

Test Valley Borough Council

Draft Local Plan

**– Considering development viability implications
– Provisional audit of policies**

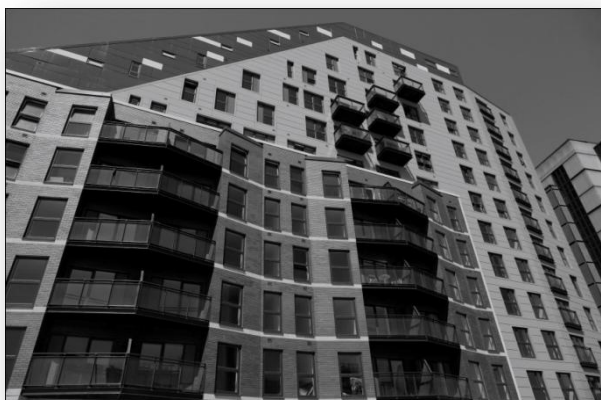
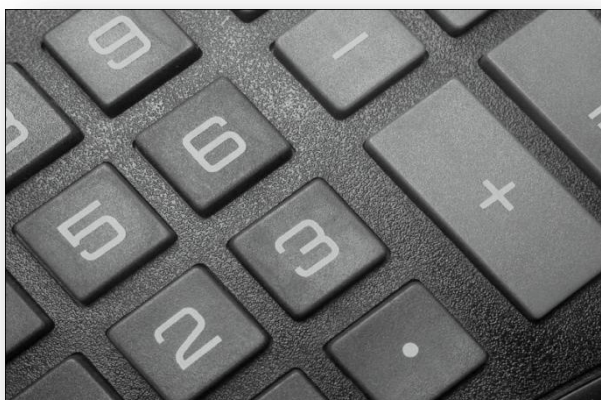
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Final Report

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**Dixon Searle LLP
The Old Hayloft
28C Headley Road
Grayshott
Hindhead
GU26 6LD**

www.dixonsearle.co.uk



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1 Introduction

1.1. Background

1.1.1 Test Valley Borough Council is in the course of preparing its Local Plan development plan document (DPD), the main part of the Local Development Framework (LDF) for Test Valley. The document will set out the Council's vision for the future development of the Borough. In doing so, it will include the core objectives that underpin the high level strategy as well as providing policies and proposals for guiding and managing the delivery of that. The Local Plan will form the basis for making planning decisions in the period to 2029.

1.1.2 Dixon Searle Partnership, an experienced development viability consultancy, was instructed in May 2012 to undertake an update review of the Council's previous affordable housing viability studies (last updated in 2009/10). That work was being concluded at the same time as this review took place. The Affordable Housing Viability Assessment (AHVA) Update 2012 provides a detailed review of viability matters as they relate to the proposed affordable housing policies. In doing so, it necessarily takes a comprehensive look at the normal collective costs of residential development, including the Local Plan policy requirements of the Council as at 2012. The affordable housing viability work has been carried out using well established techniques, underpinned by appropriate assumptions and judgments. The viability update report sets out the basis on which it has been prepared and the normal practicalities and limitations that apply to work of that strategic nature.

1.1.3 Subsequently, and following the finalisation of the National Planning Policy Framework (NPPF), the scope of Local Plan viability testing has been widened. The document 'Viability Testing Local Plans' (Local Housing Delivery Group Chaired by Sir John Harman – June 2012) provides guidance on this area. In response to these developments, and in common with other Councils, Test Valley Borough is now assessing the scope of additional viability testing work that may be needed to inform and evidence its Local Plan proposals from a financial viability perspective.

1.1.4 The purpose of this brief report is therefore to provide a high-level review of the overall potential impact of the Local Plan policies on the viability of housing development and to identify the main areas of any gaps between the existing and

current affordable housing viability study work and the wider Local Plan viability testing criteria.

1.2 High-level review of Local Plan policy proposals

- 1.2.1 The following section of this report sets out in table form the Council's current Local Plan policy proposals (by reference to the draft policy numbers and headings) and then outlines (in the second column) whether / to what extent the affordable housing viability study work addresses the policy area. The third column provides any comments and identifies potential areas for review (gaps to consider) in addition to the affordable housing viability study update.
- 1.2.2 This is not an exhaustive review and it is necessarily based on the current stage draft pre-submission policy proposals. The review focuses on the draft policy listing and key points (boxed text sections) rather than the full draft Plan supporting text.
- 1.2.3 The Council may wish to treat this as a live document and process; which could inform its development, monitoring and any further updating of the policy positions and the evidence base behind those.

