

TEWKESBURY BOROUGH PLAN EXAMINATION – LIST OF MATTERS, ISSUES AND QUESTIONS – 16TH DECEMBER 2020

MATTER 6:

GENERAL HOUSING POLICIES

ON BEHALF OF: ROBERT HITCHINS LTD

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Introduction

Pegasus and Pioneer are instructed by Robert Hitchins Ltd to submit a Statement in respect of Matter 6, pursuant to the Matters and Questions identified by the Examination Inspector.

Separately additional Statements have been submitted in respect of the following Matters on behalf of Robert Hitchins Ltd:

- Matter 1
- Matter 2
- Matter 3
- Matter 7

Pegasus previously submitted representations in response to the Reg 19 Pre-Submission Plan in November 2019 and the Preferred Options Consultation in November 2018. The Hearing Statements should be read alongside our representations and supporting evidence.

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6. Issue: Whether the general housing policies in the plan are positively prepared, justified, effective, consistent with national policy and the JCS.

Questions:

6.1 If relevant, do the general housing policies in the TBP apply to the JCS Strategic Allocations in Tewkesbury Borough? If so, are they justified and effective in the context of Gloucester or Cheltenham (as the case may be), and if not, is this clear?

6.1.1 DP001 at paragraphs 1.4 and 1.5 sets out the purpose of the JCS to provide the strategic policies for shaping new development and location for new development up to 2031. More detailed locally specific planning policies are to be set out in the district plans. The district plans are to include policies for local allocations of land and local policies to guide decisions on planning applications. Similar paragraphs are included in CD001 at 1.4 and 1.5.

6.1.2 Therefore, in respect of the strategic allocations the policies are included in the JCS, Policy SA1 is a general policy for strategic allocations, then a policy is included for each strategic allocation. Other strategic policies are included in the JCS e.g. Affordable Housing Policy SD12, Housing Mix and Standards, Policy SD11

6.1.3 The Hearing Statement focuses on further points arising in respect of Policies RES12, RES13 and DES1 and should be read in conjunction with the representations on these policies submitted in response to the Pre-Submission Draft Tewkesbury Borough Local Plan ("PSDLP") on the 18th of November 2019 on behalf of Robert Hitchins Ltd.

6.2 Are the general housing policies in the plan positively prepared, justified, effective, consistent with national policy and the JCS? In some cases there are specific additional questions. In turn:

RES12 Affordable housing

• Is the policy consistent with the NPPF, JCS Policy SD12, justified and effective?

Viability

- 6.2.2 The submission of representations in response to the Pre-Submission Draft Tewkesbury Borough Local Plan ("PSDLP") on the 18th of November 2019 by Pegasus Group included comments prepared by Pioneer Property Services Ltd on behalf of Robert Hitchins Ltd in response to RES12 – this included a Viability Review 'Attachment A'.
- 6.2.3 The Council's viability consultant and author (Porter Planning Economics "PPE") of the Tewkesbury Borough Local Plan Viability Assessment September 2019 ("LPVA") has since responded to some of the points raised in Attachment A (see EB024e – May 2020) and this is the first opportunity to feed back on that response.
- 6.2.4 Please see 'Hearing Statement Attachment A' submitted with this Hearing Statement which includes feedback highlighted in yellow to each of the PPE responses within EB024e where relevant.
- 6.2.5 This highlights significant concerns in respect of the viability evidence underpinning Policy RES12 (and, therefore, other Plan policies).
- 6.2.6 These concerns include but are not limited to:
- a) the assumption applied in the LPVA in respect of s106 at £5k per unit. CIL charges are required to be paid by law and the examining Inspector has confirmed (in an email from the Programme Officer – 9th January 2021) that the CIL Charging Schedule, and the supporting evidence for this, will not be re-examined during the TBC LP examination.

Therefore, as CIL charges are fixed (and indexed) requirements, should s106 contributions exceed the level assumed in the LPVA modelling (at £5k

per unit) affordable housing will be the only thing left that can flex downwards to improve scheme viability.

The position advanced by Tewkesbury Borough Council ("TBC") to the current examination in paragraph 5.53 of the Viability Assessment is that "education costs...are expected to be offsite for the allocated sites and covered by CIL."

The CIL Charging Schedule was examined on the basis that all educational infrastructure was to be funded through CIL except where the need resulted from the development of strategic allocations, or where land was to be provided as set out in the Councils response to the Examiners Most Important Questions and assumed in paragraph 3.24 of the accompanying Viability Assessment.

In practice, the application of a non-tested non-statutory County Council document is seeing an additional education s106 cost of c.£16/17k per dwelling being sought by TBC and the County Council on large generic sites and proposed allocations (site references: 20/00608, 20/00245, 20/00140, 19/01227, 19/01098, 19/01084, 19/01071, 19/00781, 19/00772, 19/00771, 19/00758, 19/00676, 19/00531). It is not an isolated incidence contrary to the inference within EB024e. It has been applied to every large generic site.

s106 costs exceeding those included within the LPVA in conjunction with adopted Plan policy and CIL cost burdens will have a significant impact on the ability of the Council to deliver the planned level of development.

However, the examining Inspector has made it clear that the TBC LP is being examined on the basis of the assumption that TBC and the County Council will approach planning applications in accordance with adopted Plan policies and the CIL Charging Schedule and the viability assessment prepared in support of the TBC LP; namely that CIL will be used to fund education and s106 costs will align with those tested in the LPVA. This clarity is welcomed.

- b) The lack of sensitivity testing in terms of increased cost / reduced revenues (which is relevant in a study informing Plan policy spanning the

plan period) and the basis of the value zones and land value benchmarks assumed.

