NPPF Workshop: Viability in Planning

Autumn 2018 event series – slide pack

www.local.gov.uk/pas
Introductions

• Who are the Planning Advisory Service?

“PAS exists to support local planning authorities in providing effective and efficient planning services, to drive improvement in those services and to support the implementation of changes in the planning system”

• Funded by the Ministry of Housing Communities and Local Government (MHCLG)

• Part of the Local Government Association (LGA)
Why has viability in planning become so important?

- Development viability - one of the most controversial issues in planning in recent years
- Increase in policy requirements being contested on viability grounds
- Considered to be susceptible to gaming and viewed with suspicion by local authorities and communities.
- Undermines the delivery of local plan requirements e.g. affordable housing

- But ……….
But ..........

Authorities started to strike back
Followed by revised national policy and guidance

Published July 2018

(1) National Planning Policy Framework (NPPF); and

(2) National Planning Policy

Guidance

Viability

Sets out key principles in understanding viability in plan making and decision making.

Published 6 March 2014
Last updated 24 July 2018 — see all updates
From: Ministry of Housing, Communities & Local Government

Contents
— Viability and plan making
— Viability and decision taking
— Standardised inputs to viability assessment
— Accountability
Purpose of today

• With the support of leading industry expertise we aim to:
  • Build understanding on how the revised policy and guidance can work in practice;
  • Increase confidence in the interpretation of viability data and to challenge assumptions;
  • Demonstrate how viability can help develop policies; and
  • Show how data can be made more transparent and open.

• Remember the policy is adopted – we are not here to attack / defend policy but we do want to help you to make it work.
### Agenda

**NPPF Workshop: Viability in Planning**

**Event**: Birmingham, 6th November 2018  
**Venue**: ETC venues Maple House, 150 Corporation Street, Birmingham, B4 6TB

<table>
<thead>
<tr>
<th>Time</th>
<th>Details</th>
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<tbody>
<tr>
<td>9:30</td>
<td>Registration</td>
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<tr>
<td>10:00</td>
<td>Welcome and Introduction to the day</td>
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<tr>
<td>10:30</td>
<td><strong>Session 1: Introduction from MHCLG and Q&amp;A</strong></td>
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<tr>
<td>12:00</td>
<td><strong>Coffee break</strong></td>
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| 13:00 | **Session 2: Viability and decision making (Part 1)**  
Providing a detailed understanding of the policy and guidance requirements including:  
+ The circumstances in which a viability assessment should be considered at the decision making stage;  
+ What weight should be given to a viability assessment;  
+ Methodology for undertaking viability as set out in guidance;  
+ Benchmark land values; and  
+ Review mechanisms. |
| 14:00 | **Session 3: Viability and decision making (Part 2)** |
| 15:00 | **Session 4: Viability and decision making exercise**  
Assessing a scheme using raw data and assessment of viability when filling certain inputs. |
| 16:00 | **Session 5: Viability and plan making**  
Interpreting the revised NPPF policy and guidance on:  
+ How and when viability assessment should be used at the plan making stage;  
+ What typologies should be used; and  
+ What type of evidence and engagement will be required.  
**Session 6: Viability and plan making session group exercise**  
Balancing planning requirements - analysis of viability data and consideration of implications for policy development.  
**Coffee Break** |
| 17:00 | Session 7: Wrap up/PAS support |
| 18:00 | Close |

Please leave your badge behind - we recycle them.
Tell us what you think

- Today is not really free, Perhaps circa £200 each.
- We need to know what you think
- We read all of them
- We use your ideas to change what we do and how we do it.
- Your feedback form helps us to show Government that this is money well spent
Table introductions

- We are a small(ish) group please introduce yourself to your table

- What is your role at your local authority?

- Are you already working with viability assessments?

- What is the one thing that you want out of today?
Session 1

Introduction from MHCLG and Q&A
Introduction to viability from MHCLG

Harriet Fisher
Value of developer contributions

£6bn
2016 developer contributions agreed in 2016-17...

...in real terms, the same as in 2007-8

£6bn
2007

£5.1bn
2016/17: estimated agreed through S106

£4bn
of this was for affordable housing, enough for around 50,000 homes

£0.9bn
CIL levied in 2016-17
Issues we are seeking to address

- Development is **delayed** by s106 negotiations
- Renegotiating s106 reduces **accountability** to local communities
- Lack of **transparency**: communities don’t know where s106 & CIL are spent
- **Complex** viability assessments are not always published or easy to understand
“By ending abuse of the “viability assessment” process, we’re going to make it much harder for unscrupulous developers to dodge their obligation to build homes local people can afford”.

“The government confirms that it will introduce a simpler system of developer contributions that provides more certainty for developers and local authorities, while enabling local areas to capture a greater share of uplift in land values for infrastructure and affordable housing.”.
New approach to viability and land value

Focus viability at plan-making stage

Proposals complying with plan assumed to be viable

Clear policy requirements for infrastructure and affordable housing

Standardised approach to viability assessment

Viability assessments publicly available

S106 income and expenditure monitored and publicly reported
The plan led approach remains at the heart of planning system

- Plans set out the contributions expected from development including the levels and types of affordable housing along with other infrastructure.
- Such policies should not undermine the deliverability of the plan.
- Proposals that comply with the plan assumed to be viable.
- Onus is on the applicant to demonstrate whether particular circumstances justify a viability assessment at the application stage.

NPPF Paragraph 34 and 57
Standardised inputs

- Benchmark land value = existing use value plus a premium for the landowner (EUV+)
- BLV should reflect costs and be informed by adjusted market evidence and cross-sector collaboration
- Risk is accounted for in the developer’s return. Developers, not plan makers and communities, absorb any realisation of this risk.
- The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan
- An assumption of 15-20% of GDV used to establish the viability of plan policies. Alternative figures can be used.
Session 2

Viability and decision making
PLANNING ADVISORY SERVICE

NPPF WORKSHOP: VIABILITY IN PLANNING
SESSION 2 – VIABILITY & DECISION MAKING

6 November 2018
INTRODUCTION

1. Determining Viability – methodology
2. Policy and guidance
3. Consideration of LP vs scheme specific viability
4. The importance of benchmark land value (part 1)
   Coffee break
4. The importance of benchmark land value (part 2)
5. Review Mechanisms
6. Key issues to consider
DETERMINING VIABILITY (METHODOLOGY)
What are the principles for carrying out a VA?

VA is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it.

This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.
Working out the value of scheme is the easy bit
Why EUV is critical – capturing uplift in land value

Value ‘created’ by grant of planning

Residual Land Value (£ millions)

EUV 100% private 40% affordable 50% affordable
2

POLICY & GUIDANCE
“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 aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.”
NPPF Para 57:

- Policy compliant applications should be assumed to be viable;
- Applicant to demonstrate justify need for a viability of scheme;
- Weight given to a VA is matter for the decision maker, considering:
  - whether plan and its viability evidence is up to date; and
  - any change in site circumstances since the plan was brought into force.
- All VAs should reflect recommended approach in NPPG, including standardised inputs; and
- viability assessments should be made publicly available.
NPPG Viability Para 002

“The role for viability assessment is primarily at the plan making stage”

Policy requirements, particularly for affordable housing, should:

- be set at a level that takes account of needs;
- allow for planned types of sites & development to be deliverable; and
- without the need for further VA at decision making stage.
CONSIDERATION OF VIABILITY TESTING AT LOCAL PLAN AND SCHEME SPECIFIC STAGES
Local plan vs scheme specific viability

Local Plan Viability Testing
- Hypothetical typologies, perhaps 9-20
- Average benchmark land values
- Average costs (e.g. BCIS)
- Average values
- Not dynamic
- Time as at preparation of plan.