2 Table of policy proposal review observations – outline of viability testing implications

TVBC Draft Local Plan Policy Proposal	Addressed in 2012 Affordable Housing Viability Assessment (AHVA) Update; or comments	Action points / further comments (including any identified further potential viability assessment)
General / over-arching principles		
SD1 – Presumption in Favour of Sustainable Development	This policy aligns to the NPPF principle and does not in itself create a viability impact. It has been taken account of for the scenarios appraised, which assume proposals that are acceptable in planning terms. The scenarios are assumed to meet appropriate development management criteria and planning obligations requirements; with associated cost assumptions made.	High level presumption in accordance with AHVA residential development scenarios. However, scenarios will need extending to cover an appropriate sample approach to larger scale development based on suitable assumptions; and to an appropriate sample approach also representing commercial / non-residential scenarios (potentially linked to / via CIL viability testing)
Local Communities		
COM1 – Housing Provision	The testing undertaken for the AHVA takes an appropriate approach to reviewing the sensitivity of outcomes to scenarios and values varying by site and scheme type, and by location.	Extension of viability assessment scope to include sample scenario(s) representative of large scale residential schemes is advised. Does not influence specific appraisal assumptions.

<p>COM2 - Settlement hierarchy</p>	<p>A variety of residential scenarios has been modelled, also covering a range of values levels – overall representing the variety relevant in different circumstances in the Borough.</p>	<p>As above, extension of appraisal scenarios and viability assessment scope to include large scale residential schemes and commercial / non-residential development is required. Does not influence specific appraisal assumptions.</p>
<p>COM1 & COM2 – Housing Provision and Settlement Hierarchy</p>	<p>General principles in addition to above. Consideration of sensitivity to values changes, as applied to smaller site scenarios, would be continued to larger sites.</p>	<p>The distribution and type of housing proposals needs to be considered in the choice of added larger scheme scenarios (as above); this will need to take account of how values may vary, and any localised differentiation in other assumptions or site characteristics – e.g. south / north, rural / urban, greenfield / PDL. Further sensitivity to costs variances and trade-offs including potential s.106 / CIL balance may need to be considered.</p>
<p>COM3 to COM6 inclusive – proposed new neighbourhoods (various) (overall including potential proposals for sites of between 75 and 1,300 dwellings).</p>	<p>Comments as above regarding COM1 & COM 2 – to consider in light of added scenarios.</p>	<p>Extension of viability assessment scope to include sample scenario(s) representative of large scale residential schemes is advised. These may review scenario(s) of up to say 500 dwellings, representing a portion of strategic scale development and would include revised assumptions; including on land-related and</p>

		<p>infrastructure costs, s.106, etc. The inclusion of an intermediate sized scenario (at say 50 to 100 dwellings) might also be considered. However, work to date and the current situation suggests that in general terms residential viability in Test Valley is not an issue of concern.</p>
<p>COM7 – Affordable Housing</p>	<p>AHVA update builds on the previous affordable studies and provides a comprehensive view of affordable housing impacts; bearing in mind the strategic level and that in practice all sites will vary, as the AHVA acknowledges. The AHVA work covers a mix of housing types and varying affordable tenure implications.</p>	<p>AHVA scope would be usefully supplemented by larger residential sites review required for LP viability, as above. A CIL viability study could also / alternatively be used to further test and reinforce the affordable housing policy approach. Any further viability review work could be informed by the Council’s SHLAA sites in terms of additional assessments on a range of additional relevant scenarios.</p>
<p>COM8 – Rural exception affordable housing</p>	<p>Non-market driven mechanisms are usually involved for these 100% affordable housing scenarios. Given the nature of these schemes and overall contribution to Plan delivery, these would not normally be considered within a viability study. They proceed only when they work financially</p>	<p>Suggested that only if there is a market-reliant element (e.g. cross-subsidy from market housing) to this aspect of affordable housing enabling would there need to be viability study consideration of this. In DSP’s experience to EIP stage, including recently, this policy area has not needed</p>

	and are highly dependent on site specifics and the components in a particular instance.	viability evidence support.
COM9 – Community Led Development	As per COM8 – considered outside the scope of Local Plan viability testing requirements. Note link to COM7 and COM8 if a housing element is included.	May need to be considered at high level in CIL viability context, but not for Local Plan viability
COM10 – Occupation Accommodation in the Countryside	As above, considered outside the scope of LP viability testing. Would be covered by testing of other viability relevant policies (e.g. of development standards) where appropriate.	N/A
COM11 – Existing dwellings in the Countryside	As above, considered outside the scope of LP viability testing. Would be covered by testing of other viability relevant policies (e.g. of development standards) where appropriate.	N/A
COM12 – Replacement dwellings in the Countryside	As per COM11	N/A
COM13 - Gypsy, Travellers and Travelling Showpeople	Not considered in existing viability work; or relevant to further viability work (re Local Plan or CIL). Issues relate more to land use planning, land availability and funding than development viability.	N/A. (Note that in a CIL context, buildings in excess of 100 sq m are not usually provided at the site development stage).
COM14 – Community Services and facilities		N/A. (Proposals for conversion / development