- c) Setting costs at the lowest end of a range of what may apply will result in assessment outputs at the margins of viability which is inappropriate in a high level study.
- d) The application of arbitrarily set land value benchmarks without supporting evidence (beyond the circular approach of referencing similarly arbitrarily set land value benchmarks in other local authority areas) – based on their experience of options agreements / land transactions in Gloucestershire Robert Hitchins Ltd consider that that the land value benchmarks assumed are significantly below the values that landowners generally require.

6.2.7 Whilst the clarity provided by the Inspector in respect of point 'a' is welcomed, further work needs to be undertaken on the LPVA to address concerns 'b', 'c' and 'd'. Currently, the LPVA does not provide evidence that the TBC LP allocations are viable.

6.2.8 In addition to the above points, on the 19th of January 2021 the Government published its response to the Future Homes Standard consultation and updates to Approved Document Part L/F. The Government's response confirms that a 31% reduction in whole house emissions (involving the fabric and the use of technologies) is the preferred option for bridging the gap between Part L 2013 and the implementation of the Future Homes Standard in 2025.

6.2.9 Whilst transitional arrangements will apply, unlike currently whereby whole phases or sites can be registered ahead of commencement to ensure that prevailing regulations will apply as at the time of registration, under the new proposals each property will have to be registered and meaningful commencement will be required within 12 months of the 2021 Approved Document being implemented (the Part L/F updates are anticipated to be applied later in 2021).

6.2.10 The response document also confirms that local authorities will retain autonomous ability to set energy efficiency standards – i.e. local authorities will be able to set energy efficiency targets in new dwellings that exceed the already ambitious 31% emission reduction.

6.2.11 The Part L/F changes have significant cost implications in the early years of the emerging Local Plan which are not reflected in the LPVA – the LPVA should be updated / sensitivity test the impact of these costs as part of the current examination process. Furthermore, if the Council is to seek even greater emission reductions then these should be tested through the plan process and fully viability assessed.

Summary

6.2.12 Clarity has been provided by the Examining Inspector that the TBC LP is being examined based on the assumption that TBC and the County Council will:

- **Approach planning applications in accordance with the CIL Charging Schedule and the viability assessment prepared in support of the TBP; namely that CIL will be used to fund education and Section 106 costs will align with those tested in the LPVA.**

6.2.13 It is necessary for TBC to:

- **Revise the LPVA, taking into account concerns raised regarding a lack of sensitivity testing, assuming costs at the lowest end of the scale resulting in outcomes at the margins of viability, applying arbitrarily set land value benchmarks which do not reflect reality, and to reflect the cost impacts of updates to Approved Document Part L/F anticipated to come into force later in 2021.**

Housing Needs Evidence

6.2.14 Following the PSDLP consultation submissions in November 2019 the Gloucestershire Local Housing Needs Assessment Final Report and Summary (September 2020) (“LHNA20”) has been published. This does not yet appear to have been included for consideration as a document within the Tewkesbury Borough Local Plan examination library (albeit is included on the Council’s website elsewhere), but warrants consideration now it has been finalised. This Hearing Statement represents the first opportunity to do so.

6.2.15 The LHNA20 suggests in figure 91 that c.22% of the overall planned housing supply 2021 – 2041 needs to be comprised of Affordable Housing (2,573

- divided by 11,720) taking into account the Local Housing Need figure assessed for the Borough.
- 6.2.16 Figure 62 of the LHNA read in conjunction with paragraph 8.76 (page 90) suggests that other households unable to afford market housing in the Borough (i.e. renting privately using Housing Benefit or able to afford to rent privately but aspiring to buy but with no realistic prospect of doing so even if an Affordable Home Ownership product at 60% discount to Open Market Value – “OMV” - is provided) are already adequately housed and does not recommend the inclusion of these households within the planned Affordable Housing requirement.
- 6.2.17 Indeed, it is generally the case that households adequately housed in Private Rented housing in receipt of Housing Benefit (1,240 in the Borough based on LHNA20 Figure 62, page 92) are not included as requiring additional Affordable Housing.
- 6.2.18 However, if it is to be suggested by the Council that the 3,100 households (LHNA20 Figure 62, page 92) renting privately and aspiring to purchase in the Borough but unable to afford even an Affordable Home Ownership product (at 60% discount to OMV due to lack of income and /or savings) should be included in the Affordable Housing policy target, then this needs to be reflected in the Affordable Housing tenure split pursued by the Council based on the LHNA20 (see comments under RES13 below). However, the inclusion of these households is clearly *not* the recommendation of the LHNA20.

Summary

- 6.2.19 The 40% Affordable Housing requirement within Policy RES12 is not supported by the LHNA20 which suggests that c.22% of the overall planned housing supply 2021 – 2041 in the Borough is needed as Affordable Housing.**
- 6.2.20 See also comments in respect of tenure and RES13 below, which is impacted upon by the proportion of overall Affordable Housing sought (paragraph 6.2.63 onwards).**

RES13 Housing mix

• **Is the policy justified and has the effect on viability been taken into account?**

- 6.2.21 In addition to the points raised by Pioneer Property Services Ltd in response to the PSDLP and submitted on the 18th of November 2019 the publication of the LHNA20 should be considered in terms of what it means for the approach towards housing mix within Policy RES13 given that the policy wording confirms that housing mix (including tenure) will be based on the latest evidence of local housing need and demand.
- 6.2.22 This is the first opportunity to submit comments on the LHNA20 to the Examination process, hence the level of detail and a summary is provided at the end.