Scheme specific development design
- Massing
- Site surveys, ground conditions
- Design responding to neighbours
- Heights, rights to light
- Mix of uses
- Daylight/sunlight
- Scheme specific costs
- Highways impacts
- Utilities capacity
- Needs assessments
- Consultation with statutory bodies
- EUV unique to the site
- Time as at determining application

Plan testing can only establish a framework/bookends

Some degree of flexibility will always be required – optimisation vs quota-based
Local plan vs scheme specific viability

NPPG Viability Para 007

Identifies circumstances where VA may be justified on a scheme:

- development on unallocated sites of wholly **different type to those in VA** that informed the plan;

- **further information** on infrastructure or site **costs** is required;

- particular types of **development** are proposed which may significantly **vary from standard models of development for sale** (for example build to rent or housing for older people); or

- where a recession or similar **significant economic changes** have occurred **since the plan was brought into force**.
4

THE IMPORTANCE OF GETTING BENCHMARK LAND VALUE RIGHT
Benchmark land value

NPPG Viability Para 014

Benchmark Land Vale should:

- be based upon existing use value
- allow for a premium to landowners
- reflect the implications of abnormal costs;
- be informed by market evidence (including current uses, costs and values) wherever possible. Where recent market evidence used it should:
  - be based on developments which are compliant with policies, including for affordable housing.
  - Where evidence is not available plan makers & applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.
Benchmark land value

NPPG Viability Para 015

EUV is:
- value of the land in its existing use;
- right to implement any development of extant planning consents;
- right to implement realistic deemed consents (PD); and
- without regard to alternative uses.

“… Existing use value is **not the price paid** and should **disregard hope value**”

“Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.”
Benchmark land value

NPPG Viability Para 017

“...AUV of the land may be informative in establishing benchmark land value”

Plan makers to set out circumstances where AUVs can be used:
- fully comply with development plan policies;
- could be implemented on the site in question;
- there is market demand for that use; and
- explanation as to why the alternative use has not been pursued.

“... Valuation based on AUV includes the premium to the landowner.”

If AUV is being considered the premium “must not be double counted.”
Key issues to be aware of

- “reflect the implications of abnormal costs” – could drive benchmark value below EUV but important to consider for AUVs

- “adjustments to reflect the cost of policy compliance” – circularity issue

- “Is not the price paid” – yet advocates transactional data to calculate EUV part of benchmark?
What is the ‘premium’ / ‘plus’?

NPPG Viability Para 016

“...The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements...”
Premium on top of EUV

How is it calculated?

NPPG Viability Para 016 Cont.

- Iterative process informed by professional judgement
- Data sources to inform establishment of premium should include:
  - Market evidence;
  - Can include benchmark land values from other VAs;
- Data used should reasonably identify any adjustments necessary to:
  - reflect cost of policy compliance (including for affordable housing);
  - differences in quality of land;
  - site scale;
  - market performance of different building use types; and
  - reasonable expectations of local landowners.
Issues to consider when calculating the ‘plus’

- How do we know what will incentivise a landowner to release their site?
- Sites trade all the time at existing use value for on-going use
- Transactions tell us what was paid, not whether it was the minimum
- Transactions = price paid (for other sites), which PPG tells us not to use
Using market evidence to determine the ‘plus’
## Site-based approach to determine the ‘plus’

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<thead>
<tr>
<th>Feature</th>
<th>Category</th>
<th>Indicative Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupied and income generating</td>
<td>Yes</td>
<td>7.50%</td>
</tr>
<tr>
<td>Occupational terms</td>
<td>Long lease</td>
<td>2.00%</td>
</tr>
<tr>
<td>Likely covenant strength of tenants</td>
<td>Strong</td>
<td>3.00%</td>
</tr>
<tr>
<td>Demand from alternative occupiers</td>
<td>Strong</td>
<td>5.00%</td>
</tr>
<tr>
<td>Condition</td>
<td>Fair</td>
<td>2.50%</td>
</tr>
</tbody>
</table>

**TOTAL INDICATIVE PREMIUM**  
20.00%
Using market evidence to determine the ‘plus’

20%
Using market evidence to determine the ‘plus’

Uplift in value available to provide planning requirements

20%

EUV / Residual £ millions

£7

£6

£5

£4

£3

£2

£1

£0

EUV (site based)

Residual

Premium

Base
Using market evidence to determine the ‘plus’

![Bar Chart]

- EUV (site based): £2, 20%
- EUV (market evidence): £2, 280%
- Residual: £6

**Legend:**
- Red: Premium
- Blue: Base

Real Estate for a changing world
Using market evidence to determine the ‘plus’

- EUV (site based): £2,000,000
- EUV (market evidence): £6,000,000 (280%)
- Residual: £7,000,000

No capacity for any planning requirements
Review mechanisms

NPPG Para 009

How should viability be reviewed during the lifetime of a project?

“How contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time.”

- Plans should set out circumstances where RM may be appropriate
- Clear process - how and when viability will be reassessed
- Ensure policy compliance/optimal public benefits through economic cycles
Review mechanisms

NPPG Para 009

How should viability be reviewed during the lifetime of a project?

“As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism.

Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities’ ability to seek compliance with relevant policies over the lifetime of the project.”
Review mechanisms

- Historically unpopular with developers – but carry no risk
- Type of review – early, late or both?
- Must be structured to share ‘super-profit’
- Capped payments – replacing lost AH, not profit share
- No funding problems – understanding is key
- BUT how open book is the end of scheme appraisal?
- Where/how to invest the payment (if any)?
- Upwards only?
KEY ISSUES TO CONSIDER
Key issues

- Plan viability testing can never replace scheme specific testing in all circumstances, especially in urban areas
  - Live developments will differ to the typologies tested
  - Unknown or imprecise costs or values known at scheme specific stage
  - Existing use values will vary significantly
  - Markets are cyclical – plan viability is a snapshot in time

- **BUT** developers need to justify need for VA at PA stage – and cover LPA costs

- Benchmark land value needs to be right
  - EUV is a good starting point
  - Basing premium on land transactions is just Market Value by another name – squeezes out policy requirements
  - Reasonable AUVs - need to meet the 4 tests
  - Planning system should not cede control of plan making to the market

- Review mechanisms
  - provide comfort that schemes deliver policy compliance or as close to as viable
  - they do not add risk where drafted correctly
  - not a toll to protect developer return
PLANNING ADVISORY SERVICE
NPPF WORKSHOP: VIABILITY IN PLANNING
SESSION 2 – VIABILITY & DECISION MAKING

