EiP Statement
St Helens Delivery and Allocations Local Plan
Taylor Wimpey UK Limited
Representor ID RO1154

Our ref 41874/04/CM/MKR
Date June 2021

Subject Matter 10 – Infrastructure and Delivery

1.0 Introduction

1.1 Lichfields is instructed by Taylor Wimpey UK Limited [TW] to make representations on its behalf to the St Helens Borough Local Plan 2020-2035 [SHLP].

1.2 This Statement has been prepared in response to the Matters, Issues and Questions raised by the Inspector for the Matter 10 Examination in Public [EiP] hearing session.

1.3 Separate representations have been submitted in respect of the following Matters:

1. Matter 1 – Legal Compliance, Procedural Requirements and the Duty to Cooperate
2. Matter 2 – Housing and Employment Needs and Requirements
3. Matter 3 – Spatial Strategy and Strategic Policies
4. Matter 4 – Allocation, Safeguarded Land and Green Belt Boundaries – Bold, Eccleston, Sutton Manor, Thatto Heath and St Helens Core Area
5. Matter 5 – Housing Land Supply
6. Matter 7 – Specific Housing Needs and Standards
7. Matter 9 – Generic Policies

1.4 These Matter Papers representations should be read in conjunction with previous submissions on the SHLP [Representator ID RO1154] as well as those made on other Matters listed above.

1.5 TW is seeking to bring forward a high quality, well designed and sustainable strategic residential site at Gartons Lane, St Helens [Local Plan Site Reference: 5HA] and a site at Gorsey Lane, St Helens which forms part of the wider Bold Forest Garden Suburb [Local Plan Site Reference: 4HA]. Taylor Wimpey is supportive of the allocation of the sites in the SHLP and considers that the identification of both sites as residential allocations will assist in boosting the supply of housing in St Helens. It will also assist in delivering sustainable development by contributing towards meeting the needs of market and affordable housing, creating employment during the construction period and mitigating any impact on the environment.

1.6 This statement expands upon TW's previous representations made throughout the Local Plan preparation process in light of the Inspector's specific issues and questions. Where relevant, the comments made are assessed against the tests of soundness established by the National

Planning Policy Framework [NPPF] and the National Planning Policy Practice Guidance [Practice Guidance].

2.0 Planning Issues

Issue 1: Definition and scope of infrastructure required

In INSP002, we identified that 'Appendix 2: Definition of Infrastructure' contains some categories that, in our view, do not comprise infrastructure and would not be expected to be supported by developer contributions as required by Policy LPA08. The Council have responded and suggested an MM to delete Appendix 2.

The IDP supports the implementation of the Local Plan and sets out what level of new or improved infrastructure will be required to deliver the growth proposed. Policy LPA08 sets out how new development will be supported by infrastructure delivery and funding.

The TIA identifies that the development of sites allocated in the Plan will result in additional traffic growth that is forecast to impact on the highway network at some locations. The forecast models indicate that the impact can be mitigated by a combination of measures (highway infrastructure projects, modest changes in travel behaviour and lower cost improvements across key junctions). Additionally, the TIA identifies no specific highway safety concerns as a consequence of additional traffic on the network arising from the development proposed in the LP.

Q1: In general terms will Policy LPA08, the IDP and other policies of the Plan, including allocation policies, ensure that necessary infrastructure is delivered and in a timely fashion?

2.1 TW supports the Council's acknowledgement that developer contributions can impact on the viability of schemes (Part 5) and site-specific development appraisals can be submitted during the determination of planning applications.

2.2 However, TW notes that the requirements for any financial obligations should still enable the development to be deliverable in accordance with the Framework. In this regard, we also note the recent RICS guidance on assessing viability in planning which states that further financial viability assessments [FVAs] should not be necessary where planning applications comply with the up-to-date policies set out in the plan. Submitting site specific assessment should therefore be the exception rather than the rule.

2.3 TW has undertaken a detailed review of the SHLP Economic Viability Assessment [EVA] (see Appendix 1) and considers that the allowance currently being applied to cover the cost of all site specific s106 requirements is too low to cover costs on larger sites. Any site that is required to make contributions to any off-site facilities or services will incur a far higher level of cost. We would recommend that a schedule of likely residual s106 contributions is included within the EVA with each item costed in detail so as to ensure the sum included within appraisals is robust rather than an arbitrary nominal allowance. We would expect the true cost to be significantly higher.

Furthermore, TW notes that any financial contributions sought should meet the tests as set out in the CIL Regulations [§122] and the Framework[1]:

[1] National Planning Policy Framework §56

2.4 TW requests that the Policy is updated to make reference to the aforementioned tests and that it is made clear that any financial contributions required by the Council will be considered in this context.

Q2: Will the mitigation measures identified be sufficient to address the highway impacts identified?

2.5 The Council's response to PQ65 refers to page 132 of the Local Plan Transport Impact Assessment (TRA003) which states that the forecast models indicate that the impact can be substantially mitigated by a combination of committed and emerging future highway infrastructure projects, modest changes in travel behaviour and lower cost improvements across key junctions.

2.6 The Council's evidence therefore suggests that the mitigation measures identified will be sufficient to address the highway impacts.

Q3: Is the Council satisfied that the LP proposals would not have an unacceptable impact on highway safety or the residual cumulative impacts on the road network would not be severe (see SHBC001 – PQ65)?

2.7 The Council has indicated in its response to PQ65 that the proposed development in the Local Plan would not have an unacceptable impact on highway safety and that the residual cumulative impacts on the road network would not be severe.

2.8 The Council has therefore indicated that it is satisfied that the SHLP proposals are acceptable in highways terms.

Q4: How will the Council work with infrastructure and service providers (including the Liverpool City Region, Merseytravel, Highways England, developers, landowners and neighbouring authorities) to identify and address any impacts of proposed development, including through the use of contributions and through the implementation of highway improvement schemes?

2.9 For the Council to answer.

The Council have agreed to an MM to Policy LPA07 1 (a) so that the policy is clear that rail improvements will form part of the infrastructure necessary to achieve the Council's strategic priorities.

Policy LPA07 1 e) identifies that the Council will secure the delivery of a number of rail projects to achieve the strategic priorities listed in part 1 of the policy. These include a new station at Carr Mill and the proposed Skelmersdale Link Road. There is a development brief for the proposed new station at Carr Mill and the site is currently the subject of a planning application for residential use and this seeks to safeguard land for a new station (referenced in SHBC001).

Q5: How will the Plan help to deliver these projects?

2.10 TW has no comment on this matter.

Q6: Is it clear from the wording of Policy LPA07 how a decision maker should react to development proposals for these rail projects (in line with paragraph 16 d) of the Framework)?