Tenure

- 6.2.23 At paragraph 8.76 the LHNA20 suggests that across Gloucestershire the provision of 7826 homes (2021-2041) for households aspiring to home ownership (on the basis that they could afford a home at 60% of open market value – “OMV”) alongside a further 11,210 homes for households unable to afford this to be appropriate. This translates as a 41% split between affordable home ownership and 59% other forms of affordable housing.
- 6.2.24 This same proportion is indicated for Tewkesbury Borough in Figure 63 (page 92) and Figure 91 (page 156) of the LHNA where it is suggested that, 2020 to 2041, 1,067 (1,066 in Figure 91) households aspiring to home ownership are in affordable housing need and can afford 60% of open market value and 1,507 (in affordable housing need) cannot afford this.
- 6.2.25 There is no assessment of how many of the c.1066 PRS households aspiring to own can afford up to 80% of open market values (despite that this level of discount also complies with the NPPF affordable housing definition) and there is no assessment of how many of the 1,507 non-PRS households in need of affordable housing could afford and aspire to affordable home ownership – a proportion of these (particularly those able to afford Affordable Rent without Housing Benefit – Figure 91 suggests 301 such households) may also be able to afford Shared Ownership or other products at varying discounts to OMV.

- 6.2.26 Even if only two thirds of the 301 households (i.e. c.200) in Affordable Housing need suggested to be able to afford Affordable Rent without Housing Benefit / the Housing element of Universal Credit aspire to Affordable Home Ownership but cannot afford it this, added to the c.1,066 households requiring Affordable Home Ownership, suggests that 50% of the planned Affordable Housing should be provided as Affordable Housing for sale (i.e. $1,066 + 200 = 1,266$ divided by 2,574 overall planned Affordable Housing requirement).
- 6.2.27 A further 3,100 households are also aspiring to home ownership in the Borough but unable to afford it at 60% of open market values (due to insufficient income and/ or savings of less than £5k). These households are not included in the planned need for Affordable Housing suggested by the LHNA20. If the Council is including these households to arrive at the 40% Affordable Housing target within Policy RES12 (considered above) then this will further impact on the tenure split of Affordable Housing that should be sought from development proposals based on RES13 / the LHNA20.
- 6.2.28 A proportion of these 3,100 households (and c.25,169 households at a county level) will be able to afford a 60% of open market home but have savings of less than £5k, whilst the others may have sufficient savings but earn too little to afford 60% of a market home. It is not stated in the LHNA20 at a Borough level, but at a County level Figure 60 (page 90) suggests that such households are split c.50:50 in this regard (12,680 with too little income and 12,488 with sufficient income but less than £5k savings).
- 6.2.29 A number of these 3,100 households could afford a Shared Ownership home with a 50% or 25% initial equity share but the LHNA does not analyse this. Even if only half can afford this (which is a reasonable minimum assumption as the deposit needed will be smaller and based on the Gloucestershire wide position in Figure 60 half of the 3,100 have households incomes enabling them to afford a 60% of a market home just not savings of £5k or more), this is a further 1,550 households that could be assisted by the provision of affordable home ownership products such as Shared Ownership. The remaining households do not need re-housing as they are adequately housed bar the fact that they aspire to purchase, and that is suggested by the LHNA20 to be impossible.

- 6.2.30 Added to the c.1,066 households able to afford a low cost home for sale at a discount to OMV this suggests c.2,616 households able to afford market rent but aspiring to buy and unable to afford to do so on the open market.
- 6.2.31 This can be compared to 1,507 households in the LHNA Figure 63 unable to afford market rent and in need of affordable housing in the Borough which results in a 63% split between affordable home ownership and 37% other forms of affordable housing.
- 6.2.32 As stated above, some of the 301 households (included in the 1,507 total) able to afford Affordable Rent without Housing Benefit may also aspire to own and be able to afford Shared Ownership or other products at varying discounts to OMV. Even if only two thirds do (c.200) this pushes the tenure split even further to c.68% sale / 32% rent (i.e. 2,616 plus 200 = 2,816 divided into 4,123).
- 6.2.33 However, as stated above, the LHNA20 is clear that additional Affordable Housing does not need to be planned for households renting in the private rented sector and in receipt of Housing Benefit or who aspire to purchase but cannot, based on LHNA20 calculations, afford to do so. The LHNA20 position is that c.22% of the planned supply in the Borough is required as Affordable Housing and the data suggests that c.41% / 50% of this should be made available for Affordable Home Ownership. If, despite the LHNA20 recommendation, additional Affordable Housing need is to be added in by the Council based on LHNA20 data to support the 40% target then the tenure split sought should also move to c.63% / 68% Affordable Home Ownership with the remainder for rent.
- 6.2.34 In terms of the form that the rented element of affordable housing need is to take the LHNA refers to 2,513 of the Gloucestershire wide 11,210 households in need unable to afford market rent being able to afford Affordable Rent and bases the Social Rent proportion on the remaining households (8697).
- 6.2.35 However, just as households in the Social Rented sector require Housing Benefit / the housing element of universal credit to afford their rent so similarly households can be assisted in Affordable Rent. The NPPF does not include any objectives encouraging local authorities to reduce Housing Benefit claims through the provision of Social Rent or suggest in the definition that where Affordable Rent requires Housing Benefit input then it is not an

acceptable form of affordable housing. Many Registered Providers development business plans assume Affordable Rent.

Summary

6.2.36 RES13 (and supporting text) does not specify a tenure split but requires this to be based on up to date local housing needs evidence.

