

## Response to comments by Pioneer Property Services on behalf of Robert Hitchens Ltd

Consultation	
2.1 2.3	<p>“Paragraph 1.11 of the LPVA suggests that the viability assessment has been undertaken in conjunction with ‘discussion’ with the ‘local development industry’. However, this is described as consisting solely of sending out a questionnaire by post to 17 recipients (who are not listed) without any subsequent meaningful discussion through viability workshops or consultation sessions or follow up meetings with individual respondent organisations.”</p> <p>RHL are unaware of the questionnaire.</p> <p>“Given the limited suggested amount of interaction between PPE and relevant stakeholders it is unclear how the assumptions within the LPVA can have been robustly arrived at.”</p>
	<p>The questionnaire was sent to a specific consultant at Pegasus on 23/05/19. This consultant is presently acting on RHL’s behalf and has done so throughout the preparation of the TBP. No response was received. We would also note that similar development assumptions have been consulted on and examined as part of the GCT Local Plan and CIL Examinations work. In the updated TBP viability assessment work, only minor deviations from these assumptions have applied.</p>
Local Policy Impacts on Viability	
3.1 & 3.2	<p>“In section 3 the LPVA appears to conclude that only 2 out of 31 policies within the adopted JCS have any cost impacts on development – it is surely a massive over simplification to conclude that only Policy SD11 Housing Mix and SD12 Affordable Housing within the JCS (which is acknowledged in the draft Tewkesbury Borough Submission Draft Local Plan (“SDTBP”) to set out the strategic policy requirements whilst the SDTBP is non-strategic in nature) will have cost implications for developments within Tewkesbury Borough (“TB”).”</p> <p>“Similarly, it is of significant concern that the LPVA assumes that c.67 out of c.84 SDTBP policies will have no cost implications for development within TB. No explanation is provided of the nature of the impacts (or why there is a lack of one) on development; it is simply stated that there is no impact.”</p>
	<p>The tested TBP policies are those that are highlighted as having a direct and clear cost implication resulting in a viability impact beyond a deminimis impact. Therefore, for the purpose of viability testing the SDTBP we consider that the appropriate policies and costs have been included.</p>
Sales Values	
4.3	<p>There is no commentary on how / if any outliers (i.e. unusually high or low) values have been checked for to ensure these do not result in misleading averages – it is noted based on a review of the data that some of the data appears to reflect the sales of bungalows. Such accommodation tends to attract higher per sqm values and will skew averages for detached houses for example. This level of information is available within the EPC certificates used to ascertain the floor areas.</p>
	<p>In rare occasions, EPC and Land Registry provide some transactions significantly different to others. Given these are often rare, they can be accounted for by removing the top and bottom 10 outliers as a default. The TBP Viability Assessment Report paragraph 4.12 notes that the sales values averages are after removing the 10 outliers at the top and bottom ends of the identified sales transactions. Specifically, in the case of Tewkesbury sales data, over 80% of the transactions published in the appendix (i.e. over 900 transaction) fall within £500 of the average £ per sqm figure, which provides a statistically sound source of data from which to derive mean averages.</p>