2.11 TW has no comment on this matter.

Issue 2: Developer Contributions

The Council accept that viability is a challenge in parts of the Borough (SHBC001). The Plan seeks to achieve an appropriate level of developer contributions through a zonal approach to affordable housing (Policies LPA02 and LPC02). However, a zonal approach is not used for other infrastructure. That said, Policy LPA08 recognises that economic viability will be an important consideration in assessing proposals.

The Council has stated (SHBC001) that the intention is to provide flexibility in requiring developer contributions to take account of viability constraints. Essentially, it appears that decisions on developer contributions, apart from affordable housing, would be made on a site by site basis with developers needing to undertake site specific viability appraisals.

Q7: How is the strategy in relation to developer contributions to be implemented by the LP (see SHBC001 – PQ69)?

2.12 Part 2 of Policy LPA08 notes that developer contributions may include direct provision of on-site or off-site infrastructure and / or financial contributions. The Council's response to PQ69 notes that decisions will be made on a site by site basis, as infrastructure planning is an iterative process and the precise nature of infrastructure needed to support a specific site will be influenced by a number of factors that will change over time, such as the state of the economy and the nature of any site specific constraints. TW is concerned with the proposed approach and considers that the Council needs to identify the cost of infrastructure provision now so that it can be properly considered through the Local Plan process. For the reasons we have identified in this Matter Paper, we consider that any infrastructure requirements need to be tested through the EVA so that viability assessment at the planning application stage is avoided where possible, in accordance with national planning guidance.

2.13 Parts 2(a) and (b) of the policy indicate that contributions will be secured by s106 planning obligations and/or a tariff based system such as the Community Infrastructure Levy [CIL]. The wording of the policy therefore suggests that such a tariff may be additional to any s106 requirements. TW is concerned that no explanation is given as to what infrastructure these tariffs might cover and the viability implications of such tariffs (in addition to any s106 obligations) does not appear to have been explored in the Council's viability evidence. It is not therefore possible to assess how this part of the policy may affect the delivery of sites and the policy is not justified on this basis. TW therefore considers that the word *"and"* should be deleted from Part 2(a) of the policy.

Q8: Is the approach set out in Policy LPA08 effective and does it strike the right balance between flexibility and certainty for applicants?

2.14 Policy LPA08 provides the flexibility for the relaxation of developer contribution requirements if through a site specific viability appraisal, it is demonstrated that development contributions would not be viable. It also provides a Hierarchy of Developer Contributions where viability constraints are robustly demonstrated.

2.15 TW welcomes the flexibility provided by the policy but, as noted in our response to Q1, submitting site specific assessment should be the exception rather than the rule and we are concerned that the allowance currently being applied in the SHLP EVA to cover the cost of all site specific s106 requirements, is too low to cover costs on larger sites. If all of the inputs are robust and have been properly consulted on then this will assist developers in making submissions on sites where it has already been identified that there are viability issues and the affordable housing requirements are higher than they should be. Further details on this matter are provided in the Grasscroft review of the EVA which is attached at Appendix 1.

Issue 3: Viability

The delivery of the LP, particularly the allocations, will depend on whether sites are viable. The policies of the LP may impact on viability. Whether specific sites are deliverable or developable has been considered under Matter 4. However, this issue provides an opportunity to consider whether overall the EVA and its assumptions are robust. The EVA concludes that:

'the overall scale of obligations, standards and policy burdens contained in the Local Plan are not of such a scale that cumulatively they threaten the ability of the sites and scale of development identified in the Plan to be developed viably.' (Paragraph 7.37)

Q9. Does the EVA make realistic assumptions about land values, sales values, finance, profit and development costs?

2.16 TW welcomes the Inspectors' desire to robustly debate the inputs into the EVA. In our representations to the SHLP in March 2019, we raised a number of concerns with the EVA prepared by Keppie Massie [KM]. In the Grasscroft report submitted with our representations (see Appendix 1) we identified a number of issues that in our view either required further consideration or additional supporting evidence to be provided that may then lead to adjustment to the EVA. The key points raised are summarised in the Grasscroft Update report also attached at Appendix 1.

2.17 It would appear that there has been no further work commissioned from Keppie Massie by St Helens Council to address these concerns. Since the consultation response was submitted in March 2019, Grasscroft have had no further dialogue or contact from either SHC or KM on any aspect of the Councils economic viability evidence. In this regard, we note the recent RICS guidance on assessing viability in planning which emphasises the importance of setting out how responses have been considered and incorporated into the testing. We consider that the approach taken by the Council is not consistent with this guidance and our concerns should have been properly considered. This being the case, the issues and questions raised in our March 2019 consultation response remain.

2.18 We are also concerned that the EVA completed in 2018 has not been updated and therefore does not fairly reflect the current viability position for the SHC area either in terms of residential market values or general development costs, both of which have changed in the intervening period. It is vital that the appraisal inputs are based on the latest information to ensure that the viability position is robust.

2.19 In addition, due to the EVA being prepared in 2018 it does not reflect future development costs as it does not take account of the costs associated with achieving the Future Homes Standards and biodiversity net gain.

2.20 The Grasscroft Update report at Appendix 1 considers the latest information and sets out in detail TW's concerns with the main appraisal inputs. For ease of reference a summary table is provided in the Update which identifies where TW either support or disagree with the position currently adopted by Keppie Massie. This table includes commentary on the costs relating to the Future Homes Standards and biodiversity net gain.

2.21 Due to the significant changes that have occurred in the intervening period it is clear that prior to the examination hearings updated viability appraisals need to be completed for both the main

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site typologies and the allocated sites, as these issues have implications for the deliverability of the whole plan. These updated appraisals should test viability based on up to date market values and costs and be inclusive of the costs of all policy and S106 obligations. They should include for the forthcoming costs associated with meeting the Future Homes Standards and biodiversity net gains as outlined above.

2.22 To fully inform the local plan process and the ability for sites to meet the proposed policy objectives the updated appraisals should also test a range of affordable housing provision, from the proposed policy requirement of 30% in increments of 5% down to zero percent. Any viability surplus or deficit should be stated once the cost of all S106 and other policy costs have been taken into account. This approach will help to provide greater certainty and resilience to the delivery of the housing objectives set out in the plan over its lifetime.

2.23 To ensure the long term deliverability of local plans it is good practice not to test the margins of viability and therefore it is widely accepted that "headroom" needs to be built into appraisals, both within the levels of individual cost and revenue assumptions but also when considering what proportion of any final surplus should be considered available for contributions to local plan policies. In many cases headroom of between 30% and 50% is allowed. This was the case for example in the Cheshire East CIL examination, where 50% was adopted. The remaining 50% is the sum available for the funding of plan policies and CIL (if it were to be considered). TW therefore considers that an appropriate headroom should be built into the appraisals.