6.2.37 However, despite the LHNA20 outputs, the Council are currently known to seek 75% Social Rent and 25% Shared Ownership from Affordable Housing application proposals. The concern is that this evidentially unjustified approach will prevail through the application of RES13. This will result in protracted negotiations on schemes and the repeated involvement of the planning appeals process.

6.2.38 Based on the LHNA20 as reviewed above, depending upon the households included by the Council as being in need of additional Affordable Housing in justification of the Affordable Housing proportion to be set in RES12, between 50% and c.70% of additional Affordable Housing should be made available for Affordable Home Ownership. The remaining element can reasonably be provided as Affordable Rent in accordance with the NPPF.

6.2.39 Notwithstanding the concerns raised by Pioneer in the November 2019 consultation response to the PSDLP regarding the inclusion of strategic policies within a non-strategic policy document, if it is considered that Policy RES13 should remain in the Tewkesbury Borough Local Plan it can only be considered 'justified if the Policy wording (or supporting text at minimum) is amended to reflect the above tenure split.

6.2.40 Given the multiple concerns that still apply to the viability evidence the economics of providing affordable housing in the tenures tested in the LPVA are not robustly demonstrated.

Accessible and Adaptable Dwellings

6.2.41 It is noted that the LHNA20 includes a section on 'Housing for People with Disabilities' - this draws heavily on England wide trends in its modelling but

- suggests that it examines how this is likely to relate at a County level (paragraph 9.91).
- 6.2.42 The LHNA uses these broad estimates of current need in conjunction with assumptions applied within its household projections modelling to suggest a current and future need for adapted and wheelchair housing totalling 7,202 (289 current plus 6,913 future households) in Tewkesbury over 20 years (Figure 78, page 121). However, the LHNA20 acknowledges that some of these households will choose to remain in their own home (paragraph 9.101).
- 6.2.43 It is noted that the final LHNA20 has been altered from the October 2019 version of the LHNA ("draft 2019 LHNA") – the earlier iteration draws on the same information sources as the LHNA20 to model the need for additional housing for households with disabilities and further analysed how many of the 7,202 current and future need for adapted and wheelchair housing households would require additional housing provision to meet their needs.
- 6.2.44 As the information sources drawn on in the LHNA20 and the draft 2019 LHNA remain the same it is unclear why this additional work has been deleted and replaced with rather woolly commentary which states that it is difficult to know how many such additional homes will be needed so as many of the 7,202 homes as possible should be provided.
- 6.2.45 The draft 2019 LHNA analysis suggests that, taking into account homes that can be adapted to meet these needs (suggested to be 62% across the County as a whole – paragraphs 9.95 to 9.96), a need for 2,746 such homes (i.e. adapted and wheelchair user housing) would remain in Tewkesbury over the 20 years (137 per annum) (Figure 64, page 91, draft 2019 LHNA).
- 6.2.46 This equates to 23% of the overall Local Housing Need for Tewkesbury Borough calculated based on the Standard Method (Figure 1, page 7, LHNA20) – how this remaining sum splits out between adapted M4(2) and wheelchair M4(3) housing is unclear.
- 6.2.47 This suggests that the conclusions at para 31 of the LHNA (which no longer reflect the additional analysis which was originally included within the draft 2019 LHNA) which suggest that c.67% for all housing could be sought to accessible / adaptable to M4(2) standards are significantly in excess of the

- need for such housing in Tewkesbury Borough once the potential for in-situ adaptations are taken into account.
- 6.2.48 Included in the above 7,202 figure (i.e. before the deletion of those living in potentially adaptable homes as suggested by draft 2019 LHNA Figure 64) is wheelchair user need.
- 6.2.49 The LHNA20 suggests a need for 805 wheelchair user homes in Tewkesbury Borough (in market and affordable housing tenures) over 20 years - this equates to c.7% of the overall housing need in Figure 1, page 7 of the LHNA20 for Tewkesbury.
- 6.2.50 However, it is not identified (in either the draft 2019 LHNA or the LHNA20) how much of this can be addressed in existing homes through adaptations, despite that this exercise was undertaken for adapted and wheelchair housing overall in Figure 64 of the draft 2019 LHNA.
- 6.2.51 Hence, this appears to be a gross requirement included *within* the 7,202 M4(2) / M4(3) need summary for Tewkesbury (as is suggested in Figure 5 of the LHNA).
- 6.2.52 In that sense, despite the claim in paragraph 31 of the LHNA20, the LHNA20 (and the draft 2019 LHNA before it) does not provide enough information to ascertain the proportion of additional newbuild homes that would need to be built to wheelchair standards after taking into account supply from existing stock through potential adaptations.

Summary

- 6.2.53 A requirement for a proportion of newbuild housing constructed to M4(2) or M4(3) standards in either market or affordable housing tenures based on paragraph 31 of the LHNA20 (which is what RES13 wording enables) would not be justified as, not only are these based on a number of non-local authority specific assumptions, but they also fail to reflect the proportion of additional newbuild homes that would need to be built to such standards after taking into account supply from existing stock through potential adaptations.**

6.2.54 Given the multiple concerns that still apply to the viability evidence the economics of providing Accessible and Adaptable Housing are not robustly demonstrated.

6.2.55 The concerns raised by Pioneer regarding RES13 wording in respect of Accessible and Adaptable Housing within the November 2019 consultation response remain unaddressed.