6 November 2018

BNP PARIBAS REAL ESTATE
Real Estate for a changing world
Session 3

Viability and decision making exercise
PLANNING ADVISORY SERVICE

NPPF WORKSHOP: VIABILITY IN PLANNING
SESSION 3 – PREPARING A VIABILITY ASSESSMENT EXERCISE

6 November 2018

BNP PARIBAS REAL ESTATE
Real Estate for a changing world
AGENDA

1. Exercise 1 – Policy compliant scheme initial inputs
2. Exercise 2 – Amended profit allowance
3. Exercise 3 – Amended profit and premium allowances
4. Exercise 4 – Amended AH % maintaining initial inputs
EXERCISE 1 INFORMATION
Prepare an appraisal using the following inputs:

**DEVELOPMENT:**
The site has capacity for 100 residential units, with an average floor area of 75 sq m per unit.

**REVENUE:**
Average sales value for each private unit - £250,000 per unit
Average value payable by RSL for each affordable unit - £100,000 per unit

**COSTS**
Build costs: £110,000 per unit all-in
Contingency: 5% on build costs
Finance: 7% of build costs
Professional fees: 10% of build costs
Marketing fees (including agents’ fees): 3% of total private housing value
Affordable housing: 35% affordable housing target
CIL: existing floorspace 3,300 sq m (lawfully occupied for at least 6 months in last 3 years). The site is within a £50 per sq m zone for residential.
Residual S106 requirement: £2,000 per unit (applies to both private and affordable)

**RETURN / PROFIT:**
Private units: Funder requires the scheme to show a profit of 20% of the value of the private units
Affordable Units: 6% of the affordable housing units

**BENCHMARK LAND VALUE - EXISTING USE VALUE:**
Use: The site is currently in lawful occupation as an office building with an existing floor area of 3,300 sq m.

EUV: The rent is £80 per sq m and this type of building attracts a yield of 10% (i.e. this is the capitalisation yield so the capital value of the building is calculated by multiplying the annual income by 10).

Premium: The existing building on site is in fair condition, occupied by a tenant of poor covenant strength on a short lease but there is strong demand for this type of premises, so a 15% premium is justified.
Revenue of policy compliant appraisal

<table>
<thead>
<tr>
<th>Scheme value</th>
<th>Value</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private units (65%)</td>
<td>16,250,000</td>
<td>(100 x 65%) x £250,000</td>
</tr>
<tr>
<td>Affordable housing units (35%)</td>
<td>3,500,000</td>
<td>(100 x 35%) x £100,000</td>
</tr>
<tr>
<td><strong>TOTAL GROSS SCHEME VALUE</strong></td>
<td><strong>19,750,000</strong></td>
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</table>
Costs of policy compliant appraisal

<table>
<thead>
<tr>
<th>Scheme costs</th>
<th>Cost</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build costs</td>
<td>11,000,000 @ £110,000 per unit</td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>770,000</td>
<td>% of build costs (7%)</td>
</tr>
<tr>
<td>Professional fees</td>
<td>1,100,000</td>
<td>% of build costs (10%)</td>
</tr>
<tr>
<td>Contingency</td>
<td>550,000</td>
<td>% of build costs (5%)</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>487,500</td>
<td>% of private housing value (3%)</td>
</tr>
<tr>
<td>CIL</td>
<td>78,750</td>
<td>Based on net additional floorspace i.e. (75x100) - 3,300 affordable housing deducted as per social housing relief i.e. less 75 x 35 100 x £2,000</td>
</tr>
<tr>
<td>Residual S106</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Profit - private housing</td>
<td>3,250,000</td>
<td>% of total private housing value (20%)</td>
</tr>
<tr>
<td>Profit - affordable housing</td>
<td>210,000</td>
<td>% of total affordable housing value (6%)</td>
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**TOTAL SCHEME COSTS** 17,646,250
Analysis of policy compliant residual land value

**TOTAL GROSS SCHEME VALUE**  19,750,000

**TOTAL SCHEME COSTS**  17,646,250

**RESIDUAL LAND VALUE**  2,103,750 i.e. total revenue less total costs
### Analysis of benchmark land value

**Benchmark Land Value**

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<tbody>
<tr>
<td>EXISTING USE VALUE</td>
<td>2,640,000</td>
<td>(3,300 x £80 per sq m) x10</td>
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<tr>
<td>Plus premium</td>
<td>396,000</td>
<td>% of existing use value (assumed to be 15%)</td>
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**TOTAL BENCHMARK VALUE** | **3,036,000** |
### Analysis of viability of policy compliant scheme

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<tr>
<td>Residual Land Value</td>
<td>$2,103,750</td>
</tr>
<tr>
<td>Total Benchmark Value</td>
<td>$3,036,000</td>
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Scheme unviable at 35% AH

- $932,250
EXERCISE 2 - AMEND PROFIT
### Revenue – 15% profit assumption appraisal

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**Costs – 15% profit assumption appraisal**

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Analysis of – 15% profit assumption appraisal

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i.e. total revenue less total costs
Analysis of 15% profit assumption appraisal

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i.e. total revenue less total costs

Scheme unviable at 35% AH

- 119,750

Real Estate for a changing world
EXERCISE 3 - AMEND PROFIT AND PREMIUM
Revenue – 15% profit and 10% premium appraisal

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<td>Marketing costs</td>
<td>487,500</td>
<td>% of private housing value (3%)</td>
</tr>
<tr>
<td>CIL</td>
<td>78,750</td>
<td>Based on net additional floorspace i.e. (75x100) - 3,300 affordable housing deducted as per social housing relief i.e. less 75 x 35 / 100 x £2,000</td>
</tr>
<tr>
<td>Residual S106</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td>Profit - private housing</td>
<td>2,437,500</td>
<td>% of total private housing value (15%)</td>
</tr>
<tr>
<td>Profit - affordable housing</td>
<td>210,000</td>
<td>% of total affordable housing value (6%)</td>
</tr>
<tr>
<td><strong>TOTAL SCHEME COSTS</strong></td>
<td><strong>16,833,750</strong></td>
<td></td>
</tr>
</tbody>
</table>
Analysis – 15% profit and 10% premium appraisal

<table>
<thead>
<tr>
<th>TOTAL GROSS SCHEME VALUE</th>
<th>19,750,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL SCHEME COSTS</td>
<td>16,833,750</td>
</tr>
</tbody>
</table>

RESIDUAL LAND VALUE 2,916,250 i.e. total revenue less total costs
## Analysis of benchmark land value – amended premium

### Benchmark Land Value

<table>
<thead>
<tr>
<th>EXISTING USE VALUE</th>
<th>2,640,000</th>
<th>((3,300 \times £80 \text{ per sq m}) \times 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus premium</td>
<td>264,000</td>
<td>% of existing use value (assumed to be 10%)</td>
</tr>
</tbody>
</table>

### TOTAL BENCHMARK VALUE

| 2,904,000 |
### Analysis – 15% profit and 10% premium appraisal

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual Land Value</td>
<td>2,916,250</td>
</tr>
<tr>
<td>Total Benchmark Value</td>
<td>2,904,000</td>
</tr>
<tr>
<td>Scheme viable at 35% AH</td>
<td>12,250</td>
</tr>
</tbody>
</table>