2.24 It is essential that the viability assessment undertaken by the Council's advisors is robust and reflects the fact that schemes should be viable from the adoption of the plan. We note that the suggested changes to the viability evidence will make the plan sound. It is important to get this right at this stage in the plan making process and we request that it is debated in full at the examination.

Issue 4: Green Infrastructure (GI)

Policy LPA09 deals with GI. Policy LPC05 refers to open space. Policy LPC06 refers to the hierarchy of wildlife sites. Policy LPC07 refers To Greenways. These areas comprise GI and are identified on the Policies Map (See SHBC001 – PQ70). The Council agrees that the proposed Greenway that would run through the Bold Forest Garden Suburb should also be shown on the Policies Map (Matter 4 refers).

The Council have suggested MMs to the Policy LPA09 regarding the definition of GI. This seeks to clarify that GI comprises a network of multi-functional natural assets located in a range of areas. However, the reasoned justification as amended at paragraph 4.33.2 would seek to include rural areas around the towns in the definition.

Q10: Is the inclusion of rural areas in the definition of GI justified?

2.25 The Framework[2] identifies green infrastructure as a network of multi-functional green space , urban and rural, so the reference to rural areas aligns with the Framework.

Q11: How would rural areas be defined?

2.26 TW has no comment on this matter.

Q12: Are the definitions of GI contained within the Plan consistent (criteria 1 of policy LPA09, paragraph 4.33.2, GI in the Glossary to the Plan at Appendix 1)?

[2] National Planning Policy Framework

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2.27 The definitions are similar but do not directly align and the Council may wish to consider appropriate re-wording in the SHLP to ensure consistency.

Q13: Is the definition of GI consistent the Framework?

2.28 The Framework[3] defines Green infrastructure as:

"A network of multi-functional green space, urban and rural, which is capable of delivering a wide range of environmental and quality of life benefits for local communities".

2.29 The definition of GI in Policy LPA09 is considered to be broadly consistent with the Framework.

Policy LPA09 sets a high bar regarding loss of Green Infrastructure, specifically 'development that will result in the loss…. will be refused.'

Q14: Is this policy justified and consistent with national policy?

2.30 The Framework does not explicitly state that development resulting in the loss of green infrastructure should be refused so, for consistency purposes, the re-wording of this part of the policy may be appropriate. TW suggests following alternative wording:

"The Council will seek to protect green infrastructure assets from *~~Development that would result in the~~ loss, fragmentation or isolation ~~of green infrastructure assets will be refused"~~.*

2.31 TW notes that there is further text in the policy which allows for exceptions to this. It is therefore considered that the above amendment will provide sufficient protection of green infrastructure whilst still allowing flexibility where required.

Policy LPA09 sets out exceptions where loss of GI might be acceptable. The Council have agreed that further clarification could be provided in the form of MMs to Section 4 of Policy LPA09.

Q15: How would it be demonstrated that appropriate protection or retention of GI assets cannot be achieved?

2.32 This is likely to differ on a site by site basis and could be due to a variety of reasons. For example, it may be the case that the loss of green infrastructure is unavoidable due to the need to provide safe and convenient access to a site or to accommodate critical site infrastructure which cannot be located elsewhere. The Council will need to come to a planning judgement on this matter on an individual site basis.

Q16: What mitigation, other than compensatory provision, would be required?

2.33 For the Council to answer.

Q17: How could Section 4 of Policy LPA09 be modified to provide greater clarity on where the loss of GI might be acceptable to ensure that the policy is effective and consistent with national policy?

2.34 If further detail was to be provided in the policy on acceptable examples of loss, there is a risk that it will become overly prescriptive and lack sufficient flexibility to account for cases where there may be a perfectly valid reasons for the loss of green infrastructure. The Council will need to come to a planning judgement on this matter on an individual site basis.

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[3] National Planning Policy Framework - Annex 2: Glossary

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Policies LPC05 and LPD03 together deal with the protection and provision of open space, the open space typologies being referred to in paragraph 7.3.3. In view of the importance of open space to achieving the Council's spatial vision and strategic objectives, we requested a background paper on Open Space, Sport and Recreation, summarising the findings of the documents OPE001 to OPE005 and any other relevant evidence. A background paper has been prepared and submitted as requested (SHBC003). The paper concludes that, whilst the Borough has a variety of open space, sport and recreation facilities and sufficient provision in some typologies, there are some deficiencies with current provision of open spaces as well as for some sports such as swimming.

Q18: Will the policies of the Plan, including LPC05 and LPD03, ensure sufficient protection and provision of open space?

2.35 The explanatory text to the policy LPC05 suggests that the Council intends to set out further guidance regarding its requirements for open space provision and enhancement in a future Supplementary Planning Document. TW considers that this information should have been prepared at the Local Plan preparation stage so that the findings could have informed policy preparation and any viability implications could have been considered.

2.36 TW broadly supports the provisions set out in Table 7.1 identified in Part 2 of Policy LPD03 on account of its accordance with national guidance, namely the Outdoor Sport and Play – Fields in Trust standards; and, the identified typologies in accordance with the Green Infrastructure definition as set out in the Framework.

2.37 Furthermore, TW supports the inclusion of Part 3 of Policy LPD03 and the degree of flexibility that the Council has adopted whereby it will allow for off-site provision or financial contributions to be made where it can be demonstrated that this would be more suitable. Notwithstanding this, it is important that any financial contribution made meets the tests set out in the Framework[4] and avoids causing undue impact on the cost of delivering units.

2.38 However, we have some concerns in relation to the proposed changes to Policy LPD03 and provide further detail on this matter in our response to Q20.

Policy LPD003 only requires open space on residential developments of 40 dwellings or more. It is noted that the EVA considered the impact of the 40-dwelling threshold but did not test a lower threshold, of say 10 dwellings, in terms of its impact on viability.

19. Is the threshold of 40 dwellings for the provision of open space positively prepared, justified and consistent with national policy?

2.39 TW notes that additional viability testing on sites of 10 dwellings has been undertaken[5]. The testing indicates that in the lower value zone 1 locations, particularly on brownfield sites development is not always sufficiently viable to support these contributions. Similarly, on brownfield sites in zone 2 developed at a lower density it may not be possible to support an open space contribution. In all other cases in zones 2 and 3 development is viable and able to support open space contributions.

2.40 The Council may therefore wish to consider reducing the dwelling threshold for open space provision in areas where such provision is supported by the viability evidence.