Self and Custom Build

6.2.56 The LHNA20 includes a section on 'People wishing to Build their Own Homes' (pages 104 - 106) albeit the Tewkesbury Borough Local Plan does not appear to draw on it. However, the LHNA20 simply sets out the numbers of households on the Self-Build Registers in the local authorities in Gloucestershire, but provides no evidence additional to that already referred to the Council (commented on in the November 2019 Pioneer submission in response to Policy RES13) to justify the inclusion of new policy requiring a proportion of self / custom build plots.

6.2.57 In terms of the response in EB024e to viability concerns raised previously within the November 2019 consultation submission prepared by Pioneer, a further counter response is provided within 'Hearing Statement Attachment A'.

6.2.58 The crucial point is that EB024e suggests that the economics of self-build requirements cannot be tested 'as it is unclear which typologies it would be likely to apply' to. It is unclear how a policy can be found sound unless its economic impacts on development can be tested.

Summary

6.2.59 In addition to the lack of national policy basis for such a requirement, seeking a proportion of plots to be made available on new developments for Self and Custom build homes in either market or affordable housing tenures based on the Self and Custom build register (which is what RES13 wording enables) is not justified as it remains the case that there is no clear assessment in the evidence base (including the LHNA20) on the net requirements for such plots.

- 6.2.60 Given the multiple concerns that still apply to the viability evidence, the economics of providing Self and Custom build plots are not robustly demonstrated.**
- 6.2.61 The concerns raised by Pioneer regarding RES13 and supporting text wording in respect of Self and Custom Build plots within the November 2019 consultation response remain unaddressed.**

DES1 Housing space standards

• Is the use of the standards justified and has the effect on viability been taken into account?

- 6.2.62 In terms of the response in EB024e to viability concerns raised previously within the November 2019 consultation submission prepared by Pioneer regarding Housing Space Standards, please see the further counter response prepared by Pioneer provided within 'Hearing Statement Attachment A'.
- 6.2.63 National Planning Policy Guidance is underpinned by the NPPF and reminds the reader that:

"The National Planning Policy Framework says that local planning authorities should identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand."

(Optional Technical Standards, Paragraph 018)

- 6.2.64 National guidance states that local authorities should take account of viability and timing (the latter referring to a transitional period following policy adoption). The wording of Policy DES1 does not enable flexibility with regards site viability and timing. The reference to NDSS being a 'minimum' and requiring 'adequate' outdoor amenity space do not provide clarity on how the policy is to be applied in practice as the extent of what is expected is not defined.
- 6.2.65 The LHNA20, whilst undertaking an assessment of how many new homes are likely to already meet NDSS, provides no assessment of the local demand for homes to be larger than those that are routinely being delivered or of any potential impacts meeting demands for starter homes (as sought in National Guidance).

- 6.2.66 In any event, the LHNA20 suggests that the majority of new homes are already fulfilling the NDSS standard suggesting policy imposition to be unnecessary (particularly in the absence of the evidence of local demand).
- 6.2.67 The only justification given (in the LHNA20) for the imposition of such a policy appears to be so that the local authority have 'evidence' that the standards are being met. This is an odd conclusion to reach as the LHNA20 already appears to be providing this evidence.

Summary

- 6.2.68 The requirement for NDSS imposition through DES1 remains unjustified in evidential terms; the LHNA20 does not assess local demand for NDSS or the impact on starter (i.e. first time buyer/renter) homes and suggests the majority of new homes already meet this standard.**
- 6.2.69 Given the multiple concerns that still apply to the viability evidence, the economics of providing NDSS are not robustly demonstrated.**
- 6.2.70 The concerns raised by Pioneer regarding DES1 within the November 2019 consultation response remain unaddressed and the LHNA20 appears to further support policy imposition of the NDSS to be unnecessary.**

Response to comments by Pioneer Property Services on behalf of Robert Hitchins 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>
	<p>1. Pioneer Response January 2021:</p> <p>The Porter PE (“PPE”) response does not address the point, regardless of responses to the questionnaire of the lack of discussion with the development industry – the circulation of a sole questionnaire is insufficient without following this up with viability workshops / consultation sessions / follow up meetings with individual respondent organisations.</p> <p>The ‘similar development assumptions’ referred to PPE as being applied in Gloucester viability assessment work have similarly been queried by Pioneer in consultation submissions in conjunction with Pegasus on behalf of Robert Hitchins Ltd (submitted to Gloucester on the 17th of December 2019). The Gloucester City (“GCT”) Local Plan is yet to be found sound and adopted.</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>

	<p>2. Pioneer Response January 2021: The above PPE response does not address the concern in paragraph 3.3 of Pioneer Attachment A i.e. that there is a lack of transparency on why / how the majority of JCS and SDTBC (Tewkesbury Borough Submission Draft Local Plan) are concluded to result in nil financial burden for development proposals. This is not an adequate response as it does not provide any evidence of the underlying costs analysis that have led PPE to their conclusions that costs in respect of such policies are 'de minimis'.</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>
	<p>3. Pioneer Response January 2021: The above PPE response is noted.</p> <p>However, it remains unclear whether the data at Appendix C of the TBC Local Plan Viability Assessment ("LPVA") includes or excludes the top ten and bottom 10 outliers.</p> <p>It is unclear that outliers not only in terms of £ per Sqm, but also in terms of unit size, have been removed. For example, EPC house volume data is unlikely to be 100% accurate (as confirmed in the report 'Impacts of Inaccurate Area Measurement on EPC Rating' prepared by 'SPEC' in conjunction with the Universities of London and Kent – 12th February 2019) and where size is underestimated against the recorded sales value then the per Sqm sales value will be overestimated.</p> <p>As the data is being averaged out at a Ward level it remains unclear as to whether the removal of the 10 upper and lower 'outliers' from the overall data source will identify and neutralise any Ward level outliers in terms of £ per Sqm and unit size etcetera.</p>