4.3	<p>The sales value assumptions appear to be based on new build land registry sold house prices alone – the market does not operate in a vacuum and the lack of analysis of non-newbuild transactions means that sales values assumptions will negate to reflect underlying market trends and constraints on values set by existing stock availability etc that will impact on the viability modelling. Given the reliance upon historic rather than current new build sales values data this is of particular relevance.</p> <p>It is important to recognise that new-build sales are intrinsically linked to the second-hand market. Housebuilders are ‘price takers’ and not ‘price makers’ and therefore pitch prospective values based on how their product compares to what is available in the local second-hand market. Whilst a premium for new-build accommodation will typically be achievable this must be carefully and realistically considered otherwise prospective buyers will revert to the second-hand market to resolve their housing needs.</p> <p>On this basis housebuilders do not and cannot ‘set’ the price of their newbuild products without careful analysis of the second-hand offer. The LPVA does not consider the influence of the second-hand market and focusses only on the new-build sales with these not being analysed and adjusted as appropriate for the key factors of property type (i.e. are bungalows included within detached / semidetached typologies or do terraced houses include higher end multi-floored town houses), size and specification.</p> <p>For the analysis of the market to accurately inform the modelled sales values the modelling should begin with a thorough analysis of the second-hand market identify any local patterns and consider how the quality of the offer reflects on price. These need to be considered and understood clearly before a conclusion on the right modelling price can be confidently determined.</p>
	<p>If the values for houses was based on a small sample size, then further forensic analysis may be necessary. But as already noted, the identified and tested sales values averages used in the TBP Viability Assessment Report are based on the mapping of 1,181 residential new build transactions. We are confident that should reduce any chance of sample bias within the purpose of this high level study.</p>
4.3	<p>The level of incentives packages applied to new-build units will vary and is often difficult to explicitly identify given these will not necessarily appear as part of the sale price (or build cost). An example of this is part exchange products offered by many housebuilders which involve attractive prices on the second-hand property in return for a close to asking price position on the new property. The sale of the new-build attracts a cost to the developer but because this appears against the part exchanged property and not the newbuild one it is to an extent a hidden subsidy within the scheme. A further example is where Stamp Duty costs being are borne by the developer which is not going to show up in the Land Registry data.</p>
	<p>Noted, but we would not expect that this will be applicable to many of the transactions used to derive sales values since, from our experience with talking with national house builder sales teams, this is the exception rather than the norm.</p>
4.3	<p>Larger sites will not be in a position to secure and maintain the price point currently available in a narrowly defined local market given the delivery rate will exceed the local demand which supports those prices. Inevitably sales rate, incentives, specification and price will need to adjust to maintain a consistent delivery rate against sites (and second-hand sales) competing in the same market. On this basis a more considered review of price points is necessary to have regard to the likely buying decisions of incoming purchasers.</p>
	<p>The site allocations are not considered sufficiently large to be burdened by the need for incentives to meet delivery rates that may sometimes happen on very large sites with multiple outlets. The tested site typologies in the TBP Viability Assessment Report include</p>