[4] National Planning Policy Framework §56
[5] Briefing Note: Additional Viability Testing Open Space Contributions – 10 Dwellings (April 2021)

Section 1 of Policy LPD03 and paragraph 7.3.11 imply that open space may only be required within new residential developments if there are existing deficiencies in the area, albeit that 1. b) of the policy qualifies this to an extent.

The Council have agreed to an MM to Policy LPD03 and paragraph 7.3.11 to ensure that it is clear that even if there is sufficient open space in an area in quantitative terms, larger residential developments would be expected to provide certain typologies of open space such as play areas for children and young people along with amenity greenspace.

Paragraph 8.9.5 indicates that the requirements for open space in Policy LPD03 are in addition to any requirements for outdoor sports facilities. Reference is then made to Policies LPA08 and LPC05. We note that neither policy includes specific standards for outdoor sport provision but that Table 7.1 refers to the Council's Playing Pitch Strategy and Action Plan as a basis for assessing the need for outdoor sport provision. This reflects the advice of Sport England that a quantitative standard for outdoor sports is not appropriate.

The Council have also agreed to MMs to Policy LPD03 to ensure that it refers to all open space typologies, including outdoor sports facilities, and is specific about how provision for all typologies is to be achieved (e.g. for outdoor sport it would be through contributions to enhance existing facilities or through the provision of new facilities as informed by the Playing Pitch Strategy and Action Plan (as per paragraph 7.3.12). Some of the reasoned justification for Policy LPC05 (paragraphs 7.3.11 and 7.3.12 and Table 7.1) would also be moved to the justification for Policy LPD03.

In terms of new provision for outdoor sport, including addressing shortfalls, it is noted that the requirements for strategic housing allocations within Policy LPA05.1 and Appendix 5 are not specific as to what provision should be made for outdoor sport and recreation. The recommendations of the Playing Pitch Strategy and Action Plan (OPE005) date from 2016 and new evidence has recently been commissioned by the Council that will supersede this document. Rather than translating the requirements from the study into requirements for the strategic housing allocations, the Council therefore consider that it would be better to rely on the relevant policies in the Plan. This would require developers to refer to the latest evidence of outdoor sports space to understand the potential contributions that will be required.

Q20: Is this approach justified and effective?

2.41 In the Response to the Inspectors' Initial Questions[6], the Council indicates it agrees to an MM to Policy LPD03 and paragraph 7.3.11 to ensure that it is clear that even if there is sufficient open space in an area in quantitative terms, larger residential developments would be expected to provide certain typologies of open space, such as play areas for children and young people along with amenity greenspace.

2.42 TW accepts that that where typologies are below the identified standards then provision should be made where this accords with the CIL tests. However, in circumstances where the existing open space provision is sufficient to accommodate a development scheme and the scheme meets the relevant accessibility standards for this open space, there is no justification for seeking additional provision on larger residential development sites.

2.43 With regards to this matter we note that the Council's Open Space Background Paper[7] recognises that various OS typologies in a number of wards currently exceed the recommended

[6] Inspectors' Initial Questions and Comments on Generic and Development Management Policies
[7] St. Helens Local Plan Open Space, Sport and Recreation Background Paper (February 2021)

standards. Assuming that these typologies can accommodate a proposed scheme, there would be no justification to seek their provision on the site itself or through an off-site contribution.

2.44 TW considers that such an approach would not meet the planning obligations tests set out in the Framework[8]. For example, it would not be possible to demonstrate that provision is necessary to make development acceptable in planning terms, and is fairly and reasonably related in scale and kind to a development, if sufficient provision in the area to meet the need generated by the development already exists.

2.45 TW therefore considers that the suggested approach is not justified or in accordance with national planning guidance. TW does not therefore agree with the suggested modification to Policy LPD03 and paragraph 7.3.11.

Q21: Is it clear from the policies in the Plan what level of new provision for outdoor sport, strategic housing allocations will be expected to provide?

2.46 With regard to outdoor sport SHLP Table 7.1 does not provide any specific quantity and accessibility standards and states:

"Refer to needs assessment and site-specific recommendations in the Council's latest Playing Pitch Strategy and Action Plan".

2.47 The most up to date playing pitch information available is the St Helens Playing Pitch Strategy Assessment Report (February 2016) and the St Helens Playing Pitch Strategy & Action Plan (July 2016). Whilst these documents identify playing pitch shortfalls in each of the wards, TW understands that they are in the process of being updated. It is not therefore clear at present what level of new provision for outdoor sport, strategic housing allocations will be expected to provide. TW considers that this information should have been prepared at the Local Plan preparation stage so that the findings could have informed policy preparation and any viability implications could have been considered.

2.48 In the Response to the Inspectors' Initial Questions[9], the Council consider that translating the requirements of the 2016 Strategy into the SHLP Appendix 5 site profiles would not be of benefit, as the new evidence will supersede it. The Council notes that it would be better to rely on the relevant policies in the Plan that require developers to refer to the latest evidence of outdoor sports space to understand the potential contributions that will be required.

2.49 If this approach is to be taken, TW would advise that the updated Strategy is issued in time for the adoption of the SHLP so that developers are aware of the latest position and the progress on planning applications on strategic sites is not held up by uncertainty on this matter.

[8] National Planning Policy Framework §56

[9] Response to the Inspectors' Initial Questions and Comments on Generic and Development Management Policies

Q22: Will the recently commissioned update to the Playing Pitch Strategy and Action Plan be able to inform the policies and proposals within this Plan?

2.50 The updated Playing Pitch Strategy and Action Plan have not been submitted to the EiP or used to inform the policies and proposals within the SHLP. TW considers that this evidence should have been prepared at the Local Plan preparation stage so that the findings could have informed policy preparation and any viability implications could have been considered.

2.51 Notwithstanding the above, the Strategy should be issued in time for the adoption of the SHLP for the reasons set out in our response to Q21.

Issue 5: Parking standards and vehicle charging points

Section 9 of Policy LPA07 refers to parking standards being included in a review of the Ensuring a Choice of Travel SPD, June 2010 (LOC009). However specific requirements for parking standards and vehicle charging point are not specified in the Plan.

The Council have indicated that the provision of vehicle charging points was subject to viability testing in the EVA. The EVA also assessed parking provision for new development on the minimum standards set out in Appendix 3 of the Council's existing Ensuring a Choice of Travel SPD (2010) (LOC009).

The Council has indicated that an update for this SPD is planned but that it will not be completed until after the Local Plan is adopted.

Q23: Is the policy effective and clear without the inclusion of the requirements for parking and vehicle charging point (possibly as an Appendix)?

