

 Executive 31 October 2018		Agenda Item No. 11
Title	Viability assessments in Planning	
For further information about this report please contact	Dave Barber Head of Development Services Dave.barber@warwickdc.gov.uk	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	20 th June 2018 (Council) Minute no. 15	
Background Papers	Notice of Motion to Council 20/6/18 Planning Practice Guidance	
Contrary to the policy framework:	No	
Contrary to the budgetary framework:	No	
Key Decision?	Yes	
Included within the Forward Plan? (If yes include reference number)	Yes (965)	
Equality Impact Assessment Undertaken	No	
Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	5/10/18	Bill Hunt
Head of Service	28/9/18	Dave Barber
Section 151 Officer	10/10/18	Mike Snow
Monitoring Officer		Andy Jones
Finance	10/10/18	Mike Snow
Portfolio Holder(s)	11/10/18	Cllr Alan Rhead
Consultation & Community Engagement		
None		

1. Summary

- 1.1 This report provides an update on national policy and guidance relating to the viability assessment following the publication of the update National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG) in July 2018. It also proposes the approach the Council should take to requiring and publishing viability assessments in response to the Notice of Motion agreed at Council on 20th June 2018.

2. **Recommendations**

- 2.1 That Executive agrees to the adoption of the Viability Assessment process and guidance set out in paragraphs 3.5-9 below

3. **Reasons for Recommendations**

- 3.1 Recommendation 2.1: On 20th June 2018, the Council supported to the following Notice of Motion:

"Council asks Executive to

- set out clear viability criteria based on market value compared with land value and construction costs;*
- require viability assessments for developments of more than 10 units where less than 40% of the development is affordable housing as part of the planning process and for these to be made public; and*
- require all information submitted for the viability assessment (including any which the Council agrees is commercially sensitive) to be made available to members of the planning committee and other Councillors on request, well in advance of determination of the planning decision.*

subject to a report brought to the Executive for them to consider on this matter so that Members are fully informed in respect of the Government's latest National Planning Policy Framework and the Planning Practice Guidance and the implications of this for Warwick District Council and the delivery of the Local Plan."

- 3.2 Since then, the updated National Planning Policy Framework (NPPF) and Planning Practice Guidance (PPG) have been published in July 2018. At paragraph 57 the NPPF 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."

- 3.3 The PPG provides detailed guidance to support this national policy. These parts of the PPG are lengthy and cannot be reproduced in full here. However the key points to note from the guidance are:

- Viability assessments should be undertaken at the plan-making stage using standardised inputs (see below). This may reduce the necessity to undertake viability assessments at the application stage.
- Viability assessments should only be undertaken at the application stage where the applicant demonstrates there are particular circumstances to justify the necessity.
- At the application stage, viability assessments will need to clearly demonstrate why the viability assessment undertaken at the plan-making stage is out of date or not relevant.
- All viability assessments are recommended to be undertaken using a set of defined standardised inputs which are defined within the PPG. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return. This helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.
- Specifically, the standardised inputs include:

- Method for **defining gross development value** (this makes it clear that the price paid for land should not be relevant justification for failing to accord with the Local Plan policies)
- Method for **defining costs** including:
 - § build costs
 - § abnormal costs
 - § site-specific infrastructure costs
 - § total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure and CIL
 - § general finance costs
 - § professional, project management, sales, marketing and legal costs
 - § project contingency costs (in some circumstances)
- Method **for defining land value** involving a benchmark land value, established on the basis of the existing use value of the land, plus a premium for the landowner
- A definition of **existing use value**
- A method for defining the **landowner premium**
- A method for defining a **return to developers** (15-20% of gross development value, with a lower figure for affordable housing)
- An explanation of how the process should apply to the **build to rent sector**
- A recognition that complexity and variance is inherent and that therefore viability assessments need to be prepared with professional integrity by a suitably qualified practitioner.
- Viability assessments should be set out in a way that aid clear interpretation and interrogation by decision makers. Reports and findings should clearly state what assumptions have been made about costs and values. At the decision making stage, any deviation from the figures used in the viability assessment of the plan should be explained and supported by evidence.
- Viability assessments should be prepared on the basis that they will be made publicly available other than in exceptional circumstances – and even in those circumstances an executive summary should be made publicly available
- An executive summary should be prepared in accordance with data standards published by government and in line with a national template
- Where a viability assessment is submitted to accompany a planning application, the executive summary should refer back to the viability assessment that informed the plan and summarise what has changed since then.

3.4 Whilst it is recognised that the standardised inputs still require expert interpretation in the context of specific sites, they do provide a clear framework for the preparation of viability assessments that will be recognisable by decision makers and the public alike. This will aid clarity and transparency, particularly in the context of the requirement for an executive summary to be prepared in line with a standard national template.

3.5 The requirements and guidance provided by the new NPPF and PPG address many of the requirements suggested in the 20th June Notice of Motion. It is therefore proposed that the Council adopts the approach set out in the PPG and:-

- a) uses the approach in relation to the next review of the Local Plan
- b) applies the standardised methodology and guidance on publication in full for any viability assessments undertaken in support of planning applications once this is published.