	<p>no sites that are particularly large where releases would be likely to oversupply the market. The largest tested typology to reflect TBP delivery is a 130 unit scheme.</p>																				
4.3	<p>It would be typical for a report such as the LPVA to consider the second hand market in detail and set a range of price points for various types of property including by bedroom number.</p> <p>The LPVA section on sales values requires restructuring to introduce the evidence, consider how it relates to particular site types and then step by step explain how conclusions have been drawn.</p> <p>The analysis of new-build properties should be developed to ensure that quality, site setting and location are considered as these will need to be appropriately factored into any figures relied upon. In the LPVA all new build products appear to be treated the same in terms of how they inform sales price even though they represent a range of different products from a range of housebuilders with each likely to have differing fit-out and finishing costs.</p>																				
	<p>See above responses regarding sampling sizes and method.</p>																				
4.3	<p>The map presented in Figure 4.4 of the LPVA is not meaningful – averaging values on a per ward apparently arbitrary basis may fail to reflect some of the actual value differences across the Borough possibly combining some high value areas in a ward which otherwise contains mainly low values and skewing the values. It is difficult to provide meaningful feedback on the broad ward level values (or the even broader three value zones applied in the actual modelling based on page 35) when these do not relate to any meaningfully identified / explained sub-markets on the ground.</p>																				
	<p>We are aware that there will be value differences within wards. But an analysis of values across 22 wards provides a level of granularity that, in line with national guidance, is appropriate for this type of high level viability study. Also, values do not vary significantly across Tewkesbury compared with our experience of other Plan viability studies across the UK, and therefore using three value zones (with only £850 per sqm being the difference between the highest and lowest) is considered appropriate.</p>																				
4.3	<p>The level of data informing each ward average is not identified – a review of the LPVA Appendix C at a post code sector level suggests there are significant chunks of the Borough for which there is no data for certain dwelling types (see Appendix 1 to this report). It is therefore unclear how the sales values in Figure 4.4 of the LPVA have been reliably derived at a Ward level. There is no data at all within the LPVA Appendix C on flatted transactions despite the body of the report stating an extended time frame has been used to assess apartment values due to a low sample.</p>																				
	<p>The sample sizes of each of the wards are shown below. Basing the study on a ward level means that there is a strong sample size for the majority of the wards. We acknowledge that some of the wards have a relatively smaller sample size. Where this occurs professional judgement has been used to place into appropriate bandings vs likely delivery of allocated sites within the TBP.</p> <table border="0"> <tr> <td>Ashchurch with Walton Cardiff</td> <td>31</td> </tr> <tr> <td>Badgeworth</td> <td>16</td> </tr> <tr> <td>Brockworth</td> <td>170</td> </tr> <tr> <td>Churchdown Brookfield</td> <td>1</td> </tr> <tr> <td>Cleeve St Michael's</td> <td>229</td> </tr> <tr> <td>Cleeve West</td> <td>164</td> </tr> <tr> <td>Coombe Hill</td> <td>98</td> </tr> <tr> <td>Highnam with Haw Bridge</td> <td>40</td> </tr> <tr> <td>Hucclecote</td> <td>56</td> </tr> <tr> <td>Innsworth with Down Hatherley</td> <td>132</td> </tr> </table>	Ashchurch with Walton Cardiff	31	Badgeworth	16	Brockworth	170	Churchdown Brookfield	1	Cleeve St Michael's	229	Cleeve West	164	Coombe Hill	98	Highnam with Haw Bridge	40	Hucclecote	56	Innsworth with Down Hatherley	132
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	<p>Isbourne 5</p> <p>Northway 10</p> <p>Oxenton Hill 62</p> <p>Shurdington 37</p> <p>Tewkesbury Town with Mitton 39</p> <p>Twyning 42</p> <p>Winchcombe 49</p> <p>The sales data for new build flats have mistakenly been omitted from the TBP Viability Assessment Report appendices, and therefore we will publish them as an addendum to the report in the Examination library.</p>
4.3	<p>There is equally no explanation of how the ward level LPVA conclusions then inform the three value zones applied in the modelling and summarised (without the benefit of a map) in Tables 5.2, 5.3 and 5.8 for houses to suggest the following appraisal inputs:</p> <p>Zone 1 = £3,550 per Sqm</p> <p>Zone 2 = £3,150 per Sqm</p> <p>Zone 3 = £2,700 per Sqm</p> <p>Flats have been ascribed a single sales value of £2,600 despite the LPVA suggestion that sales values differ across the Borough and despite the lack of data presented in respect of apartments. Whilst it is not possible to feedback meaningfully on the LPVA values given the lack of explanation on how values have been grouped and zoned, in general terms RHL consider that in their experience the values used in the modelling are too high for new build schemes in Tewkesbury Borough.</p>
	<p>The level of detail within the TBP Viability Assessment Report, and as further discussed above, is considered to be proportionate evidence for its purpose in line with the requirements set by national guidance.</p>
4.3	<p>The LPVA applies an uplift to the sales value data within Appendix C based on the uplift in the Borough wide House Price Index between the date of the transaction and March 2019. However, this assumes that sales values in each sub-area have increased in line with Borough wide averages which themselves, given the observations on the scale of the data in certain locations, are likely to be skewed to reflect values in areas with a high sales turnover.</p>
	<p>Noted. However, this is a commonly used technique used in viability assessments of this kind and we are not aware of an equivalent below the borough-wide view. It is therefore based on available and proportionate evidence in line with national guidance.</p>
Residential site typologies	
	<p>Furthermore, the only windfall scenarios that are tested are for sites providing between 4 and 9 dwellings on brownfield and greenfield sites, with no greenfield windfall sites tested in 'high' value zone 1. This fails to reflect the reality that larger windfall sites, including greenfield windfall sites, are likely to come forwards during the emerging plan period. Whilst the generic nature of the LPVA testing means that such sites are likely to be broadly comparable to one of the site typologies tested, where the viability modelling assumptions underestimate cost impacts and overestimate revenues the LPVA will be unable to provide a robust assessment of the viability of JCS and SDTBP policy burdens.</p> <p>Should larger sites come forwards (i.e. 100+) the economic impacts of JCS and SDTBP policies will not have been tested for such typologies and if adopted on the basis of the LPVA testing it is clear that such sites would have a clear justification for proposing site level viability assessment (to which significant weight would need to be applied in decision making) within the context of the NPPF which makes it clear that the full range of viability impacts should be tested primarily at the Plan making stage, but does not preclude site level testing.</p>