Parking Standards

2.52 If the Council intended to review the existing parking standards, this should ideally have been undertaken as part of the emerging Local Plan process to ensure that any new standards can be properly tested through the EVA. In the absence of this information, it is not clear what impact the new standards would have on the deliverability of sites. As the EVA has tested against the existing standards, the scope to revise standards post adoption of the SHLP would appear to be limited unless the appropriate viability testing can be undertaken at that time.

Electric Vehicle Charging

2.53 Part 3c of PolicyLPA07 requires new development to *"provide appropriate provision for charging points for electric vehicles"*. The Policy does not specify what level of provision is required but the EVA suggests that a cost of £220 per dwelling has been applied. This is lower than evidenced in the Grasscroft Report.

2.54 There is a significant cost to installing electric vehicle infrastructure in new developments and TW considers the reference in the Economic Viability report to having a *"limited impact on overall viability"* is unsound. Typically, the provision of car charging points will require higher voltage cabling to be installed throughout the site resulting in higher abnormal off-site infrastructure costs. It is also possible that capacity for such voltage will not be available on the current network and therefore the costs to upgrade the network can be significant, requiring on site substations or off-site primary substation upgrades, the costs of which can exceed hundreds of thousands of pounds dependent on site size and current capacity. As such, an allowance should be made in the Viability Assessment Update to take account of increased off-site

LICHFIELDS

abnormal costs resulting from this policy requirement. This allowance does not appear to have been included.

2.55 In addition, we understand that the Government is proposing to introduce requirements for charging points under Schedule 1 to the Building Regulations 2010, which are expected to come into force in 2021. This will introduce a nationwide standardised approach to the provision of charging points in new buildings.

2.56 The Government's intention is to ensure that the introduction of this requirement does not add such a burden on developers that certain developments become unviable. The consultation on this matter[10] notes that the costs of installing the cables and the charge point hardware will vary considerably based site-specific conditions in relation to the local grid. In certain cases, the need to install charge points could necessitate significant grid upgrades which will be costly for the developer. It proposes to exempt developments where the installation of charge points would result in developments not being taken forward as a result of this cost.

2.57 Additional commentary on this matter is provided within Grasscroft's assessment of the EVA (see Appendix 1) but it is considered that the assumed cost of installing charging points is flawed and unrealistic particularly when associated and consequential infrastructure such as additional primary sub-stations are required as a result of the additional EUV charging points.

2.58 TW considers that the full and realistic cost of installing vehicle charging infrastructure should be considered in the EVA to ensure that the viability impacts are properly considered.

2.59 For the above reasons, we do not consider that it is necessary for Policy LPA07 to specify the provision of electric vehicle charging points or deal with this matter in an SPD, as requirements for the provision of charging points will be secured through Building Regulations.

Q24: Should the LP be more prescriptive in requiring charging points having regard to Section 9 of the Framework and the evidence base (EVA)?

2.60 Please see our response to Q23.

Q25: Could the requirements set out in the existing SPD be referred to if the intention is to keep any future updates broadly similar?

2.61 Please see our response to Q23.

Issue 6: Monitoring and Implementation

Appendix 4 to the Plan contains a monitoring framework. In response to preliminary questions, the Council indicated that it would put forward modifications to the monitoring framework in relation to five-year housing land supply, safeguarded land, targets and/or triggers for action/potential action, and contingencies.

Q26: Taking into account any modifications, is the Plan clear in indicating how the Plan's policies and proposals will be monitored?

2.62 As noted in our response to Q28, TW considers that further measures could be taken to ensure that the monitoring framework is effective in monitoring the success of the Plan's policies and proposals.

[10] Electric Vehicle Charging in Residential and Non-Residential Buildings (July 2019)

Q27. Will the indicators in the monitoring framework be effective in monitoring the success of the Plan's policies and proposals?

2.63 As noted in our response to Q28, TW considers that further measures could be taken to ensure that the monitoring framework is effective in monitoring the success of the Plan's policies and proposals.

Paragraph 33 of the Framework and the Local Planning Regulations require that policies in LPs should be reviewed to assess whether they need updating at least once every five years. Notwithstanding these requirements, there may be a need, due to a significant change in circumstances, to update the LP before five years.

Q28: Is the LP clear as to when a need to update the Plan before five years would be triggered, for example, for reasons relating to the delivery of housing?

2.64 The Framework[11] notes that the policies in a Local Plan will be considered out of date where the Housing Delivery Test indicates that the delivery of housing was substantially below (less than 75% of) the housing requirement over the previous three years. This threshold could therefore be identified as a trigger to update the Plan before five years.

Q29: Is the Plan clear as to which SPDs will be updated and prepared to provide guidance on the implementation of the Plan?

2.65 It would be helpful if the SHLP included a comprehensive list of SPDs to be updated and prepared as it is not immediately clear what the position is for each SPD.

[11] National Planning Policy Framework, Footnote 7

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Appendix 1

Grasscroft Development Solutions Comments on Keppie Massie Economic Viability Assessment of December 2018 (March 2019) and Updated Comments on Keppie Massie Economic Viability Assessment December 2018 (June 2021)

Updated Comments on Keppie Massie Economic Viability Assessment of December 2018

St Helens Local Plan

June 2021

List of Abbreviations:

Taylor Wimpey UK Ltd (Taylor Wimpey)
Keppie Massie (KM)
Grasscroft Development Solutions (GDS)
St Helens Council (SHC)
Economic Viability Assessment (EVA)
Building Cost Information Service (BCIS)
Gross Development Value (GDV)
Stamp Duty Land Tax (SDLT)

Contents

1. Introduction.

This report has been produced by Grasscroft Development Solutions to provide an update to our initial consultation response that was submitted in March 2019.

Our March 2019 submission contained detailed comments on the consultation document produced by Keppie Massie (KM) on behalf of St Helens Council (SHC). The document is titled "ST HELENS LOCAL PLAN ECONOMIC VIABILITY ASSESSMENT" (EVA) and is dated December 2018. The document was produced to set out and to invite comments on the approach proposed for the assessment of viability when considering the proposed new Local Plan for the period 2020 to 2035.

Grasscroft Development Solutions (GDS) remain instructed, alongside Lichfield's Planning Consultants, by Taylor Wimpey UK Ltd (Taylor Wimpey) to comment on the proposed approach to the Study, the viability appraisal methodology and the assumptions proposed.

As with our previous consultation response our comments are limited to the residential development market only, it does not comment on commercial uses.

In preparing the note other documents have also been considered and referred to where appropriate including the Authority's Local Plan Strategy and associated documents.