*Note: Residual Land Value is calculated as i.e. total revenue less total costs.*
EXERCISE 3 - AMEND AH % MAINTAINING INITIAL INPUTS
Revenue of 25% affordable housing appraisal

<table>
<thead>
<tr>
<th>Scheme value</th>
<th>Value</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private units (75%)</td>
<td>18,750,000</td>
<td>$(100 \times 75%) \times £250,000</td>
</tr>
<tr>
<td>Affordable housing units (25%)</td>
<td>2,500,000</td>
<td>$(100 \times 25%) \times £100,000</td>
</tr>
<tr>
<td><strong>TOTAL GROSS SCHEME VALUE</strong></td>
<td><strong>21,250,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
# Costs of 25% affordable housing appraisal

<table>
<thead>
<tr>
<th>Scheme costs</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Build costs</strong></td>
<td>11,000,000</td>
<td>@ £110,000 per unit</td>
</tr>
<tr>
<td><strong>Finance</strong></td>
<td>770,000</td>
<td>% of build costs (7%)</td>
</tr>
<tr>
<td><strong>Professional fees</strong></td>
<td>1,100,000</td>
<td>% of build costs (10%)</td>
</tr>
<tr>
<td><strong>Contingency</strong></td>
<td>550,000</td>
<td>% of build costs (5%)</td>
</tr>
<tr>
<td><strong>Less marketing costs</strong></td>
<td>562,500</td>
<td>% of private housing value (3%)</td>
</tr>
<tr>
<td><strong>CIL</strong></td>
<td>116,250</td>
<td>Based on net additional floorspace i.e. (75x100) - 3,300 affordable housing deducted as per social housing relief i.e. less 75 x 25 100 x £2,000</td>
</tr>
<tr>
<td><strong>Residual S106</strong></td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td><strong>Profit - private housing</strong></td>
<td>3,750,000</td>
<td>% of total private housing value (20%)</td>
</tr>
<tr>
<td><strong>Profit - affordable housing</strong></td>
<td>150,000</td>
<td>% of total affordable housing value (6%)</td>
</tr>
<tr>
<td><strong>TOTAL SCHEME COSTS</strong></td>
<td><strong>18,198,750</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Analysis of 25% affordable housing residual land value

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross Scheme Value</td>
<td>21,250,000</td>
</tr>
<tr>
<td>Total Scheme Costs</td>
<td>18,198,750</td>
</tr>
<tr>
<td>Residual Land Value</td>
<td>3,051,250</td>
</tr>
</tbody>
</table>

*Note: Residual Land Value is calculated as total revenue less total costs.*
Analysis of 25% affordable housing viability

RESIDUAL LAND VALUE 3,051,250 i.e. total revenue less total costs

TOTAL BENCHMARK VALUE 3,036,000

Scheme viable at 25% AH 15,250
PLANNING ADVISORY SERVICE

NPPF WORKSHOP: VIABILITY IN PLANNING

SESSION 3 – PREPARING A VIABILITY ASSESSMENT EXERCISE

6 November 2018

BNP PARIBAS REAL ESTATE

Real Estate for a changing world
Lunch 45 Minutes
Session 4

Viability and plan making
PLANNING ADVISORY SERVICE

NPPF WORKSHOP: VIABILITY IN PLANNING
SESSION 4 – VIABILITY & PLAN MAKING

6 November 2018

BNP PARIBAS REAL ESTATE
Real Estate for a changing world
INTRODUCTION

1. Policy position
2. Determining the parameters of viability evidence
3. Engagement
4. Key issues to consider
POLICY POSITION
What is required in Plan Making?
NPPF Para 16

Contribute to achievement of SUSTAINABLE DEVELOPMENT

ASPIRATIONAL but DELIVERABLE

CLEAR UNAMBIGUOUS POLICIES

SHAPED by EARLY, PROPORTIONATE and EFFECTIVE ENGAGEMENT

Real Estate for a changing world
Evidence supporting policies NPPF Para 31:

- Required for preparation and review of policies
  - Review every 5 years
  - Do not have to reinvent the wheel

- Relevant, up-to-date adequate & proportionate
  - Use all available evidence

- Focused tightly on supporting and justifying the policies

- Take into account relevant market signals
  - Again, consider all available evidence
Key NPPF text on viability testing in policy setting: Para 34

- set out the contributions expected from development including:
- Levels and types of affordable housing
- Other infrastructure (e.g. education, health, transport, flood and water management, green and digital infrastructure).

- Such policies should not undermine the deliverability of the plan
Supporting evidence for housing supply NPPF Para 67:

- Policies should identify a sufficient supply and mix of sites

- Take into account availability, suitability and likely economic viability as follows:

  Sites in years 1-5 of the plan
  DELIVERABLE

  Sites in years 1-5 of the plan
  DEVELOPABLE
This sounds rather familiar...?
So what has changed then?

Presumption of viability predominantly at plan making stage

Applications compliant with up to date policies assumed to be viable

All VAs (PM and DM) should reflect recommended NPPG approach (including standardised inputs)

Applicant to justify need for viability assessment at decision making stage

All VAs should be made publicly available
DETERMINING THE PARAMETERS OF LOCAL PLAN VIABILITY EVIDENCE
Local plan viability evidence parameters

NPPG Para 001 policy requirements should:

- Be informed by evidence of:
  1. infrastructure and AH need; and
  2. proportionate VA (taking account of all relevant policies and standards)

- Policy requirements should be clear
  - so that they can be accurately accounted for in the price paid for land

- To provide certainty AH requirements should be expressed as a single figure rather than a range
Local plan viability evidence parameters

In commissioning viability evidence LPAs should consider:

1. Policy sift exercise – which policies have cost implications
2. Typologies – (sites in five yr housing supply and recent apps)
3. Likely existing uses for benchmark land values
4. Strategic sites – do these need separate testing
5. Likely S106 asks on typologies and strategic sites
Approach to testing local plans

NPPG Para 003 sets out approach to testing local plans:

- does not require individual testing of every site; or
- assurance that individual sites are viable; and
- plan makers can use site typologies; however
- detailed assessment may be necessary for particular areas/key sites on which the delivery of the plan relies.
## Typologies

<table>
<thead>
<tr>
<th>Typology No.</th>
<th>Number of units</th>
<th>Housing type</th>
<th>Dev Density (units per ha)</th>
<th>Net Dev Area (ha)</th>
<th>Commercial uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>30</td>
<td>Flats</td>
<td>260</td>
<td>0.12</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>100</td>
<td>Flats</td>
<td>200</td>
<td>0.88</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>175</td>
<td>Flats</td>
<td>319</td>
<td>0.68</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>175</td>
<td>Flats</td>
<td>250</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>180</td>
<td>Flats</td>
<td>1,800</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>250</td>
<td>Flats</td>
<td>200</td>
<td>1.25</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>525</td>
<td>Flats + houses</td>
<td>215</td>
<td>2.44</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>875</td>
<td>Flats</td>
<td>60</td>
<td>14.58</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>1,225</td>
<td>Flats</td>
<td>600</td>
<td>2.04</td>
<td></td>
</tr>
<tr>
<td>MU1</td>
<td>45</td>
<td>Flats</td>
<td>280</td>
<td>0.16</td>
<td>510 sq m B1a and 165 sq m A3</td>
</tr>
<tr>
<td>MU2</td>
<td>200</td>
<td>Flats</td>
<td>250</td>
<td>0.8</td>
<td>787 sq m and 1,842 sq m B1c</td>
</tr>
<tr>
<td>MU3</td>
<td>240</td>
<td>Flats</td>
<td>474</td>
<td>1.34</td>
<td>8,500 sq m B1c/B2</td>
</tr>
</tbody>
</table>
Inputs to viability testing typologies