		for other uses, including residential. Would be relevant to other (viability tested) policies).
COM15 - Infrastructure	AHVA includes consideration of planning obligations (aligned to CIL approach) as an assumption. But wider consideration needed – support to Local Plan delivery and re CIL if the Council intends to implement CIL.	Would most logically be tested more comprehensively (on added larger residential scenarios and commercial / non-residential scenarios) through CIL viability testing which could be extended to pick-up other identified Local Plan viability testing needs.
Local Economy		
LE1 to LE9 inclusive (location specific employment / commercial Plan proposals).	<p>Clearly outside the scope of the AHVA update and previous similar work.</p> <p>See comments adjacent on work needed.</p> <p>DSP understands that there is no current evidence of viability being an issue on allocations, in the absence of exceptional development costs, given the recent track record in Test Valley.</p> <p>However, DSP notes that in the current and foreseeable economic conditions there are likely to be types of development (potentially particularly B uses) which are not evidenced as viable with usual assumptions – e.g. on</p>	High level commercial / non-residential testing needs to be carried-out. Suggested that the most appropriate mode for this is a CIL viability study which considers at high level a range of appropriate scenarios – scheme types and locations as far as those affect values levels and other assumptions. If the Council is not to implement CIL then alternative high levels viability work will be needed.

	<p>undertaking a CIL viability study.</p> <p>The Council may need particular strategies in place.</p> <p>Policies not reviewed in detail for these at this stage, but for example:</p> <ul style="list-style-type: none"> • Joint ventures; • Owned / subsidised land; • Mixed-uses and cross-subsidy; • Infrastructure; • Careful consideration of location and optimising values; • Etc 	
<p>LE10 – Retention of employment land and strategic employment sites</p>	<p>Note comments re LE1 to LE9 above.</p>	<p>N/A in terms of further / bespoke testing, but note links to other viability tests re proposals for redevelopment to other uses (as per COM14 comments).</p>
<p>LE11 – Main Town Centre Uses</p>	<p>AVHA work has considered residential development only.</p> <p>As with LE1 to LE9 and LE17, note likely viability limitations in some respects, but in any event would need review for CIL funding scope.</p>	<p>Suggest that this policy does not need a bespoke viability testing response, but that the commercial / non-residential scenarios relevant to considering LE1 to LE9 (and other policies above) at high level would be informed by the locations/ floor area thresholds / sequential type principles set out in LE11.</p>

		Again, suggest best addressed through CIL viability study if the Council pursues that; if not, to consider for added Local Plan viability testing.
LE12 – Ground floor uses in Romsey.	As LE10 and LE16.	No further / bespoke testing. Proposals for change of use would be subject to viability considerations in accordance with other policies, as above.
LE13 – Ground floor uses in Andover.	As LE12.	As LE12 – no further / bespoke testing.
LE14 – Retail development at George Yard / Black Swan Yard.	As with all ‘LE’ policies above, the AHVA and previous similar work does not consider commercial development.	Viability testing would be needed. Suggested that the commercial / non-residential scenarios relevant to considering LE1 to LE9 (and other policies above) at high level would be informed by the potential use types, values and characteristics relevant to this proposal. Again, suggest best addressed through CIL viability study if the Council pursues that; if not consider for added LP viability testing.
LE15 - Stockbridge Local Centre.	Again, the AHVA does not consider non-residential. However, as this is more of a control / checking policy (like the thrust of much of LE10 to 13 and LE16 to LE18) rather than a proposal (like LE14), that does not need to be added. This should not	No further / bespoke viability testing needed. Wider CIL viability / LP viability testing work could consider the viability of uses such as retail and offices in rural areas based on varying strength of the development values / costs relationship.