<p>4.3</p>	<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>

	<p>4. Pioneer Response January 2021: The above PPE response fails to appreciate the point being made within the Pioneer Attachment A that new-build sales are intrinsically linked to the second-hand market.</p> <p>The overall sample size (1181) applies to the overall Borough, but the LPVA breaks this down to map it by Ward. The sample size applied by PPE at a Ward level is not stated within the LPVA, but is now identified in the PPE response below. In some cases samples are very small and Figure 4.4 of the LPVA suggests that some Wards have nil data.</p> <p>For this reason to analyse sales values at a sub-Borough level, as the LPVA professes to do, and to identify how sales values differ across the Borough reasonably robustly, regard must be given not only to new build sales but also to existing sales for these reasons set out in Pioneer Attachment A.</p> <p>Whilst this may be a ‘high level study’ the NPPF places a strong emphasis on the robust assessment of viability at the Plan making stage, to avoid the need for site by site viability testing post Plan adoption. However, in the context of the high level modelling undertaken within the LPVA it will be entirely reasonable and justifiable for applicants to submit viability assessments where they consider circumstances require this to reflect more accurately assessed sub-area sales values and costs.</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>
	<p>5. Pioneer Response January 2021: The above PPE response is not supported by anything other than anecdotal information – a quick desk-based web search suggests that the majority of major housebuilders offer part exchange schemes to would be new home purchasers – it is not an exceptional practice. These are the areas in which hidden costs to the developers are likely to exist. If sales values are overestimated in the modelling this will have a significant impact on the modelling which is highly sensitive to any changes to £ per Sqm inputs. High level studies that are being used to underpin Plan policy should take care not to push assessments out to the margins of viability in terms of what values and costs will apply in reality.</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>

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	<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>
	<p>6. Pioneer Response January 2021: PPE suggest that sites of 130 units or under are unlikely to give rise to a need for incentives as they are unlikely to oversupply the market.</p> <p>However, the need for incentives will depend upon the location of a site (i.e. is it in an area with a high existing sales rate / supply), its proximity to other new build developments underway at the same time, and changes in purchaser preferences for where they wish to live or the types of home they want to occupy. All of this may impact on the actions that developers will need to take to sell stock.</p> <p>The critical issue is that the LPVA is drafted to test policies that will extend over a whole Plan period. Without sensitivity testing in terms of values and costs there is no assessment of how changing circumstances will impact on the viability of allocations or windfalls during the life of the Plan. Given the ongoing Pandemic it seems unrealistic to assume that all of the sites modelled will be delivered during a time of economic stability and high demand.</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>

	<p>7. Pioneer Response January 2021:</p> <p>Unfortunately, whilst PPE now provide information on the newbuild sales sample sizes in their response below they do not clarify how the data in Appendix C is distributed (presumably based on post codes) within each Ward – this could be done by including an extra column identifying the assumed Ward location of each transaction. The lack of this information makes it difficult to review Appendix C meaningfully.</p> <p>The point made in Pioneer Attachment A is that depending on how transactions are grouped together will impact on the average values for each area. Sub-market areas within a Borough will not necessarily respect Ward boundaries – hence the entire sales value data should be presented as a postcode informed heatmap which could then inform value zones.</p> <p>PPE claim little variation in newbuild values across the Borough referring to ‘only’ a £850 per Sqm difference between the highest and lowest value areas. This is a significant amount in viability modelling terms – the modelling is extremely sensitive to value assumptions and this represents a huge range which will be the difference between viability and non-viability.</p> <p>Ensuring value differences are accurately reflected within different locations in the Borough is critical, even for a High level study. As stated above; whilst this may be a ‘high level study’ the NPPF places a strong emphasis on the robust assessment of viability at the Plan making stage, to avoid the need for site by site viability testing post Plan adoption. However, in the context of the high level modelling undertaken within the LPVA it will be entirely reasonable and justifiable for applicants to submit viability assessments where they consider circumstances require this to reflect more accurately assessed sub-area sales values and site specific costs.</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 data-bbox="293 1576 874 1953"> <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>
	<p>8. Pioneer Response January 2021:</p> <p>Please see Pioneer responses 4 and 7.</p> <p>The flatted data now published by PPE (EB024b) includes 87 newbuild transactions between April 2014 to September 2017 and then uplifted to March 2019 based on House Price Index information. This suggests an average £ per Sqm of £2,699 (once the top 10 and the bottom 10 outliers are excluded in line with the LPVA approach) which presumably underpins the apartment value (£2,600 per sqm) included in Table 5.8 of the LPVA and applied across all zones.</p> <p>The lack of difference in value assumed in Table 5.8 of the LPVA for apartments in different 'value zones' is not explained by the data which has values ranging from £1143 per sqm to £3672 per sqm (including 'outliers') across a range of post codes. Whilst the newbuild sales sample may be small, this is why taking non-newbuild sales into account is important to help build a picture of price points for different dwelling types across different areas. Unfortunately PPE have not done this.</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>

	<p>9. Pioneer Response January 2021: It is entirely reasonable to expect PPE to explain how they have arrived at the grouped / zoned values based on the data that they have presented as it is unclear from reading the LPVA. This is not a disproportionate expectation given that they must know how they have arrived at the conclusions they have reached.</p> <p>Furthermore, a value zone map should be provided enabling the reader to clearly identify the extent of each zone. For windfall sites / sites not included as allocations within the LPVA this is particularly important to assist with understanding potential viability impacts.</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>
	<p>10. Pioneer Response January 2021: PPEs response is noted. However, in the context of a lack of any sensitivity testing for decreased values / increased costs this issue remains a concern.</p>
<p>Residential site typologies</p>	
	<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>

