for higher value development in Rossendale, and an equalised approach to greenfield and brownfield benchmark land value assessment should be adopted.

### **Construction Costs**

- 1.17 Despite reference within the LPEVA to a database of “approximately 230 schemes in the North West region”, no evidence has been provided to support the construction costs adopted for Rossendale within the LPEVA.
- 1.18 Whilst LPEVA paragraph 2.11 suggests that an anonymised version of the construction cost database could be published, it is not clear in which format this would be presented. Similar

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<sup>2</sup> MHCLG (2018) PPGV: Paragraph: 014 Reference ID: 10-014-20180724

<sup>3</sup> MHCLG (2018) PPGV: Paragraph: 016 Reference ID: 10-016-20180724

<sup>4</sup> MHCLG (2018) PPGV: Paragraph: 016 Reference ID: 10-016-20180724

data was requested by the examiner during the Cheshire East CIL examination, and the information supplied was of limited worth due to the generalisations applied to the information.

- 1.19 RCIS BCIS cost data is stated within PPGV to be “*appropriate data*”. The information is available on a transparent basis and cross reference to this appropriate data source should be provided within the LPEVA.
- 1.20 LPEVA Appendix 5 paragraph 2.9 states “...*our construction cost database is considered to provide a more reliable and transparent source of local build cost data for Rossendale, as it contains data submitted to us by housebuilders relating to actual housing developments being undertaken in the local area*”. The build costs adopted within the LPEVA do not comply with NPPF paragraph 57 or PPGV paragraph 10 in respect of transparency. The database is stated to cover the “*North West Region*” and it is not clear how the adopted costs have been rebased to Rossendale.
- 1.21 No detailed breakdown of costs are included within the LPEVA for the generic schemes, whereas a more detailed breakdown is provided for the tested allocation sites.
- 1.22 Again, the lack of transparency in respect of the generic construction costs assessments is regarded as inappropriate and non-compliant with NPPF and PPGV.
- 1.23 The LPEVA makes specific allowances for abnormal costs on the allocated site assessments, although it is not clear upon what information such assessments have been based. Brownfield generic site abnormal costs are stated to have been included, but no indication of the cost allowance is provided within the LPEVA. For greenfield generic sites, an allowance is provided in respect of offsite abnormal development works, which are regarded as necessary, but no allowance is stated to have been made for onsite abnormal costs.
- 1.24 LPEVA Appendix 5 paragraph 2.5 references abnormal costs “...particularly in Boroughs such as Rossendale where dealing *with abnormal development costs, such as costly foundation solutions due to sloping sites can be significant*”.
- 1.25 It is regarded as essential that the assessment of all costs is provided on a transparent basis and appropriate costs must be applied to all site typologies. It is clear that the expectation is that both brownfield and greenfield sites will be impacted by abnormal costs and the omission of abnormal costs of greenfield sites is regarded as highly inappropriate.

#### **Sales Rate**

- 1.26 It is noted that each generic site of 20, 35 or 50 units is modelled on the basis of a sales rate equating to 3 per month. The adoption of a 3 units per month sales rate is regarded as highly excessive, especially in respect of the lower value zones.
- 1.27 Within the Turley response to the Rossendale Borough Council publication draft Local Plan Regulation 19 Consultation<sup>5</sup>, it was stated at paragraph 3.34 that “*According to Land Registry data, the schemes by Harron Homes (Bacup), McDermott Homes (Bacup), Wain Homes (Bacup) and Persimmon (Whitworth) respectively achieved monthly market sales rates as follows: 1.5; 1; 0.8; and 1.7*”. It was concluded that the three new build sites in Bacup (zone 1) generated

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<sup>5</sup> Turley Paper 3: Critique of Housing Land Supply Appendix 1 Rossendale Delivery Viability Critique

an average sales rate equating to 0.88 sales per month, with the addition of Persimmon Scheme in Whitworth (zone 2), the average increased to 1.14 sales per month.