NPPG Para 004 provides guidance on assumptions / inputs:

- Average costs and values can be used
  - NPPG 011 further supports this position

- Comparing data from existing case study sites
  - Help ensure costs/value assumptions are realistic / broadly accurate

- When using market evidence it is important to disregard outliers

NPPG Para 018 provides guidance on developer return:

- Plan making assumption of 15-20% may be suitable
Information required to test strategic sites

- **Information on the site:**
  - Existing uses and floor areas (and if lawfully occupied for CIL purposes)
  - Extant consents
  - Entire site size and net developable area

- **Details of the proposed development**
  - All uses to be delivered and associated unit numbers/floor areas
  - Residential mix (1, 2, 3, 4 beds flats and houses, self build etc.)
  - AH requirement and tenure split
  - Infrastructure to be delivered on site or as S106 and costing of this
  - Timescale for delivery during LPA’s housing trajectory
  - Details of known abnormal costs

- **Establish standard appraisal inputs relative to the site**
  - Costs, values, profit, benchmark etc.
ENGAGEMENT
Local plan engagement

Plan makers should work in collaboration with:
the local community, developers and other stakeholders

To create:
REALISTIC,
DELIVERABLE
POLICIES

Drafting policies should be
Iterative and informed by engagement
Local plan engagement – strategic sites

NPPG para 006 specifically mentions site promoters’ role

- **Responsibility of site promoters to:**
  - engage in plan making
  - take into account any costs including their own profit expectations/risks
  - ensure that proposals for development are policy compliant
5 KEY ISSUES TO CONSIDER
Key issues

- To be aspirational and deliverable policies may need to be capable of being flexible.

- Plan viability evidence should inform the crafting of policies
  - Impact of policies individually/cumulatively and requirement for flexibility.

- Viability testing at plan stage evidences the delivery of the LPAs’ housing supply.

- Determining the parameters of the testing required:
  - Deriving typologies; and
  - Whether strategic sites should be tested separately.

- Stronger steer from guidance on benchmark land value (EUV+)
  - Planning system should not cede control of plan making to the market; and
  - Do not import market behaviour into plan making – the plan should influence the market.

- Collaborative approach, engaging with developers landowners and AH providers
  - This should assist a positive and iterative approach to policy creation;
  - But to date not always successful there is an element of “take a horse to water…”

- Plan viability will establish the bookends of viability.
PLANNING ADVISORY SERVICE

NPPF WORKSHOP: VIABILITY IN PLANNING
SESSION 4 – VIABILITY AND PLAN MAKING

6 November 2018

BNP PARIBAS REAL ESTATE
Real Estate for a changing world
Session 5

Viability and plan making exercise
PLANNING ADVISORY SERVICE

NPPF WORKSHOP: VIABILITY IN PLANNING
SESSION 5 – BALANCING PLANNING REQUIREMENTS (GROUP EXERCISE)

6 November 2018

BNP PARIBAS REAL ESTATE
Real Estate for a changing world
AGENDA

1. Explanation of model
2. Useful points to consider when setting policy targets
3. Approaches to AH policy
4. Table Exercise 1
5. Exercise 1 analysis
6. Table Exercise 2
7. Exercise 2 analysis
EXPLANATION OF MODEL
### Explanation of model

**LOCAL PLANNING AUTHORITY X**  
Local Plan Viability Testing

<table>
<thead>
<tr>
<th>Tenure</th>
<th>% AH</th>
<th>Base costs</th>
<th>Base Costs, CIL &amp; S106</th>
<th>Base Costs, CIL &amp; S106 &amp; SUDs</th>
<th>Base Costs, CIL &amp; S106, SUDs &amp; Accessibility (small sites)</th>
<th>Base Costs, CIL &amp; S106, SUDs, Acces &amp; 35% Carbon</th>
<th>Base Costs, CIL &amp; S106, SUDs, Access &amp; Carbon Zero</th>
</tr>
</thead>
<tbody>
<tr>
<td>70% rented : 30% int</td>
<td>0%</td>
<td>£2,055,595</td>
<td>£1,955,535</td>
<td>£1,953,526</td>
<td>£1,849,892</td>
<td>£1,842,363</td>
<td>£1,837,343</td>
</tr>
<tr>
<td>70% rented : 30% int</td>
<td>10%</td>
<td>£1,847,091</td>
<td>£1,756,753</td>
<td>£1,754,745</td>
<td>£1,651,112</td>
<td>£1,643,582</td>
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<td>£1,557,972</td>
<td>£1,555,965</td>
<td>£1,452,331</td>
<td>£1,444,800</td>
<td>£1,439,781</td>
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<tr>
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<td>£1,534,335</td>
<td>£1,458,582</td>
<td>£1,456,573</td>
<td>£1,352,941</td>
<td>£1,345,410</td>
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<td>£1,430,083</td>
<td>£1,350,192</td>
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</tr>
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<td>70% rented : 30% int</td>
<td>43%</td>
<td>£1,169,453</td>
<td>£1,110,716</td>
<td>£1,108,707</td>
<td>£1,005,073</td>
<td>£997,544</td>
<td>£992,524</td>
</tr>
<tr>
<td>70% rented : 30% int</td>
<td>50%</td>
<td>£1,013,076</td>
<td>£981,629</td>
<td>£955,622</td>
<td>£855,985</td>
<td>£848,458</td>
<td>£843,439</td>
</tr>
</tbody>
</table>

Residual land values compared to benchmark land values

Benchmark land value 1 - Higher value secondary offices

![chart showing residual land values compared to benchmark land values]
## Explanation of model

### LOCAL PLANNING AUTHORITY X
Local Plan Viability Testing

<table>
<thead>
<tr>
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<th>% AH</th>
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Residual Land values compared to benchmark land values

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>70% rented : 30% intermediate</td>
<td>0%</td>
<td>£391,476</td>
<td>£291,416</td>
<td>£289,407</td>
<td>£185,773</td>
<td>£178,244</td>
<td>£173,224</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>10%</td>
<td>£329,972</td>
<td>£262,634</td>
<td>£260,626</td>
<td>£13,007</td>
<td>£20,537</td>
<td>£25,557</td>
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<tr>
<td>70% rented : 30% intermediate</td>
<td>20%</td>
<td>£229,522</td>
<td>£105,647</td>
<td>£104,154</td>
<td>£211,768</td>
<td>£219,318</td>
<td>£224,338</td>
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<td>26%</td>
<td>£129,764</td>
<td>£205,637</td>
<td>£207,645</td>
<td>£311,178</td>
<td>£318,709</td>
<td>£332,729</td>
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<td>30%</td>
<td>£123,036</td>
<td>£304,927</td>
<td>£306,935</td>
<td>£410,569</td>
<td>£418,099</td>
<td>£423,119</td>
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<tr>
<td>70% rented : 30% intermediate</td>
<td>35%</td>
<td>£338,267</td>
<td>£404,318</td>
<td>£406,326</td>
<td>£509,959</td>
<td>£517,490</td>
<td>£522,509</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>43%</td>
<td>£494,866</td>
<td>£553,403</td>
<td>£555,412</td>
<td>£659,046</td>
<td>£666,575</td>
<td>£671,595</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>50%</td>
<td>£551,043</td>
<td>£702,489</td>
<td>£704,497</td>
<td>£808,151</td>
<td>£815,681</td>
<td>£820,680</td>
</tr>
</tbody>
</table>
## Explanation of model