	<p>The testing of smaller sites have been tested as brownfield sites, which are typically less viable than greenfield sites. While we could include similar testing on greenfield sites, brownfield sites were tested to present the worst-case scenarios.</p>
<p>Site mix and unit sizes</p>	
	<p>The modelling in the LPVA assumes a size mix based on the September 2015 SHMA Update Note. This is now four years old and means that the viability testing in the LPVA will not reflect the latest SHMA evidence the preparation of which is suggested to be underway and which will inform the review of the JCS strategic policies and should therefore inform any non-strategic policies within the draft TBLP.</p> <p>As soon as the updated SHMA evidence is available and where this is used to inform policy approaches to housing mix the LPVA will be out of date. This is a clear example of why the draft TBLP should not be advanced ahead of the JCS review.</p>
<p>Noted</p>	
	<p>Another concern is that where broad SHMA housing mix estimates based on secondary data exercises fail to reflect demand on the ground the viability assessment will actually be drawing conclusions based on a newbuild development mix that bears no resemblance to the reality of what needs to be provided to meet real world demand and ensure a steady sales rate (and thus scheme viability).</p> <p>Viability testing is expected to be based on current costs and values and yet the LPVA does not appear to have undertaken any detailed analysis of real world current housing mix delivery as a sense check of the slightly aged SHMA broad mix estimate which is based on a collection of assumptions in terms of the way in which households will consume housing any of which may prove to be unreliable.</p> <p>In this respect it can be seen that there is a clear disconnect between the market sale housing mix that the LPVA suggests is likely to be 'preferred in the future' in Figure 4.3 which suggests a 51% proportion of detached homes and a 18% proportion of terraced and flatted homes (paragraph 4.6) and the SHMA based mix used for modelling within Table 5.5 which suggests only c.19% 4 bed market homes (most likely to be detached) and c.38% 1 to 2 bedroom homes (most likely to be flatted or terraced).</p>
	<p>Planning Policy Guidance (001 Reference ID: 10-001-20190509) requires assessment <i>"takes into account all relevant policies, and local and national standards"</i>. We consider the direction of the SHMA on the housing mix to fall into this category, which is a justifiable basis for the appraisal.</p> <p>It should also be noted that a 10-unit scheme, with the mix and floorspace assumed in the appraisal produces 937 sqm, which equated to 93.7 sqm per unit. The listed transactions data in Appendix C of the TBP Viability Assessment Report identifies an average of 111 sqm within new build homes built sold between January 2016 and March 2019. Therefore, the mix and sum of floorspaces that have been used in the appraisal may actually undervalue the achievable sales volumes achieved in the 'real world' (given that additional floorspace has a greater impact for values than build costs), presents a worst case scenario for testing draft TBP policies.</p> <p>Similarly, if we were to test the mix in Figure 4.3 in the TBP Viability Assessment Report, as suggested by Pioneer, then this would mean a higher proportion of detached houses, and the likelihood that the average sqm of each unit being higher, benefitting scheme viability.</p>