- 1.28 The sales rate adopted within the LPEVA is, therefore, excessive and will increase the level of reported viability due to the inclusion of a reduced level of finance costs generated by a faster construction rate than achievable in evidenced market conditions.

***Does it demonstrate the Local Plan is viable?***

- 1.29 No. RLPSV Policy HS6: Affordable Housing represents the main policy which will negatively impact upon residential scheme viability in Rossendale, and affordable housing provision is used as the main criteria for the assessment of viability within the LPEVA.
- 1.30 The LPEVA tests the selection of generic and allocated sites on the basis of provision of either: 0%; 10%; 20% or 30% affordable housing, with 0% regarded as the base line, and 30% recognised as being in line with RLPSV policy requirements.
- 1.31 The LPEVA then provides an indication of the impact of introduction of additional RLPSV policies, including those relating to: public open space; playing pitches; Section 106 contributions; and accessibility standards. The adopted approach is regarded as somewhat misleading as each of the RLPSV policies should be included within the base line assessment, along with 30% affordable housing, to ensure that the viability of all proposed RLPSV policies are appropriately reported.
- 1.32 The results of value zone 1 generic site testing shows that when assessed at 30,35 or 40 dph, all but one of the brownfield and greenfield generic sites are shown to be unviable when RLPSV policies are applied even when no affordable housing is included.
- 1.33 The situation is the same for the two tested zone 1 allocated sites, with both shown to be unviable when all RLPSV policies are applied with a nil affordable housing division.
- 1.34 Upon application of full RLPSV policies, zone 2 brownfield sites are shown to be either unviable, with 0-20% affordable housing, dependent upon development density.
- 1.35 Zone 2 greenfield sites show that development is viable at 10-20%, although, with the adoption of a benchmark land value in line with brownfield sites, viability results will reduce.
- 1.36 The zone 2 results, again, demonstrate the proposed RLPSV policies are not viable.
- 1.37 Both zones 3 and 4 produce results which show that a 30% affordable housing requirement is not viable.

***Is it based on reasonable assumptions?***

- 1.38 No. As previously referenced, the sales rate adopted within the LPEVA is excessive, with significantly lower delivery rates having been evidenced within zones 1 and 2.
- 1.39 The LPEVA adopts unit sizing in line with nationally described space standards ('NDSS'), but applies a 30% allowance for one and two bed units, which is much higher than standard housing delivery, with national housebuilder schemes in Rawtenstall generally including no one bed units and limited two beds.

- 1.40 The adoption of a high ratio of one and two bed units enables the adoption of NDSS unit sizing without generating an unsustainable development density (sq ft per acre). However, the adoption of NDSS unit sizing and the inclusion of a high ratio of one and two bed units will impact upon the viability of lower density schemes and is likely to impact upon the deliverability of schemes, as developers will be less prepared to proceed with NDSS developments, which sit outside their standard house typologies.
- 1.41 Larger than average NDSS units will prove more expensive than traditionally sized units of the same bed number and we are not aware of any evidence to show that purchasers will be prepared to pay a pro-rata amount more for larger units which offer limited benefits over standard units.
- 1.42 The comparable evidence upon which pricing typology is assessed within the LPEVA is drawn from schemes which mostly fall in line with national and regional developer expectations, with most being smaller than NDSS sizing requirements. No discussion is provided within the LPEVA in respect of the lower level of £psm (£psf) pricing which may be achievable for larger than average NDSS units. The impact of a transition to NDSS units must be assessed and accommodated within the LPEVA.
- 1.43 Residential benchmark land values have been discussed in our response to an earlier question within this matter, and greenfield residential benchmark land values are regarded as insufficient.
- 1.44 No evidence is provided to support the 10% reduction or increase in apartment and bungalow values. Apartment values in particular appear excessive.
- 1.45 Affordable housing values are adopted at 45% of the market value for affordable rent, which is regarded as appropriate, and 70% of market value for affordable home ownership, which exceeds our experience of achievable values at circa 65%.
- 1.46 Construction costs are provided on an unevidenced, black box basis, which does not comply with NPPF or PPGV.
- 1.47 Integral and detached garages are stated to have been included for three, four and five bed units, but no details of the adopted costs are provided.
- 1.48 LPEVA Appendix 5 states that specific costs have been adopted for various elements of external works, open space, drainage, incoming services and abnormal costs, but no details of the adopted allowances have been provided and the lack of transparency is regarded as inappropriate.
- 1.49 Professional fees range from 5% for very large sites (> 250 units) to 8% for small sites (0-24 units). This range of professional fees sits well below industry expectations for residential development sites. The Harman Guidance<sup>6</sup> cites costs across small/medium “*straight forward sites*” as between 8-10%.