	require viability testing.	
LE16 – Re-Use of buildings in the Countryside.	As LE10.	As LE10 – no further / bespoke testing.
LE17 – Employment sites in the Countryside	As LE1 to LE9. Viability provisos are also likely to apply as per comments related LE1 to LE9.	Suggest that high level testing, most appropriately linked to / as a spin-off from CIL viability testing, would be an appropriate way to pick-up any different scenarios likely to be relevant to Plan delivery. This might include consideration of varying values for rural locations, and (at high level) the strength of likely viability outcomes for agricultural based uses, etc.
LE18 - Tourism	As LE10 and LE16.	No further bespoke testing unless a particular form of development is relevant to plan delivery and is likely to occur; if so suggest best aligned to viability testing of scenarios for CIL.
Environment		
E1 – High Quality Development in the Borough	AHVA assumes these criteria to be met within its build cost, density, values and other assumptions. However, as above, considers residential only.	No bespoke viability testing, but similar criteria need to be assumed within assumptions setting for added scenarios (e.g. commercial, large scale residential – for extended CIL or LP viability testing). To keep an eye on whether the final policies / detail envisage anything with a cost

		impact beyond previous / current stage assumptions.
E2 – Protect, Conserve and Enhance the Landscape Character of the Borough.	As E1.	As E1 (again no bespoke viability testing).
E3 – Local Gaps.	More of a planning and land use implication than for viability consideration. The varying characteristics of a range of schemes have been and would be reflected in any further viability testing.	N/A
E4 - Residential Areas of Special Character.	Again likely to be more of a site-specific factor than Plan-level viability implication – as E3.	N/A
E5 - Biodiversity	The AHVA makes allowance for planning obligations costs, which could include related matters. However, and whilst the existing testing is limited to residential, the assumptions allow for a normal range of development costs. Again likely to be more of a site-specific factor, where particular measures are required, than one for high-level consideration in a Plan-level viability study.	See other comments – no bespoke testing required. Scenarios added would make similar high level assumptions – as per E1 to E4 above.
E6 – Green Infrastructure	The AHVA has considered development density and potential planning obligations levels. We understand that there are no specific Special Protection	Whilst this may be a site-specific matter not for detailed consideration at high-level viability study stage, any added scenarios (e.g. for CIL / LP viability

	Area (SPA) mitigation or similar designations / wide area requirements that should be reflected in viability assessment, but this could be re-checked for any additional work in connection with CIL and / or Local Plan viability testing.	testing) would again need to consider development density and level of planning obligations (whether through CIL and / or s.106). This could have implications for considering large scale residential scheme assumptions in particular.
E7 – Water Management	The AHVA includes cost for Code for Sustainable Homes level 4 (all aspects; not restricted to water management). SUDS costs assumed to be included within the overall build costs allowances (however note that a strategic level viability study does not include abnormal / site-specific costs).	Appropriate assumptions would need to be made for any added scenarios, including for commercial / non-residential development types.
E8 - Pollution	A control policy / usual development management criterion and not relevant to specific AHVA or any added testing assumptions.	N/A
E9 - Heritage	Again, a control policy / usual development management criterion and not relevant to specific AHVA or any added testing assumptions.	N/A
Leisure, Health & Wellbeing		
LHW1 – Public Open Space	See all comments re E6 above.	From a viability perspective, again as E6 above. Distinct from E6 and E9, so may need to be rechecked for any additional work in

		connection with CIL and / or Local Plan viability testing; perhaps especially with regard to larger sites.
LHW2 – Ganger Farm, Romsey	Beyond the scope of AHVA testing; or other usual viability testing.	N/A re viability. The Council may wish to consider whether any other evidence re deliverability is needed – e.g. land ownership / availability, funding, etc?
LHW3 – Forest Park	Beyond the scope of AHVA testing; or other usual viability testing.	Comments as LHW2.
LHW4 - Amenity	A control policy / usual development management criterion and not relevant to specific AHVA or any added testing assumptions.	Could be rechecked – again for implications for any additional work in connection with CIL and / or Local Plan viability testing.
Transport		
T1 – Managing movement	A control policy / usual development management criterion and not relevant to specific AHVA or any added testing assumptions.	N/A.
T2 – Parking Standards	AHVA allows for appropriate development densities, build costs and external works (but does not review commercial / non-residential development).	Any added scenarios (all development uses) similarly would need to incorporate reasonable assumptions on density / site coverage, site area and external / other works costs.
T3 - Park & Ride, Nursling	Beyond the scope of AHVA testing; or other usual viability testing.	As LHW2 and LHW3 - N/A re viability. The Council may however wish to consider whether any other evidence re deliverability is needed –

		e.g. land ownership / availability, funding, etc?
Community Safety		
CS1 – Community Safety	AHVA build cost, density and other assumptions assume such criteria met.	Same to apply to any added viability scenarios - no bespoke testing required.
Education and Learning		
ST1 – Skills and Training	Not relevant to AHVA. Considered unlikely to inform a specific viability assumption for any wider testing.	Appears more relevant as a potential use of CIL income, subject to Council’s local priorities and s.123 list, etc. Relates to pooled contributions so unlikely to be relevant to s.106 assumptions beyond short-term?