We have also considered how the Councils report, prepared by Keppie Massie (KM) in 2018 reflects and conforms to the current guidance, to include the NPPF and the subsequent Government guidance contained in Viability in Planning as last updated on 1st September 2019, the RICS Financial viability in planning: conduct and reporting 1st Edition (May 2019) and the

Recently published RICS guidance, Assessing viability in planning under the National Planning Policy Framework 2019 for England Guidance Note, for England 1st edition, March 2021 which replaces the 2012 Financial Viability in Planning Guidance note with effect from the 1st July 2021.

Since the completion of our initial review of the KM EVA in March 2019 it would appear that there has been no further work commissioned from KM by St Helens Council (SHC). The December 2018 report therefore remains the only viability evidence produced in support of the SHC Local Plan.

Since the KM EVA was completed in 2018 there has been a shift in emphasis to viability assessments requiring them to form an integral of plan making. The purpose of viability testing at the plan making stage is to test on an area wide basis the proposed planning policies are realistic and that the cumulative cost of the proposed polices do not undermine the delivery of the plan. The new guidance is there to ensure that landowners, key stakeholders and their professional advisors engage with local planning authorities early in the process, so that planning obligations and affordable housing requirements are resolved well in advance of planning applications being made. It is anticipated that this will reduce disputes arising at the planning application stage and speed up the delivery of housing to the benefit of local communities.

This being the case, whilst we continue to support the general approach to viability testing the issues and questions raised in our March 2019 consultation response remain unaddressed. The Council's evidence has also therefore not been updated to consider and reflect the current guidance and the changes that have occurred during the Covid-19 pandemic and other socio-economic effects arising.

In our previous report we provided comments on a number of aspects of the KM EVA and concluded by identifying specific areas that in our view either required further consideration and additional supporting evidence to be provided that may then lead to adjustment to the KM EVA. The main issues outlined in our previous report were:

1. For a full assessment of the KM EVA to be possible copies of the various appraisal summaries need to be published for analysis and comment in a similar format to those provided by them in other local authority areas.

2. In relation to the Total Costs referred to in the KM Report of Construction Costs tables it is unclear how this cost is built up. To be shown to be sound and transparent provision of the appraisal summaries is required. Based on the information provided the total costs assessment proposed by KM is low.

3. We are unable to determine the exact level of base build costs proposed for residential housing schemes, however given the level of “Total Costs” of development set out within Appendix B of the KM Report of Construction Costs it would appear they are significantly below comparable BCIS costs both at median and lower quartile cost levels. We are therefore unable to support their use at this time.

4. The base build costs proposed for apartment schemes as set out in Appendix C of the EVA appear to be based on a simplified cost plan with no supporting evidence for the costs proposed. The overall costs are significantly below comparable BCIS costs both at median and lower quartile cost levels. We are therefore unable to support their use.

5. We are unable to support the use of the KM “build cost” database given the inadequacies we have previously identified. Instead BCIS costs should be adopted at the appropriate level for the St Helens area.

6. The KM development costs currently exclude any assessment of abnormal development costs which limits their value at the plan making stage. This being the case, site specific viability assessments will continue to be required on sites where abnormal development costs or significant infrastructure and opening up costs are encountered.

7. The net sales values adopted should reflect an allowance for appropriate levels of sales incentives.

8. Discounts from market value for affordable housing require minor adjustment to reflect a conservative assumption on the current bid values achievable from RSL’s.

9. The Benchmark Land values adopted for both residential and commercial uses are low, particularly for Greenfield Residential sites in the medium and higher value areas. In the former the level proposed is below that adopted for commercial office developments and only the same as potential industrial uses, both of which are also set at very low level. At these Benchmark land values there is no incentive to land owners to promote

their sites for residential development given they could be depressed further by abnormal costs.

10. Finance costs for small developers should be increased to represent the higher costs of funding they incur.

11. Developer Profit Margins of 20% should be adopted for all developments. The majority of developers are unable to obtain funding at returns below this level.

It is unclear how, if at all, SHC and KM have considered and attempted to address the issues raised. Since submitting our consultation response in March 2019 we have had no further dialogue or contact from either SHC or KM on any aspect of the Councils Economic Viability Evidence. Furthermore, there has been no update to the Viability evidence or any attempt to address the issues raised in our March 2019 consultation response. For the viability evidence to be sound KM need to transparently identify that they have addressed the comments of all stakeholders. A copy of our initial comments on the KM EVA from March 2019 are attached at Appendix 4.

Rather than repeat our previous detailed comments on the 2018 EVA again here (though these remain outstanding) we have limited this update to consider only additional matters that were not raised in our March 2019 consultation response, or where in the intervening period circumstances have changed that may therefore impact on the overall viability position given even relatively small changes in either revenue or cost inputs can have a significant impact on viability.

In addition to our previous concerns it is also our view that given the KM EVA was completed in December 2018 (and therefore relies on evidence that was gathered earlier in 2018), it is now out of date. Since the report was completed there have been changes to both general development costs and revenues which should be taken into consideration together with specific national policy changes that have a direct impact on development costs for all future residential developments, which we will comment on further in Section 3 below.

Since the completion of the 2018 EVA, both government guidance and subsequent updates to the RICS guidance seek to place increasing emphasis on robust viability testing being carried out at the plan making stage. Therefore the inputs and robustness of the consultation is essential in ensuring policy requirements do not undermine deliverability or compromise sustainable development.

Whilst we note that SHC have in Policy LPA08 identified that a viability appraisal can be submitted if there are site specific costs that adversely affect an individual sites viability SHC need to ensure that its own evidence is robust and based on a meaningful consultation.

As outlined in our previous consultation response this is to try and ensure that the types of sites and developments planned are deliverable, wherever possible, without the need for further viability assessment at the decision making stage. This is evident when referring to the updated Planning Practice Guidance.[1]

Whilst this seems a reasonable approach, all too often this is not currently possible. Each site is unique and therefore its overall development cost is also unique. Any area wide approach to viability therefore needs to ensure that the vast majority of development will remain viable even

[1] Reference ID: 10-002-20180724 and Reference ID: 10-008-20180724

when fully policy compliant. To achieve this, the overall cumulative impact of all the Council's plan polices needs to be carefully assessed and set at a level that allows sufficient headroom to ensure this is the case throughout the plan period.

This is typically done by completing a series of financial appraisals and assessing what if any level of surplus is available to make contributions to affordable housing and other local plan policy objectives. To ensure the long term deliverability of the plan it is good practice not to test the margins of viability and therefore it is widely accepted that "headroom" needs to be built into appraisals, both within the levels of individual cost and revenue assumptions but also when considering what proportion of any final surplus should be considered available for contributions to local plan polices. In many cases headroom of between 30% and 50% is allowed. This was the case for example in the Cheshire East CIL examination hearings we took part in, where 50% was adopted. The remaining 50% is the sum available for the funding of plan polices and CIL (if it were to be considered).