	<p>The LPVA acknowledges that the type and size of units will have an impact on viability – where the housing mix results in a higher housing density than will actually be likely to be provided it is likely to suggest a greater revenue than may actually be achievable, particularly where bungalows are required by local authorities or increased floor area standards are sought as the impacts on land take versus sales revenue will be greater on a low density scheme.</p>
	<p>Lower densities in development may reduce the unit numbers that are sold, but there will often need to be other considerations in terms of the sizes of units (therefore increasing floorspace and value) and high values paid as a premium for living in an area with lower densities.</p>
	<p>In terms of floor areas the LPVA applies Nationally Described Minimum Space Standards (“NDSS”) in the modelling as set out in Figure 5.7 (based on the average minimum NDSS sizes suggested per unit type). Seemingly contradicting the October 2019 TBC Space Standards Background Paper, which suggests that the application of NDSS is needed because the majority of new developments are falling short of NDSS floor areas, the LPVA suggests that there is little difference between the floor areas that have been achieved and the minimum NDSS. This further calls into question the Council’s argument for a need to impose the NDSS as a policy requirement.</p> <p>Whilst the floor areas tested are increased to reflect NDSS as a result the LPVA modelling increases revenue per unit in addition to build costs. However, as the LPVA acknowledges in respect of the impact of the imposition of a requirement for homes to be constructed to meet M4(Cat2) and M4 (Cat3) which require larger than minimum NDSS floor areas – the increase in size is likely to generate increases in build costs without increases in value.</p> <p>Whilst this reasoning appears to feed through into the example appraisals in Appendix A (with reduced floor areas assumed for the revenue compared to the M4(Cat2) and M4 (Cat3) assumed floor areas applied for build costs, there appears to be no similar adjustment for revenue in respect of the NDSS increases in size compared to what would normally be delivered.</p> <p>Also, the LPVA, whilst adding a small amount per dwelling for adaption costs etc in respect of M4(Cat2) and M4 (Cat3) dwellings, does not appear to take into account the potential impact on land use that the application of the increased floor areas (i.e. based on the NDSS and even more so on the M4(Cat2) and M4 (Cat3) standards) will have. As such, the modelling is unlikely to reflect the full extent of any economic impacts upon development as a result of either NDSS or M4(Cat2) and M4 (Cat3) standards.</p>
	<p>No costs are assumed for NSS based on the presumption that the majority of dwellings are being built, on the whole, to the sizes that would be more than the minimum NDSS floorspace sizes. But it is important to note that just because these average unit sizes are being delivered above the minimum average NDSS sizes this does not mean that all units are complying with the NDSS. That is, it could be that just less than half are being built below the minimum NDSS or nearly all units are meeting the minimum NDSS but their internal room and storage sizes do not comply. The latter will be about design and not costs.</p> <p>But costs are applied to M4(Cat2) and M4(Cat3) since this may require adaptation costs being above, our understanding, of what homes are currently being built at.</p>
	<p>It is unclear how the LPVA has arrived at the proportions of homes to be tested to be constructed to M4(Cat2) and M4 (Cat3) standards as this is not something that is identified in terms of net housing need within SHMA evidence and / or set out within draft Policy</p>

	<p>wording. The LPVA appears to arbitrarily test 50% of market housing and nil affordable housing to M4(Cat2) and M4 (Cat3) standards in its 'Policy Layer 7' modelling and 50% of market housing and 5% affordable housing to M4(Cat2) and M4 (Cat3) standards in its 'Policy Layer 8' modelling. Given that emerging policy includes no proportions the LPVA cannot be concluded to fully reflect the potential maximum cost impacts should the Council seek to impose requirements that exceed those tested.</p>
	<p>The 50% was based on evidence from the SHMA indicating that the projected population growth of people in the 65 or over category will be 47% of the overall growth, and given the strong correlation between age and long-term health problems or disability, a policy requiring 50% Cat2 (rounded up from 47%) could be justified. However, TBC has not included that specific requirement in their draft policies, which require only that Cat2 provision is based on evidence of need. But given available evidence of need (i.e. the SHMA) suggesting that the need will be 50%, this is a reasonable assumption to use as a basis for viability testing the draft TBP.</p>
	<p>There is no assessment within the LPVA of how the imposition of any Self-Build or Custom Build requirement from development through RES13 would impact on viability. The only reference in the LPVA suggests that such a requirement has no notable cost on development with reference to a third party non-Borough specific study. It is illogical to suggest that making a requirement for land to be put aside, for plots to be marketed for an indeterminate length of time and provided on a site in such a way that is deliverable in a practical and safe way (with wider masterplanning implications) will result in nil additional notable costs to a developer.</p>
	<p>RES13 requires Self and Custom build homes <i>"where there is evidence of appropriate demand identified on the Council's Self and Custom Build Register"</i>. Given that it does not prescribe an exact mix, and relies on the use of the council's register it is difficult to translate this policy into the appraisal as it is unclear which typologies it would be likely to apply.</p> <p>With regards to Pioneer's comment in relation to the cost implications in delivering Self and Custom build units, we would assume that these would be negated by the positive impacts they could potentially have on viability. For instance, there is a likelihood that there could be a value (economic rent) premium for Self and Custom build units over other market homes; and that they may do not require a profit expectation since the units are not sold. Additionally, they would not be eligible for the CIL levies that have been tested in the site typology appraisals. It is therefore unlikely that such schemes would incur costs that are not outweighed by their benefits.</p> <p>Also, RES13 states that if the Self and Custom build units are not sold after a 12 month marketing period they may be able to revert back to be built out by the developer or landowner. The appraisal, therefore, is on this basis, which incurs a de minimus holding cost.</p>
<p><b>Build costs</b></p>	
	<p>The LPVA uses the BCIS to inform baseline build costs excluding externals and 'opening up costs'. The BCIS build costs as at Quarter 2 2019 are rebased to TB and based on a 15-year period with median build costs being applied to schemes of 4 to 50 dwellings and lower quartile costs are applied to larger schemes.</p> <p>The evidential basis of the economies of scale referred to as being achieved on schemes of 51+ units compared to schemes of 50 or less is not clearly referenced and set out in a supporting appendices; there are just broad statements on indications within the BCIS sample.</p>