### Local Planning Authority X
Local Plan Viability Testing

### Typology tested

<table>
<thead>
<tr>
<th>Tenure</th>
<th>% AH</th>
<th>Base costs</th>
<th>Base Costs, CIL &amp; S106</th>
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</thead>
<tbody>
<tr>
<td>70% rented : 30% intermediate</td>
<td>0%</td>
<td>£2,055,595</td>
<td>£1,955,535</td>
<td>£1,953,526</td>
<td>£1,849,892</td>
<td>£1,842,363</td>
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<td>£1,557,972</td>
<td>£1,555,065</td>
<td>£1,452,331</td>
<td>£1,444,800</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>25%</td>
<td>£1,534,335</td>
<td>£1,458,982</td>
<td>£1,456,573</td>
<td>£1,352,941</td>
<td>£1,345,410</td>
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<td>50%</td>
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<td>£861,629</td>
<td>£856,622</td>
<td>£758,965</td>
<td>£748,458</td>
</tr>
</tbody>
</table>

Residual land values compared to benchmark land values

**Benchmark land value 1 - Higher value secondary offices**

<table>
<thead>
<tr>
<th>Tenure</th>
<th>% AH</th>
<th>Base costs</th>
<th>Base Costs, CIL &amp; S106</th>
<th>Base Costs, CIL &amp; S106 &amp; SUDs &amp; Accessibility (small sites)</th>
<th>Base Costs, CIL &amp; S106, SUDs, Acces &amp; 35% Carbon</th>
<th>Base Costs, CIL &amp; S106, SUDs, Access &amp; Carbon Zero</th>
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</thead>
<tbody>
<tr>
<td>70% rented : 30% intermediate</td>
<td>0%</td>
<td>£391,476</td>
<td>£291,416</td>
<td>£289,407</td>
<td>£185,773</td>
<td>£178,244</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>10%</td>
<td>£272,972</td>
<td>£192,834</td>
<td>£190,826</td>
<td>£133,807</td>
<td>£126,337</td>
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<td>70% rented : 30% intermediate</td>
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<td>£185,547</td>
<td>£183,534</td>
<td>£116,768</td>
<td>£110,318</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>25%</td>
<td>£129,764</td>
<td>£180,837</td>
<td>£180,824</td>
<td>£93,178</td>
<td>£88,709</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>30%</td>
<td>£124,006</td>
<td>£180,837</td>
<td>£180,824</td>
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<tr>
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<td>35%</td>
<td>£338,287</td>
<td>£404,318</td>
<td>£406,326</td>
<td>£509,959</td>
<td>£517,490</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>43%</td>
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<td>£555,412</td>
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<td>£698,575</td>
</tr>
<tr>
<td>70% rented : 30% intermediate</td>
<td>50%</td>
<td>£651,043</td>
<td>£702,486</td>
<td>£704,497</td>
<td>£808,131</td>
<td>£816,661</td>
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</tbody>
</table>

**BNP PARIBAS REAL ESTATE**

Real Estate for a changing world

**PAS**

planning advisory service
# Explanation of model

## Residual Land values of all appraisals run with different assumptions

### Local Planning Authority X
Local Plan Viability Testing

<table>
<thead>
<tr>
<th>Tenure</th>
<th>% AH</th>
<th>Base costs</th>
<th>Base Costs, CIL &amp; S106 &amp; SUDs</th>
<th>Base Costs, CIL &amp; S106, SUDs &amp; Accessibility (small sites)</th>
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<td>£173,224</td>
</tr>
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<td>70% rented : 30% intermediate</td>
<td>10%</td>
<td>£182,972</td>
<td>£62,834</td>
<td>£90,626</td>
<td>-£13,007</td>
<td>-£20,537</td>
<td>-£22,857</td>
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<tr>
<td>70% rented : 30% intermediate</td>
<td>20%</td>
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<td>-£105,154</td>
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<tr>
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<td>30%</td>
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<tr>
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<td>35%</td>
<td>-£338,267</td>
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<td>-£406,326</td>
<td>-£509,659</td>
<td>-£517,490</td>
<td>-£522,509</td>
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<tr>
<td>70% rented : 30% intermediate</td>
<td>43%</td>
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<td>-£704,497</td>
<td>-£808,131</td>
<td>-£815,681</td>
<td>-£820,680</td>
</tr>
</tbody>
</table>

Residual Land values compared to benchmark land values

Benchmark land value 1 - Higher value secondary offices

Real Estate for a changing world
### Explanation of model

**LOCAL PLANNING AUTHORITY X**

**Local Plan Viability Testing**

<table>
<thead>
<tr>
<th>No Units</th>
<th>3</th>
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</thead>
<tbody>
<tr>
<td>Size Area</td>
<td>0.037</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Residual land values compared to benchmark land values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmark land value 1 - Higher value secondary offices</td>
</tr>
</tbody>
</table>

### Typology tested

- **T1 - 3 Houses**

### Market area / value

- **CIL Z1 High (£1,200 psf)**

#### Increased AH liability

<table>
<thead>
<tr>
<th>Tenure</th>
<th>% AH</th>
<th>Base costs</th>
<th>Base Costs, CIL &amp; S106</th>
<th>Base Costs, CIL &amp; S106 &amp; SUDs &amp; Accessibility (small sites)</th>
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<tr>
<td>70% rented : 30% intermediate</td>
<td>50%</td>
<td>£1,013,076</td>
<td>£961,629</td>
<td>£956,622</td>
<td>£855,988</td>
<td>£848,458</td>
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### Residual Land values compared to benchmark land values

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<tr>
<th>Tenure</th>
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<td>£60,626</td>
<td>£13,007</td>
<td>£12,937</td>
</tr>
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<td>70% rented : 30% intermediate</td>
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<td>£129,632</td>
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<td>£106,645</td>
<td>£31,117</td>
<td>£31,078</td>
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<td>£224,926</td>
<td>£304,927</td>
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<td>£410,089</td>
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</tr>
</tbody>
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**Explanation of model**

**Market area / value**

**Typology tested**

**Increased AH liability**

**Increased Policy costs**

### LOCAL PLANNING AUTHORITY X
Local Plan Viability Testing

<table>
<thead>
<tr>
<th>No Units</th>
<th>T1 - 3 Houses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Unit Area</th>
<th>0.01 acres</th>
</tr>
</thead>
</table>