We also note that in relation to recent experience at the Halton Local Plan Examination that the Inspector raised specific queries in relation to whether the viability assessment has been robustly consulted on and evidenced. Furthermore, there were specific queries on how the affordable housing mix had been arrived at and the impact that the mix had on the viability of sites. It is considered that insufficient evidence was presented at this examination by the Council to robustly justify the proposed targets for affordable housing. Concerns were raised in relation to the approach taken in the resultant policy recommendations. It is imperative that these issues are resolved at the examination so that housing delivery is not delayed and the policy requirements are justified and realistic.

Clearly over the proposed plan period economic and market conditions will change considerably on a number of occasions and therefore it is also important to retain a degree of flexibility so that should market conditions deteriorate a good proportion of development can remain viable and developments continue to come forward to meet the overall plan requirements. In periods of economic slowdown (which are bound to occur during the plan period), it is imperative that development is still possible to retain the economic and social benefits that derive from it. This is increasingly relevant given the uncertain wider economic outlook.

2. Grasscroft Development Solutions.

This report has been undertaken by Michael Coulter, a Director and Richard Heathcote, a Consultant at Grasscroft Development Solutions.

Grasscroft Development Solutions is the development consultancy arm of the Grasscroft Property Company Ltd, which is a regional based residential and commercial development company.

The Grasscroft group of companies has been active within the North West, and wider area, for the past twelve years and has undertaken and completed a number of successful residential and commercial developments.

Michael Coulter has a First Class Honours Degree in Building, a Master's Degree in Built Environment Research and is a Member of the Chartered Institute of Building. He has over 20 years of experience at the highest level within the property industry and has held senior and board level positions at a variety of development and building companies.

Michael's career has had a strong residential focus and as such he has been responsible for the development and delivery of a wide variety of private sector and social housing schemes within the North of England. These schemes have ranged from small new build projects to large urban regeneration initiatives, including Macintosh Village in Manchester which incorporated the UK's first 'eco tower'. Posts held by him have included:

- Roland Bardsley Homes Ltd – Director
- Taylor Woodrow Capital Developments – Associate Director
- Morrison Homes Ltd – Area Development Manager

Richard Heathcote has a degree in Urban Land Economics and has over 25 years of experience in the property industry having held senior positions with a number of development companies and commercial property practices.

Richard's career has also had a strong residential focus, both for new build traditional housing, high rise apartment development, mixed use developments and major listed building conversions throughout England and Wales. Posts held by him have included:

- GL Hearn - Land and Planning Director
- Crosby Lend Lease - Development Manager
- CALA Finance - Business Development Manager
- PJ Livesey Group - Land and Estates Manager

Current consultancy commissions range from providing advice on viability to full development management of residential and mixed use projects.

Taking into account the above demonstrable experience, the writers of this paper are in a very strong position to comment on the issues set out within the St Helens Local Plan Economic Viability Assessment consultation document.

3 Evidence Base.

As outlined in Section 1 above, since the completion of the previous Local Plan consultation in March 2019 there has been no additional work instructed to update the EVA that was completed by KM in 2018.

This being the case in addition to the various issues and questions set out in our March 2019 consultation response that have therefore not been considered and addressed we are also now concerned that the Council's viability evidence does not fully accord with current guidance and does not take into account forthcoming changes to housing construction standard. The viability evidence should be updated and any subsequent changes to the Plan needed to accord with the updated evidence base should be addressed via main modifications.

Since 2018 there have been a number of key events in the wider national and global economy that have not therefore been considered. These include:

1. The finalisation of Brexit and the UK's subsequent exit from the EU and the accompanying changes to trading relationships.
2. The impact of COVID 19 pandemic.
3. The impact of the temporary SDLT relief.
4. The impact of the end of the Help To Buy Scheme which has supported a large proportion of new home sales over the previous decade.
5. The forthcoming changes to housing construction standards to achieve the wider objectives of combating climate change.

The potential impact of the above on both short and medium term development values and costs should be considered and taken into account.

In relation to the wider economic impacts of items one and 2 above these could reasonably be evaluated if SHC had instructed KM to carry out a recent update to their EVA. This would have then captured any recent movements in both development costs and residential house prices in the SHC area.

Residential Net Market Values

In the absence of an updated EVA we have carried out a high level review of current new build housing developments in the area to enable us to provide some commentary on how market values have changed. Details of our current market research is included at Appendix 1 of this report.

When analysed on a £ per square foot basis it is clear that typical residential market values in the St Helens area have increased since KM completed their study in 2018. There is some variation in the extent of increase in market values since the KM EVA was completed but the evidence does suggest that a range of increases could now be supported.

KM had previously identified 3 value zones within the SHC which were illustrated by the plan on page 14 of the EVA. Based on these geographical areas they adopted the following Value Zones:

- Zone 1: £170/ft²
- Zone 2: £195/ft²
- Zone 3: £225/ft²

Whilst all the current new build comparables are effectively located within the area defined by KM as Zone 2 it is possible to reach some broad conclusions.

1. That new build residential net market values have increased in the period since the KM study was completed.
2. That whilst KM had previously identified 3 Value Zones it is clear from the current evidence that there remains a range of values being achieved within these zones.
3. The current market evidence indicates values of between around £200/ft² and £235/ft² are being achieved, dependent on location, size and style of dwelling and the developer profile and specification.
4. There is very little new residential housing activity in Zone 1 where values remain low.

We accept that for the purposes of an area wide viability assessment of this kind a view needs to be taken on both the geographical extent of a Value Zone and then a representative "average" value needs to be applied to all sites in that zone to enable generic viability appraisals to be produced.

This approach can mean that some sites viability may be understated whilst others are overstated. This being the case there is likely to remain a need for site specific viability assessments to be completed for those sites where a detailed site assessment identifies issues relating to either site specific value or abnormal cost issues, or in some cases a combination of both.

If we consider Value Zone 1, there are no current comparables for us to be able to reach any firm conclusions on current values. The lack of any new build evidence is in itself a reasonable indication that at the prevailing net market values achievable in these areas viability is an issue. Areas with traditionally low market values will in general tend to lag more valuable locations and therefore we would suggest that current market values are unlikely to exceed £180/ft².

For Value Zone 2 given the range of values indicated by our own updated market research we would recommend that a cautious approach was adopted to ensure the majority of sites remained viable. This being the case we would recommend that a revised net market value of around £215/ft² is adopted.

Finally for value Zone 3, whilst again there is no current market evidence to assist in reaching a firm conclusion it is reasonable assume that sites in these limited number of locations would achieve at least the level of net market values currently being achieved in the best locations within Value Zone 2 or slightly higher. We would therefore recommend that any updated testing could be based on a conservative average of £245/ft².