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Site mix and unit sizes	
	<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>
	Noted
	<p>11. Pioneer Response January 2021: The Gloucestershire Local Housing Needs Assessment Final Report and Summary September 2020 is now available – the LPVA modelling is based on housing mix outputs within the September 2015 Cheltenham, Gloucester and Tewkesbury SHMA Update Note. The housing mix outputs within the two assessments differ and the LPVA should reflect the latest evidence.</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>

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	<p>Planning Policy Guidance (001 Reference ID: 10-001-20190509) requires assessment “takes into account all relevant policies, and local and national standards”. 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>12. Pioneer Response January 2021:</p> <p>Lower density schemes will result in a greater land take per unit whereas higher density schemes can enable an increase in units overall resulting in additional sales which compared to build costs may be beneficial in numerical terms for viability. The above PPE comments fail to reflect this. The crucial point is that in the context of the high level modelling undertaken within the LPVA it will be entirely reasonable and justifiable for applicants to submit viability assessments where they consider circumstances require this to reflect more accurately assessed sub-area sales values and site specific costs.</p>

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	<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>13. Pioneer Response January 2021: See comments at '12' above.</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>

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	<p>14. Pioneer Response January 2021: The point made in the above Pioneer Attachment A paragraph quoted by PPE is that the larger NDSS may not result in an additional revenue in terms of the overall price point that can be achieved for a dwelling – therefore the £ per sqm achieved could be less. The cost will be reflected in the £ per Sqm build cost applied to the enlarged floor area, but the revenue may not increase.</p> <p>It is unclear how PPE have been able to confirm that all homes being sold are at or nearly at NDSS as the Land Registry data does not provide information on the number of bedrooms or bedspaces or number of floors, only on the type of dwelling. In this respect it is not possible to know if you are looking at a 5 bed detached or a 3 bed detached house based on the Land Registry data; the assumptions being made are quite tenuous in this regard.</p> <p>It is noted that the point on land take by increased M4(Cat2) and M4(Cat3) floor areas is not addressed by PPE.</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>15. Pioneer Response January 2021: The above PPE response is noted. Where Plan policy does not specify the proportion that is sought provision should not be sought by the Council in excess of that modelled by PPE as it will not have been subject to viability testing. Other factors such as local need may also support a lower or nil requirement for such housing in specific locations.</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>

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	<p>RES13 requires Self and Custom build homes “where there is evidence of appropriate demand identified on the Council’s Self and Custom Build Register”. 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>16. Pioneer Response January 2021: PPE is suggesting the economics of a self-build requirement cannot be tested ‘as it is unclear which typologies it would be likely to apply’. It is unclear how a policy can be found sound unless its economic impacts on development can be tested.</p> <p>PPE does not evidence its assumption that costs of provision are negated by ‘positive impacts’ or that plot holding costs are ‘de minimis’.</p> <p>It is unclear why the sale of such a plot should not have a ‘profit expectation’ attached to it – this is not something suggested to be appropriate by National Planning Policy and suggests that a plot of land with permission to construct a home carries no uplift compared to say, an agricultural plot of land.</p> <p>The absence of CIL charges is intended by the Government to benefit the self-builder as opposed to the developer / landowner. The absence of this charge cannot on one hand be considered an economic benefit to the developer when on the other hand the developer / landowner is expected at the same time to forgo any profit expectations in respect of a self-build plot.</p>
<p>Build costs</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.

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	<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>
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17. Pioneer Response January 2021:

The 10% uplift to build costs for external plot costs remains too low for all site typologies (other than 100% flatted schemes potentially) particularly where this is applied to a lower quartile BCIS starting point.

Overall externals and site opening up costs at 10% of base build costs per £5k per unit will be insufficient to cover all such costs on larger Greenfield sites (see page 45 paragraph 2 of the Harman report on Viability Testing Local Plans June 2012 which suggests strategic infrastructure costs of £17k to £23k per unit – there is no indication that such costs have reduced since this time).

The prior viability studies referenced are no longer reflective of current circumstances – impacts from BREXIT and the Pandemic are unlikely to result in decreases in labour and material costs during the Plan period. July 2020 viability evidence prepared for the Forest of Dean local authority area (also within Gloucestershire) applies a 15% uplift to build costs for all but the smallest sites in respect of plot externals (as a separate consideration to costs in respect of infrastructure, s106, or abnormal costs).

It is the role of the Council's consultant as opposed to the respondents querying assumptions to demonstrate with current evidence why the costs assumed are reflective of real world circumstances. This is not considered a disproportionate request given the impact on development viability conclusions and policy making for the Plan period that will flow from a study such as the LPVA.

Setting costs at the lowest end of a range of what may apply will result in assessment outputs at the margins of viability which is inappropriate in a high level study. The risk associated with this is increased due to the lack of sensitivity testing (beyond simply altering policy layers).

In addition, Part L/F changes proposed by the Government and anticipated to be applied later in 2021 (see the attached Matter 6 Hearing Statement response for additional detail) will have significant cost implications in the early years of the emerging Local Plan which are not reflected in the LPVA – the LPVA should be updated to reflect / sensitivity test the impact of these costs as part of the current examination process. Furthermore, if the Council is to seek even greater emission reductions then these should be tested through the plan process and fully viability assessed.

Land Value	
	<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>

18. Pioneer Response January 2021:

National guidance ('Viability' paragraph 016) also states that:

"The premium should provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to fully comply with policy requirements."