**Residual land values compared to benchmark land values**

**Benchmark land value 1 - Higher value secondary offices**

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<tr>
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<th>Base costs</th>
<th>Base Costs, CIL &amp; S106</th>
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<td>£861,629</td>
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<td>£843,439</td>
</tr>
</tbody>
</table>

**Residual Land values compared to benchmark land values**

**Real Estate for a changing world**

**BNP PARIBAS REAL ESTATE**

**PAS planning advisory service**
Explanation of model

Typology tested

Increased AH liability

Increased Policy costs

Market area / value

Benchmark land values
### Explanation of model

#### 4 Different existing uses for benchmark land values

| Tenure | % A/H | Base Costs, CL & SUDs | Base Costs, CL & SUDs accessibility (small sites) | Base Costs, CL & SUDs access & 35% Carbon | Base Costs, CL & SUDs access & 0% Carbon | Base Costs, CL & SUDs access & 0% Carbon
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>V10 Max. 1/2</td>
<td>0%</td>
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<td>£1,234,567</td>
<td>£1,234,567</td>
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<td>V10 Max. 1/2</td>
<td>20%</td>
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<td>£1,234,567</td>
<td>£1,234,567</td>
<td>£1,234,567</td>
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<tr>
<td>V10 Max. 1/2</td>
<td>40%</td>
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<td>£1,234,567</td>
<td>£1,234,567</td>
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<td>V10 Max. 1/2</td>
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<tr>
<td>V10 Max. 1/2</td>
<td>80%</td>
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<td>£1,234,567</td>
<td>£1,234,567</td>
<td>£1,234,567</td>
<td>£1,234,567</td>
</tr>
</tbody>
</table>

**Explanation:**

- **Value Area:** The value area is expressed in £1,234,567 per hectare.
- **CL SUDs:** The cost of land with SUDs is included in the base costs.
- **Accessibility (small sites):** The accessibility cost is applied to small sites.
- **Access & 35% Carbon:** The access cost with a 35% carbon factor is applied.
- **Access & 0% Carbon:** The access cost with a 0% carbon factor is applied.

---

**Real Estate for a changing world**

[Image of BNP Paribas Real Estate logo]
Comparison of Residual Land values above against specific benchmark land value to determine viability

<table>
<thead>
<tr>
<th>Tenure</th>
<th>% AH</th>
<th>Base costs</th>
<th>Base Costs, CIL &amp; S106</th>
<th>Base Costs, CIL &amp; S106 &amp; SUDs</th>
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<td>£211,768</td>
<td>£216,318</td>
<td>£224,338</td>
</tr>
<tr>
<td>70% rented : 30% interm.</td>
<td>26%</td>
<td>£119,764</td>
<td>£205,537</td>
<td>£207,645</td>
<td>£311,178</td>
<td>£318,709</td>
<td>£332,729</td>
</tr>
<tr>
<td>70% rented : 30% interm.</td>
<td>30%</td>
<td>£234,036</td>
<td>£304,927</td>
<td>£306,935</td>
<td>£410,569</td>
<td>£418,099</td>
<td>£429,119</td>
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<tr>
<td>70% rented : 30% interm.</td>
<td>35%</td>
<td>£338,267</td>
<td>£404,318</td>
<td>£406,326</td>
<td>£509,559</td>
<td>£517,490</td>
<td>£557,995</td>
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<tr>
<td>70% rented : 30% interm.</td>
<td>43%</td>
<td>£533,403</td>
<td>£555,412</td>
<td>£555,412</td>
<td>£659,046</td>
<td>£666,575</td>
<td>£671,595</td>
</tr>
<tr>
<td>70% rented : 30% interm.</td>
<td>50%</td>
<td>£665,043</td>
<td>£702,489</td>
<td>£704,487</td>
<td>£808,131</td>
<td>£815,927</td>
<td>£820,680</td>
</tr>
</tbody>
</table>
USEFUL POINTS TO CONSIDER WHEN REVIEWING AND SETTING POLICY TARGETS
Useful points to consider when setting policy targets

- **Markets are cyclical** – plan viability is a snapshot in time (current costs & values)
- **Some typologies unviable** in certain circumstances due to market factors, rather than the impact of the Council’s proposed policy requirements and standards.
- Proposed target of **X% is supportable in many scenarios** - ranges are no longer allowed in setting targets must be single figure but **flexibility is still needed in policy to ensure delivery**
- **AH often has a bigger impact on viability than the cumulative effect of CIL, S106, SUDs, accessible units, sustainability requirements etc** – deliverability of these elements results in marginally less affordable housing in certain scenarios (maximum of circa 5%).
- Although many developments could viably provide all or a large majority of the policy requirements, in order to ensure the delivery of the required growth in the borough, particularly in the lower value areas, the **flexible approach to the application of its policies** (i.e. subject to viability) remains an important element.
3

APPROACHES TO AH POLICY
Examples of approaches to AH policy wording

- **AH target ranges are no longer allowed by NPPF e.g.:**
  - Minimum of 35% AH
  - 50% strategic overall target requiring provision of minimum of 35% AH
  - AH will be maximised subject to a minimum of 35% AH

- **Different approaches to AH target setting could include:**
  - **Single target:**
    - Sites in excess of X units will provide 30% AH;
    - Borough wide target of at least 40% AH.
  - **Geographic targets:** Location A – 25% Location B – 30% Location C – 35%
  - **Existing use based targets** e.g. Draft London Plan (35% threshold approach
    - minimum of 35 per cent (subject to threshold approach qualification for fast track route); or
    - 50% for public sector land; or
    - 50% for industrial sites
TABLE EXERCISE 1
EXERCISE 1 RESULTS
Viability results analysis – Exercise 1

Reading the results:

- Only considering data from benchmark land values 3 and 4
- CIL Zone 1 – viable at 50% AH (T7 and T8)
- CIL Zone 2 – Viable at between 20% - 35% AH (T7) and between 25% - 35% AH (T8)
- CIL Zone 3 – Viable at between 10% - 30% AH (T7) and between 20% - 35% AH (T8)

Approaches to AH:

- 50% AH - reflecting need evidence, but majority of sites not deliverable at this level
- 35% AH across area – deliverable in many instances but not all sites deliverable
- 35% lower value areas and 50% higher value area – balanced but still not deliverable on all sites
6

TABLE EXERCISE 2
EXERCISE 2 RESULTS
Viability results analysis – Exercise 2

Reading the results:

- Considering benchmark land value:
  - 1 for T6 (flats) in urban area; and
  - 3 and 4 for T8 (houses) on land outside town urban boundaries

- Town 1 – viable at 0% - 10% AH (T6)
- Town 2 – Viable at 20% - 25% AH (T6)
- Town 3 – Viable at 25% - 35% AH (T6)
- Land outside urban boundaries – 35% AH (T8)

Approaches:

- 35% AH - reflecting need evidence, but sites in towns 1 and 2 and some sites in Town 3 not deliverable at this level
- 25% AH across area – deliverable in many instances but not all sites deliverable
- 10% Town 1 and 25% in T2, 3 and land outside town urban boundaries – balanced approach but not all viable
- 0% Town 1 and 20% Town 2 and 25% in Town 3 and 35% land outside town urban boundaries – approach likely to be viable
- 0% / 10% affordable housing – lowest common denominator approach?
PLANNING ADVISORY SERVICE

NPPF WORKSHOP: VIABILITY IN PLANNING

SESSION 5 – BALANCING PLANNING REQUIREMENTS (GROUP EXERCISE)

6 November 2018

BNP PARIBAS REAL ESTATE

Real Estate for a changing world
Tea / Coffee  15 minutes
Session 6

Transparency, openness and accountability
Accountability

Harriet Fisher
Viability assessments should be publicly available - other than in exceptional circumstances

Viability assessment executive summaries to be published in an open data format

Local authorities should monitor s106 obligations and CIL

Local authorities should prepare Infrastructure Funding Statements to report on CIL and S106 income and expenditure and future spending priorities
Data standard drafted and tested

Prototypes being tested and refined (‘alpha’ stage)

Digital tools under development – testing now!

https://digital-land.github.io/project/developer-contributions/

A tool to collect s106 and CIL data
An index of published viability assessments
A template for infrastructure funding statements
What next?