External works costs are applied in the LPVA at 10% of the base build cost regardless of the median and lower quartile starting point.

It is important to make a distinction between the uplifts applied to BCIS to reflect the costs of external works and services to the house plot and those wider estate infrastructure costs associated particularly with large strategic sites.

The LPVA does make this distinction in terms of site opening up costs at least, but suggests that the 10% uplift applied to the base BCIS allowance (along with £8.1k per garage where these are assumed for a proportion of units) will be sufficient to cover ALL plot specific external works (including everything from landscaping, fencing and drainage) along with a cost assumption per unit (at just £5k per unit on sites of 50+) in respect of all roads, services and major works to service the wider site.

However, uplifts of 20% are often used as a proxy to allow for services / externals on small to medium sites which do not involve extensive site service costs on the basis that the development plot is essentially serviced. Town centre apartment schemes could be potentially lower subject to design and layout of the external spaces although below ground parking solutions will significantly alter this position.

However, an uplift of 20% will certainly not cover the additional servicing and 'infrastructure' costs associated with bringing forward larger greenfield sites where these involve a wide range of estate roads of differing hierarchy, local network improvements and often complex drainage and utilities upgrades. Even medium size sites may be subject to greater opening up costs where more complex infrastructure beyond quite basic items is required.

Given the generic approach taken within the LPVA and the lack of detailed understanding of the actual infrastructure costs the proposed SDTBP allocations will incur, and the unknown circumstances that could face any large windfall sites, the LPVA should at least have undertaken some sensitivity testing on this point with a 20% uplift over baseline build costs as a minimum starting point plus additional opening up costs to reflect the impact on more complex sites. This is before getting to any additional requirements sought based on policies proposed in the SDTBP.

The timing of these costs are similarly critical - as much of the site servicing will be necessary ahead of unit completions this adds significantly to the borrowing requirement on the project which further affects viability.

The LPVA suggests that c.80% of the dwellings to be delivered will be provided on greenfield sites and that c.78% of the dwellings will be on sites sized 50 to 166 (based on the LPVA capacity assumptions). On this basis the cost assumptions applied above the baseline build costs are unlikely to fully reflect the extent of on-plot externals plus site opening up costs for much of the proposed development in the Borough.

Given the NPPF objective of significantly boosting housing supply and the housing requirement numbers included in plans being a minimum rather than a capped position windfall sites are likely to come forwards and these may include larger greenfield sites with more complex infrastructure needs.