3 Brief summary findings

- 3.1 The Affordable Housing Viability Assessment (AHVA) Update 2012 makes appropriate assumptions in light of Test Valley Borough Council's current Preferred Approach draft (Reg. 18) Local Plan policy proposals. The testing for that has already covered the key policies as affect residential development where there are requirements that are likely to have a direct financial impact. A range of other more generic policies will not have a financial impact as reviewed in such a study; the viability assessment focus to date has been appropriate. Although that work identifies viability sensitivities associated with lower-end values and in some cases smaller sites, factors which are not unusual, the recommended approach to continuing with a flexible application of policies (where viability may be an issue) is recognised in the Council's policy drafting.
- 3.2 Having developed and reviewed the AHVA work over a number of years in changing economic circumstances, alongside its own delivery experiences and monitoring, the Council has a good understanding of residential development viability and a sound basis from which to build on its approach. This could be further developed through a CIL viability study that we suggest would be scoped so as to act also as a wider Local Plan Viability Study. There should be no need for separate additional studies for those related purposes, carried out in accordance with the Government's guidance on CIL and other guidance such as that provided by the Sir John Harman chaired 'Advice for Planning Practitioners Report – Viability testing of Local Plans' report, June 2012.
- 3.3 In fact in some areas the AVHA assumptions appear to go beyond the Council's policy specific proposals. These include for example full application of Code for Sustainable Homes level 4 as a baseline assumption for all dwellings; sample sensitivity testing to level 5 (full range of measures not limited to water management). Lifetime Homes is another example. We suggest that a similar approach would be relevant to any added scenarios for wider testing as would be covered by a CIL Viability Study that could also provide the wider Local Plan Viability support needed (e.g. larger residential sites and, in the case of commercial scenarios, assumptions based on BREEAM).

- 3.4 A significant amount of residential development is taking place in Test Valley at present, for which the Section 106 agreements put in place have not resulted in development being unviable. In addition, in the context of the consideration of sites and potential allocation through the SHLAA process, landowners and developers have not expressed concerns about overall costs and development viability. The Council informs us that it is not aware of any exceptional infrastructure requirements.
- 3.5 Overall, based on the AHVA work, on delivery experiences both past and current, and on the current situation, the firm indications are that the Council's housing delivery proposals, as a major theme of the Local Plan, should be deliverable. Once again, in applying an adaptable approach where needed, the Council should be able to ensure that there is some viability leeway as it works with various stakeholders and partners in delivering the range of housing proposals.
- 3.6 This outline review has found that various of the proposed policy positions do not warrant particular viability testing or link to assumptions that are within the AVHA approach / would be included in added testing (see 3.7 and 3.8 below). Examples of these are COM8 to 15 inclusive, LE10, LE12, LE13, LE15, LE16, LE18, E1 to E5, E8, E9, LHW2 to 4 inclusive, T1, T3, CS1 and ST1. The viability implications of those would either be covered by testing carried out in response to other more specific policies, or by the approach and assumptions used within the AHVA and any equivalent added work.
- 3.7 The viability implications of policies SD1, COM1 and COM7 are addressed by the AVHA and, again, would also need to be addressed in added testing, as at 3.8 below.
- 3.8 Policies COM3 to COM6 inclusive are not addressed by the AVHA. In general, for the expanded Local Plan viability context and for CIL viability, scenarios representative of larger scale residential development (with suitable and wide-ranging accompanying assumptions) should be considered. A CIL viability study would form a good basis for this.
- 3.9 Whilst, as at 3.6 above, some of the Local Economy (LE) Policies do not warrant specific viability testing, the LE policy set needs to be addressed in viability terms and that would be best through modelling a range of commercial / non-residential scenarios representing varying development use types and sizes, locations / values,

etc. This would be necessary at a high level for the Local Plan, and we consider that it would again be best addressed via a Community Infrastructure Levy (CIL) viability study if the Council is looking to implement the CIL.

3.10 Notwithstanding the existing basis for the support of the Council's housing delivery proposals, in our view the key areas for the Council to consider addressing as part of taking forward a potential CIL Viability Study (to also further inform and evidence Local Plan viability) are:

- Expansion of residential scenarios to include viability testing of larger scale development, with suitable assumptions set;
- Addition of commercial / non-residential scenarios to consider viability at a high level bearing in mind especially the Local Economy (LE) policy set.

End of report.