However, there is no guidance provided by the NPPG on what this actually means; the reality is that land owners simply will not release land for residential development where this results in returns that are not sufficiently great enough to incentivise them.

In particular, where large sites have to be assembled from various land parcels with different landowners all of these will want reasonable returns regardless whether their bit of land is going to end up in a public open space or a residential development area within the site. Minimum returns based on the judgement of the decision taker may differ significantly to the returns landowners consider to be necessary and may prevent such transactions from taking place resulting in housing delivery delays to the detriment of all parties.

Even where policies are in existence at the point of intended land purchase the policy costs along with other factors may push land values below levels that are considered by landowners to be sufficient to incentivise land release. Where this reflects the views of many landowners in an area clearly housing delivery will be stifled regardless of the preferences set out in the PPG viability section.

Market cyclicity will influence prices paid for land and, again, regardless of the words within the NPPG viability section, where landowners are not sufficiently incentivised they will not release their land. Ignoring these factors will either stifle or significantly delay housing land release contrary to objectives within National Planning Policy.

In other words, if land is to be released for development and developers are to be incentivised to develop it sufficient returns to both parties will have to be maintained. The fact is that many plan making viability studies do not reflect real world scenarios in the first place and tend to be extremely theoretical, meaning that the application of the allegedly 'viable' plan policies do not transpire to be viable for all developments at the decision making stage.

The LPVA and these subsequent comments by PPE do not provide any evidence that land transactions have been considered as part of the process of setting the benchmark land values. It is PPE's role to consider this evidence or explain why it is unavailable for consideration; this is a proportionate expectation and it is not the role of the respondents querying the assumptions made. The assumptions applied remain arbitrarily set.

The experience of Robert Hitchins Ltd as a landowner, having regard to options agreements and land transactions across Gloucestershire, is that the land value benchmark levels assumed in the LPVA are significantly below those that landowners generally require.

Other cost assumptions	
	<p>S106</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) highlights⁷ 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>TBP Viability Assessment Report para 5.52 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>

19. Pioneer Response January 2021:

No clear costings are presented by PPE for District level s106 during the Plan period and, the increases in s106 now being sought by the County Council are not applied in the modelling (NB: for education alone the County Council s106 is resulting in an additional c.£16/17k per unit cost to development).

This is based on a non-tested non-statutory County Council document and is a known s106 cost widely being sought in practice (and not limited to Bishops Cleeve) including in respect of schemes that were already significantly progressed within the planning system prior to this cost being applied.

In this respect the LPVA purports to reflect the settled JCS, adopted CIL Charging Schedule and TBC LP policies (with s106 up to £5k per unit), with any other non-statutory / non-policy costs excluded.

It is noted that in their assessment of viability work undertaken in support of the Joint Core Strategy (CILEXAM 002(a) paragraph 2.37, page 9) PPE refer to finding s106/278 assumptions of £15k per unit (based on discussions with the Joint Core Strategy local authorities based on agreements entered into or negotiated) to be appropriately sourced and 'suitably conservative' without changes being recommended. The evidence for the reduction to £5k per unit is unclear.

CIL charges (which will see indexed cost increases over the life of a project) are required to be paid by law. Therefore, should s106 contributions exceed the level assumed in the modelling (at £5k per unit), affordable housing will be the only thing left that can flex downwards to improve scheme viability. Underestimating such costs will have a significant impact on the viability of developments necessitating site level testing where cost burdens imposed by the Council exceed those suggested in the LPVA.

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 Pandemic.

	<p><u>TRAC9 Electric Charging points</u></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>
	<p>vehicle charging points on new-builds.</p>
	<p>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.</p>
	<p>20. Pioneer Response January 2021:</p> <p>PPE’s response is insufficient. Tewkesbury Borough is predominantly rural and developments here will be likely to require significant infrastructure improvements if electric charging points are to be accommodated in every new dwelling.</p> <p>Can PPE / TBC confirm that ‘significant electrical capacity reinforcements’ will not be needed in respect of any of the typologies tested for the implementation of electric charging points for cars? Has the need for such infrastructure (or not) been established to enable this policy to be viability tested with any degree of accuracy?</p> <p>It is inappropriate to say that this can be left to be established at the planning application stage – as the NPPF makes clear it is the role of the LPVA author, not of planning applicants, to robustly test the viability implications of proposed policy.</p>
	<p>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>

Pioneer Response to EB024e – see comments highlighted in yellow – January 2021

	<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 “costs should be included in circumstances where scheme specific assessment is deemed necessary”.</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>21. Pioneer Response January 2021:</p> <p>Setting all of the cost inputs at the lowest end of a range of what may apply will result in assessment outputs at the margins of viability which is inappropriate in a high level. The risk associated with this is increased due to the lack of sensitivity testing (beyond simply altering policy layers).</p>
	<p>Finance</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>
	<p>Noted.</p>
	<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>
	<p>Noted.</p>
	<p>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</p>
	<p>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.</p>

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	<p>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.</p>
	<p>22. Pioneer Response January 2021:</p> <p>The point that where profit comes out before the end of a scheme will see the risk profile reduced is unfounded – larger schemes over longer time frames are inherently more risky than smaller ones (unless the latter is brownfield versus Greenfield or is subject to significant other abnormal risk factors). As such, arguably the profit assumption within the LPVA should be higher at the outset than that assumed within the LPVA to reflect this risk where all profit is assumed to be deducted at the end. These considerations are particularly relevant given the impending potential economic impacts during the Plan period of BREXIT and the Pandemic.</p>