	<p>As noted in the TBP Viability Assessment Report Chapter 5, opening site costs have been applied to all site typologies based on 10% of build costs for externals within for smaller schemes, and larger sites typically above 50 units but with fewer than 200 units, tested with an additional £5000 per unit for more extensive site opening-costs such as a minor spine road and enhancement into the site’s utility provision. We consider these assumptions to be appropriate and such industry standard assumptions have been found sound at many Examinations, including the Cheltenham, Gloucester and Tewkesbury Local Plan JCS Examination in 2017 and the subsequent CIL Examination in 2018. Should there be a disagreement with this then we would welcome an real world evidence to enable us to consider if the tested assumptions are likely to be significantly incorrect.</p>
<p><b>Land Value</b></p>	
	<p>The LPVA tests the viability modelling outcomes within the context of benchmark land values set at £375,000 per net hectare (or £151,822 per net acre). This is based on an agricultural land value of £25k per net hectare with a 15x uplift. However, this remains a largely arbitrary position.</p> <p>If conclusions about the release price for particularly greenfield land are to be drawn on the basis of the commentary presented in the LPVA this will not be linked to evidence and does not, therefore, appear to adhere to the principles established within the NPPG.</p> <p>Whilst the revised NPPF has altered a part of how land is considered in the context of viability it still requires a judgment to be made to establish the landowners release price for various types of land.</p> <p>The land value threshold, or release price, is a critical component of the overall appraisal model and must be suitably identified and evidenced. A failure to do this in the context of the market will potentially jeopardise the timely release of sites over the plan period.</p> <p>Even where the threshold land value identified in the model is based on evidence and due consideration of the market dynamics of the area it can only ever be an indicator of the release value of sites. Land sales represent a very personal decision for landowners who will make decisions based on a broad range of factors. It is important that decisions on policy which reference a particular threshold do not make the incorrect assumption that a given site WILL come forward at that particular level. It is for this reason that a degree of headroom is important when drawing policy conclusions linked to modelled scenarios.</p>
	<p>The PPG Viability sets out the government’s recommended approach to viability assessment for planning. Importantly, in defining viability it states that a residual land value after costs are deducted from revenue, should be based on “...the existing use value (EUV) of the land, plus a premium for the landowner.” Also, the BLV should reflect existing and anticipated policy requirements and planning obligations including CIL.</p> <p>While the PPG also notes that the BLV should be informed by comparable market evidence, which may or may not have anticipated policy requirements, it also states that the “Existing use value is not the price paid and should disregard hope value.” In this regards, the BLV is an estimate of the lowest value required by a land owner.</p> <p>Should there be a disagreement with the TBP Viability Assessment Report tested (a) existing use value of agricultural land, which is generally at the higher value for most greenfield sites since it reflects ‘productive land’ when not all greenfield sites are capable of productive agricultural use, and (b), the 15 times existing value premium, then we would welcome an real world evidence to enable us to consider if the tested assumptions are likely to be significantly incorrect.</p>
<p><b>Other cost assumptions</b></p>	
	<p><b>S106</b></p>

	<p>The LPVA assumes a £5k per unit s106 cost. However, this is not based on any clear evidence of the levels of s106 typically being charged post-CIL adoption (charging for which is understood to have commenced in January 2019).</p> <p>The £5k per unit s106 cost assumption included within the LPVA looks to be arbitrarily set. The recent November 2019 Bishops Cleeve Appeal Decision (reference 3229581) highlights<sup>7</sup> that the s106 costs that such developments are actually likely to be expected to bear add up to almost c.£18.5k per dwelling.</p> <p>This highlights why sensitivity testing the impact of increased cost / reduced revenues on viability is so important, particularly given the ongoing uncertainty facing the country in relation to BREXIT and the impending general election. The critical point is that the LPVA clearly needs to be re-visited with realistic s106 costs taken into account which accurately reflect how s106 costs will interact with CIL– currently the LPVA s106 cost assumption looks to be c.£13.5k per dwelling short for schemes of a similar typology to that in the Bishops Cleeve Appeal decision. It is clear increased s106 costs will result in even more of the schemes tested in the LPVA being unviable.</p>
	<p><a href="#">TBP Viability Assessment Report para 5.52</a> explains that the average s106, which based on information supplied by the council, was typically in the region of £7,710 per unit. This figure was reduced to £5,000 per unit to reflect the recent adoption of CIL in Tewkesbury on the basis that there will be no double dipping.</p> <p>While we welcome reference to the £18,500 per unit s106 that is applied within the Bishops Cleeve site Appeal decision, this does not reflect a ‘typical’ site and that figure, based on our knowledge of receipts, resembles a very top end. There will be many sites that have s106 rates set below the tested £5,000 per unit.</p> <p>There is no one size fits all s106 since they specifically relate to each site, hence an average rate has been tested. But in line with the proposed TBP policy, any site specific s106 viability difficulties can be addressed at the Application stage based on the Applicant’s viability evidence in relation to the specific scheme. To apply a higher than average s106 in the policy testing stage will unfairly serve to undermine the Council’s aspirations and plan for the area.</p>
	<p><b><u>TRAC9 Electric Charging points</u></b></p> <p>The LPVA assumes a cost of £976 per 50% of units for the installation of an electric vehicle charging point. This is referenced as being based on a Government document ‘Electric Vehicle Charging in Residential and Non-Residential Buildings’ published in July 2019. However, this same document cautions that:</p> <p><i>“However, we recognise that the cost of installing chargepoints can be high in areas where significant electrical capacity reinforcements are needed. To mitigate any potential negative impact on housing supply as a result of these regulations, this consultation seeks views on an appropriate exemption from the chargepoint installation requirement based on the grid connection cost. The consultation proposes the threshold for the exemption is set at £3600, which is three times the high scenario cost of the average electrical capacity connection required for one chargepoint.”</i></p> <p>On this basis, it is clear that the cost assumed in the LPVA is at the low end of what may be the true cost to developers where significant infrastructure installation is needed to support the additional electrical capacity needed as a result as a result of the installation of electric</p>