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<sup>6</sup> Viability Testing Local Plans – Advice for Planning Practitioners (June 2012)

- 1.50 Electric vehicle charging points are assessed at £220 per dwelling. This falls significantly below the costs recently obtained by a national housebuilder client at £565.33 per unit for the same type of charging provision.

***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?***

- 1.51 No, the adopted costs are un-evidenced, or it is not clear whether all policy costs have been included.

- 1.52 Costs and allowances have been included within the LPEVA in respect of the main policies which we regard as generating costs on development as follows:

- HS6 Affordable Housing;
- HS8 Housing Standards;
- HS10 Open Space Requirements in New Housing Developments;
- HS11 Playing Pitch Requirements in New Housing Developments;
- HS12 Private Outdoor Amenity Space; and
- SD3 Planning Obligations.

- 1.53 However, the costs relating to HS10 (£1,366 per unit) and HS11 (£566 per unit) are stated to be *“as advised by the Council”* with no reasoning or evidence provided to support the adopted costs. In addition, Policy SD3 Developer Contributions is assessed at a cost equating to £1,000 per unit, with such costs stated to be regarded as a *“reasonable amount”*. No evidence is provided to support the adopted level of S106 costs. An average allowance in line with S106 contributions obtained from developments in Rossendale during recent years would be regarded as appropriate.

- 1.54 Without reasoning or evidence, it is not possible to determine whether any allowance has been included for RLPSV Policy HS10 costs relating to the provision of Sustainable Alternatives Natural Green space (*“SANG”*) which, according to the RLPSV will be sought in Whitworth and Bacup in particular, but not exclusively. Clarification is required to ensure that appropriate costs have been identified.

- 1.55 RLPSV Policy HS20: Self Build and Custom Build Houses holds the potential to negatively impact upon viability but has not been addressed within the LPEVA.

***Does it demonstrate each of the proposed land allocations is financially viable?***

- 1.56 No. LPEVA paragraph 6.80 states that one of the zone 1 allocated sites generates a surplus of £20 psm, whilst the other generates a small loss of £20 psm. It is determined that the small loss is not significant and is unlikely to prevent delivery of this site. However, these results reflect the base position, whereby no affordable housing and no local plan policy costs are included. When the policy costs are included, the H30 site generates a viability deficit of -£52.00 psm and the H37 site generates a viability deficit of -£12 psm, even with nil affordable housing provision.

- 1.57 In zone 2, one site is shown to viable at 10% affordable housing (H40) and two at 20% (H28 & H42), although following application of full local plan policy costs, both H28 and H40 are shown to be viable at 10% affordable housing. The sites are not, therefore, viable when full RLPSV policies are applied.
- 1.58 When applying the affordable housing zones to the draft allocations it is evident that approximately 43% of the total number of dwellings are within zones 1 and 2. Zones 1 and 2 have been identified as being less viable areas for residential development and are likely to result in little to no affordable housing provision.
- 1.59 The viability of the draft allocations has not been demonstrated and therefore questions should be raised around the deliverability of many sites within the draft allocations. If these viability concerns are not addressed the Local Plan cannot be found sound as it fails to meet the housing need.