Harriet Fisher
What next – reforms to CIL and S106

Reducing complexity and increasing certainty

Supporting swifter development

Consultation on amended CIL regulations by the end of the year (hopefully)

Increasing market responsiveness

Improving transparency and increasing accountability

Introducing a strategic infrastructure tariff

Lifting the pooling restriction – in its entirety

Government response to supporting housing delivery through developer contributions

A summary of consultation responses and the Government’s view on the way forward
Development Viability: Transparency, Openness and Accountability

Joseph Ward MRICS – Principal Strategic Planner
Introduction
Presentation to include:

• An overview of provisions within Planning Practice Guidance and London Plan documents.
• Summary of meaning of “Professional Integrity”.
• Very basic overview of legal matters concerning the transparency of viability assessments.
• A view on why transparency is important.
• An overview of how Local Planning Authorities can implement a position of transparency, with examples.
PPG Requirements

• New Viability PPG requires that viability information must be:
• Prepared with professional integrity.
• Presented clearly with an executive summary.
• Should be publicly available other than in exceptional circumstances. Sensitive data can be aggregated or excluded – what is “sensitive data”.
London Plan Requirements

• **Affordable Housing and Viability SPG** - published August 2017: Paras 1.18 to 1.25 of SPG encourages transparency, talks about “public interest” test and requires the provision of a summary.

• **Draft London Plan – at Examination stage**: Policy H5 (supporting text) and H6(F) require transparency. Promotes reference to SPG.
What does “prepared with professional integrity” mean?

“All full FVAs submitted (and Council reviews) must be accompanied by the following:

1. A statement of objectivity, impartiality and reasonableness: This is to confirm parties have acted with objectivity, impartially and without interference;
2. A confirmation of instructions and confirmation of no conflicts of interest;
3. A no contingent fee statement: This is a statement confirming that in preparing a report, no performance related or contingent fees have been agreed.”

Tower Hamlets’ Development Viability SPD
Legal Matters: Viability and Transparency

- Viability = commercial information so Environmental Information Regulations 2004 apply.
- Regulation 12 (2) presumption in favour of disclosure.
- Exceptions in 12(4)(a) and 5 – e.g. to protect economic interest, where confidentiality provided by law etc.
- Maintain confidentiality only if in public interest.
- Key cases:
  - Royal Borough of Greenwich vs ICO & Shane Brownie EA/2014/0122
  - RB and Clyne vs ICO & Lambeth EA/2016/0012
Why is transparency and openness important?

“..in order to foster a greater understanding of and trust in the planning system.” SPG, para 1.18.

“..improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.” PPG, para 10.
How can LPA’s implement a position of transparency?

• Affordability Housing and viability SPG:
  “..boroughs should implement procedures which promote greater transparency where not already in place.”

• Must clearly promote a reasonable expectation that viability information will be made publicly available.

• Best done through Viability/Planning Obligations SPD and via amendments to Local Lists.

• Numerous authorities have adopted transparency: Islington, Tower Hamlets, Bristol, Lambeth, Southwark, Merton, Greenwich and others.

• I advise robust legal advice is sought in implementing a position of transparency.
“In line with recent Environmental Information Regulation Tribunal decisions viability submissions will be published in full on the council's website. Applicants may submit a written request to withhold specific inputs and assumptions on the grounds of commercial confidentiality. Such a submission must include fully evidenced reasoning with respect of each individual piece of information that the applicant wants to be withheld demonstrating that withholding the information for a definitive period of time would better serve the public interest in accordance with the Environmental Information Regulations. The council may ensure that some of the information within published submissions is redacted for a period when it considers the public interest would be better served by doing so.”
“Applicants can reasonably expect that FVAs (and accompanying documents) submitted in support of planning applications (not pre-application discussions) can be made available to the public alongside other application documents. In submitting information, applicants do so in the knowledge that it may be made publicly available. FVAs may be shown to Local Councillors where requested, even if the FVA in question hasn’t been made available to the public.”
Any Questions?
Recent appeals on viability.....

• Land at Marton Moss Blackpool (APP/J2373/Q/13/2207649)
  ➢ *Price paid by the appellant outstripped comparable market evidence of BLVs and the Inspector agreed price paid should be disregarded.*

• Land adj Sims Metals UK (South West) Limited, Long Marston, Pebworth (APP/H1840/S/16/3158916).
  ➢ *The Inspector agreed that late additional costs should come off the land value, not off the AH. This reinforces guidance that the realisation of risk is for the applicant, not the community, to bear.*

• Land at Symbio Place, Whiteleaf Road, Hemel Hempstead (APP/A1910/W/18/3193435).
  ➢ *Appeal dismissed on the grounds of insufficient and non-transparent viability evidence.*
Session 7

Wrap up / PAS Support
Purpose of today…..Did we succeed?

• Has today helped you to understand what the revised NPPF policy and guidance on viability requires in practice?

• Have you considered, calculated, debated and asked questions?

• Do you have an understanding of how you can implement the requirements in your authority?

• Most importantly do you feel more confident?
Next Steps........

• Brief your colleagues, managers and Councillors on the matters that impact your authority.

• Consider your top three priorities for implementation and work out next steps.

• Share what you are doing and learn from others.

• Remember this regime is here to stay ..... Or at least for a while yet.
PAS next steps

• Subscribe to our bulletin.
• Talk to us. We are friendly. pas@local.gov.uk
• Invite us to your local POG / Regional groups
• Let us know if you are doing great things. We will help you promote them.
• Remember the Khub practitioner network, We hang out there too
Closing thoughts

• Become a peer
  – Give something back. See the world. Do good work. Have fun (!)
  – Only if you complete your form properly (including the front bit)

• Use the peer network
  – New in post? Tricky at the top?
  – Peer challenge!
PAS

We provide high quality help, advice, support and training on planning and service delivery to councils. We help local government officers and councillors stay effective and up to date. We have a ‘sector led' improvement approach, where local authorities help each other to continuously improve.

Bulletin

Sign up for our Bulletin, which brings news of our latest support, case studies, events and muses.

PAS Forum

Ask, learn and network with other planners and councillors across...
!! Feedback forms !!

Email    pas@local.gov.uk
Web      www.local.gov.uk/pas
Phone    020 7664 3000
Twitter  @Pas_Team