	vehicle charging points on new-builds.
	In line with the proposed TBP policy, any site specific TRAC9 Electric Charging points viability difficulties can be addressed at the Application stage based on the Applicant's viability evidence in relation to the specific scheme. To apply a higher than typical cost for Electric Charging points at the policy testing stage will unfairly serve to undermine the Council's aspirations and plan for the area.
	The allowance relied upon for contingency is low at 4% - particularly in context of infrastructure costs and more widely in a market where cost inflation is significant due to ongoing materials cost rises and labour shortages. It would be normal for a differential to exist between project types and for infrastructure items to carry more contingency than property superstructure. The report should reflect this with 5% general contingency and up to 10% on infrastructure elements.
	<p>Several Local Plan and CIL appraisals, such as those prepared by Three Dragons, include no contingency since every is assumed on average or typical development assumptions, which may increase or decrease in the real world. Therefore, including a contingency only penalises the Planning Authority's aspirations.</p> <p>However, a contingency set at 4% (as typically applied within site specific viability exercises) for any unknowns was included in the TBP Viability Assessment Report appraisals in line with the recent PPG Viability, which states that "<i>costs should be included in circumstances where scheme specific assessment is deemed necessary</i>".</p> <p>It is also worth also noting that this assumption of 4% was found to be appropriate at many Examinations, including the Cheltenham, Gloucester and Tewkesbury Local Plan JCS Examination in 2017 and the subsequent CIL Examination in 2018. Should there be a disagreement with this then we would welcome an real world evidence to enable us to consider if the tested assumptions are likely to be significantly incorrect.</p>
	<p><b>Finance</b></p> <p>Funding of development is a complex area which typically involves a number of different parties (including the developer) committing funds to support the development. The cost of these funds will not consistently lie at or below the 5.5% allowance identified in the LPVA and the interest costs for many scenarios will be above this allowance. This is particularly pertinent when considering phased longer timescale schemes.</p>
	<b>Noted.</b>
	<p>The LPVA assumes 20% on Gross development Value for market housing and 6% on Gross development Value for affordable housing. The level of appropriate developer return will vary by project and any single assumption which is applied across all typologies will be a significant simplification of the real position.</p> <p>The fact is that, notwithstanding guidance within the National Planning Policy Guidance, applying return assumptions at these levels across every project tested, regardless of complexity, risk or wider economic market challenges, will fail to reflect the reality of the greater level of return that will be needed to enable residential development to take place. Unless and until real world impacts such as this are taken into consideration the whole exercise of viability testing Plan policies will be of little use in providing a robust view on the extent of any burdens that development can bear.</p>
	<b>Noted.</b>
	Furthermore, for longer term projects it is unrealistic in modelling terms to assume that the developer will defer all profit to the end of the scheme. The 'single phase' appraisal

	approach that appears to have been run in the LPVA on the 100 / 100+ dwelling projects will fail to reflect the commercial reality that profit will need to be recovered from the scheme as it progresses rather than deferred entirely to the end of the scheme.
	Disagree with this approach to residual land valuation, since deducting profit before the end of the development results in an additional borrowing cost. Hence for larger (longer term) schemes typically built by the larger developers with several schemes on the go that will be releasing profits from these other completed schemes, the profit is assumed to remain within the scheme until the final accounts. Should profit come out at an earlier stage then the risk is less and therefore the profit, which reflects risk, should be less too.