- 3.6 These requirements will be placed on applicants who wish to submit a viability assessment in support of a planning application, as well as on independent reports prepared on behalf of the Council to assist with the consideration of planning applications. In most circumstances the Council will expect viability assessments prepared by applicants and independent reports prepared on behalf of the Council to be published in full. Exceptions to this may be applied in line with the PPG, but in all cases the executive summary will still be published.
- 3.7 The timing of the publication is also important. The publication of these reports should always take place promptly to maximise the time available for members of the public and Councillors to take account of them in preparing comments and objections to applications. In most cases this will mean that any viability assessment submitted by the applicants will be published ahead of or during, the 3 week consultation period. However, there may be occasions when viability only becomes apparent as an issue during the application process (for instance as a result of Section 106 requests from consultees). On these occasions, the viability assessment will be published as early as possible and resulting supplementary comments and objections will be accepted up until the day of the decision. Viability reports prepared on the behalf of the Council as part of the consideration of the planning application will also be published promptly once they are completed. As these reports often take some time to prepare, the publication of these reports will often fall outside the three week consultation period. Again, supplementary comments and objections resulting from the publication of such reports will be accepted up until the day of the decision.
- 3.8 The Notice of Motion suggests that the Council *"requires all information submitted for the viability assessment (including any which the Council agrees is commercially sensitive) to be made available to members of the planning committee and other Councillors on request, well in advance of determination of the planning decision."* It is anticipated that, except in rare cases where there very specific circumstances as detailed below, the processes set out in paragraphs 3.4 to 3.7 above will be sufficient to ensure that members of the Planning Committee and other Councillors have access to all information relating to the viability assessments well in advance of determination of the planning application. Wherever possible, planning officers will require all viability information, including the Council's independent viability report to be provided and published ahead of the publication of the planning committee agenda. Only in rare exceptional cases, where unforeseen but important information is provided following the publication of the Planning Committee agenda will viability information be published after the completion of the officer's report to Planning Committee. In these circumstances, as with other considerations (such as highways data or responses from statutory consultees) the information will be published in a supplementary report in advance the Committee.
- 3.9 Finally the Notice of Motion suggests that the Council *"requires viability assessments for developments of more than 10 units where less than 40% of the development is affordable housing as part of the planning process..."* This is already Council policy as set out in the Local Plan policies H2 (affordable housing) and DM2 (Assessing Viability). Development Services will continue to ensure compliance with these policies including ensuring viability assessments are required where applicants are seeking to justify a level of affordable housing provision that is below 40%.

4. Policy Framework

4.1 Fit for the Future (FFF)

The Council's FFF Strategy is designed to deliver the Vision for the District of making it a Great Place to Live, Work and Visit. To that end amongst other things the FFF Strategy contains several Key projects.

The FFF Strategy has 3 strands – People, Services and Money and each has an external and internal element to it. The table below illustrates the impact of this proposal if any in relation to the Council's FFF Strategy.

FFF Strands		
People	Services	Money
External		
Health, Homes, Communities	Green, Clean, Safe	Infrastructure, Enterprise, Employment
<u>Intended outcomes:</u> Improved health for all Housing needs for all met Impressive cultural and sports activities Cohesive and active communities	<u>Intended outcomes:</u> Area has well looked after public spaces All communities have access to decent open space Improved air quality Low levels of crime and Anti-Social Behaviour (ASB)	<u>Intended outcomes:</u> Dynamic and diverse local economy Vibrant town centres Improved performance/productivity of local economy Increased employment and income levels
Impacts of Proposal		
The proposals support transparent decision making in line with national policy to bring forward housing proposed in the Local Plan	N/A	The proposals support transparent decision making in line with national policy to bring forward Local Plan proposals and necessary infrastructure
Internal		
Effective Staff	Maintain or Improve Services	Firm Financial Footing over the Longer Term
<u>Intended outcomes:</u> All staff are properly trained All staff have the appropriate tools All staff are engaged, empowered and supported The right people are in the right job with the right skills and right	<u>Intended outcomes:</u> Focusing on our customers' needs Continuously improve our processes Increase the digital provision of services	<u>Intended outcomes:</u> Better return/use of our assets Full Cost accounting Continued cost management Maximise income earning opportunities Seek best value for money

behaviours		
Impacts of Proposal		
N/A	The proposals bring forward improvements to the Council's approach in line with national policy	N/A

4.2 **Supporting Strategies**

The proposals in this report support the Local Plan

5. **Budgetary Framework**

5.1 There are no budgetary implications associated with this report

6. **Risks**

6.1 As the PPG is only recently published, there is a risk that elements of the PPG's standardised methodology will be interpreted differently by different bodies thereby leading to challenges and variation in approach. Officers will keep abreast of national developments in this regard and in the meantime will ensure that applicants adhere closely to the methodology.

6.2 There is a risk that important viability information will become available late in the application process (e.g. after the publication of the planning committee agenda). In these circumstances officers will seek to publish information as soon as possible and will ensure the planning committee is as well briefed as possible. In the event that planning committee members do not feel they have had sufficient information (or have not had time to fully consider late information) it is within their gift to defer a decision on the application.

7. **Alternative Option(s) considered**

7.1 An alternative option would be to develop bespoke criteria and process for address viability assessments. However to do this there would need to be clear local evidence as to why WDC should depart from national guidance. As no local evidence exists, this is not recommended.