Given our ongoing concerns relating to a number of the EVA development density and cost assumptions the increase in net market values that has occurred over the last 3 years would go some way to offset both general development cost increases over the same period and also some areas where we maintain development costs had previously been under assessed.

General Development Costs

General development costs have also increased since the completion of the EVA. We have attached at Appendix 2 a copy of the latest BCIS data for the St Helens area, which indicates a small increase in median construction costs of just £10/m2 over the 2 years since we submitted our last consultation response. We would however stress that as detailed in our March 2019 consultation response, the overall development costs adopted by KM in the December 2018 EVA were significantly below the corresponding BCIS costs data available at that time and were therefore understated. The costs adopted are summarised further in Section 4 of this report.

Future Homes Standards

In addition, at the time of the EVA being completed by KM there were also unknown and therefore unidentified costs relating to the planned changes to Building Regulation Standards.

The position on the changes as currently proposed are set out in the January 2021 report published by the Ministry of Housing, Communities & Local Government. "**The Future Homes Standards: 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings. Summary of responses received and government Response."** A copy of the Government report is included at Appendix 3.

In summary there is now a set timetable by which all new homes will need to be constructed to the Future Homes Standards and be zero carbon ready by June 2025.

In the meantime, as an interim uplift on the way to all new homes being zero carbon ready is to be introduced. This will require all new homes to achieve a 31% reduction in CO2 emissions compared to current standards. Any new homes registered after June 2022 will have to achieve the reduced CO2 standards and any dwellings where construction has not commenced by June 2023 will also need to achieve the standard regardless of when they were registered.

The cost to achieve the 31% reduction will vary dependent upon a number of factors that will include:

- The size of the developer and their "typical" development costs
- The scale and house type mix proposed for a site
- The underlying LPA's current housing polices and standards

We have in recent months been in discussions with a range of developers, housebuilders and consultants regarding the cost of achieving the interim CO_2 reduction. The consensus of opinion is that an allowance of between £4.00/ft² and £5.00/ft² would be appropriate in the majority of cases for traditional 2 and 3 storey housing developments.

Given the timescales proposed for the introduction of the new Building Regulation standards we are now including these costs in all development appraisals which are at the pre planning application stage.

For larger sites we are also making an assessment of the proportion of dwellings that will need to achieve the June 2025 zero carbon ready standards. As with the 31% interim reduction we have been in consultation with a range of industry stakeholders to identify a typical additional cost, to achieve the standard, over and above the costs of the 31% CO_2 reduction. Again there is a broad consensus of opinion that the additional cost will be significantly higher than the that to achieve the 31% reduction at a further £9.00/ft² to £10.00/ft².The total addition cost to achieve the 2025 Future Homes standards is therefore expected to lie between £13.00/ft² and £15.00/ft² for traditional 2 and 3 storey housing.

The December 2018 EVA makes no allowance for the costs associated with achieving either the interim or zero carbon ready Future Homes Standards. It is therefore currently under assessing the total development cost to achieve all national and local policy standards.

Biodiversity Net Gain

In addition to the forthcoming Future Homes Standards it has also been confirmed that national government policy will require additional planning gain contributions for all new developments.

At Spring Statement this year, government announced it would mandate net gains for biodiversity in the Environment Bill. The government response to the consultation responses sets out how we will work to bring this into force.

Whilst not yet national policy some individual planning authorities are already assessing individual development sites and then seeking to secure additional S106 contributions. The KM EVA makes no allowance for these potential additional costs to development. Consideration needs to therefore be given to the likely range of cost of these additional requirements within any updated viability appraisals. Based on our recent experience whilst costs can vary from site to site they can equate to around £1,500 to £2,000 per plot.

Adopting a Flexible Approach To Viability Testing.

We would recommend that updated viability appraisals are completed for the SHC area. Given our overall concerns we would recommend that these updated appraisals adopt a flexible approach and test a range of affordable housing provision.

To inform the deliverability of the full range of SHC policy objectives all policy costs need to be tested, however as a minimum requirement testing should as a minimum ensure that all S106 costs are tested, as these are a basic requirement to make a planning application acceptable.

Once this base point has been established then the additional cost of Future Home Standards and Biodiversity Net Gain should be added and tested.

We would then recommend that all the additional proposed policy costs are fully assessed and costed and tested.

Finally we would then recommend that a range of affordable housing provision is then tested as appropriate. We would suggest that testing in 5% increments would be prudent from 0% up to the 30% in the proposed affordable housing policy.

In the December 2018 KM report the testing results for the 9 site allocations was set out in Appendix 6. In all cases the identified viability surplus (or deficit) of the appraisals is stated in terms of a value in £/m². This surplus or deficit value stated however excludes the cost of the proposed Local Plan polices and S106 costs as assessed by KM. Instead the estimated costs of the various polices are then stated separately. This makes the results confusing and incomplete. This approach also seems to imply that these items are somehow “optional” and not actually required to make an application acceptable. When considered alongside the very low BLV's proposed in the KM report there is clearly very little scope for any deficit (once all S106 and policy costs are considered) to be absorbed by landowners through reduced land receipts.

Using site 2HA as an example, this site has been tested with provision for 30% affordable housing only and is shown on KM's own analysis to be unviable with a small deficit of £5/m². When the cost of the range of proposed polices is taken into account the deficit, based on KM's assessment increases to £55/m². Despite this deficit no further testing has been completed to identify what level of affordable housing may be viable once proposed policy costs have been included.

In contrast sites 7HA, 9HA and 10HA have only been tested on the basis of providing ZERO on site Affordable Housing. All 3 sites show a small surplus but again this is before the impact of S106 and other policy costs is taken into account. The S106 cost allowances appear low however without full details of how the cost has been calculated it is difficult to comment fully. This being the case if at the application stage for any site the total cost of S106 and other policy costs was higher than that tested in the local plan this should also be grounds for a site-specific viability review.

For site reference 9HA with ZERO affordable housing provided on site the viability appraisal produces a surplus of £28/m². This small surplus however is before the cost of S106 obligations and other polices are included. The cost of these items is assessed by KM at £36/m² and therefore when these costs are taken into consideration there is actually a small viability deficit of £8/m². Site 7HA has a similar small deficit after the deduction of KM's assessment of policy costs of £14/m².

For site 10HA a small surplus of £28/m² would remain once KM's assessment of S106 and proposed policy costs are taken into account. This would indicate that a small amount of affordable housing may be viable on this site allocation but this has not been tested.

As stated in our original consultation response It is also normally good practice to establish a viability buffer (or headroom) at the Local Plan stage so that the limits of viability are not being tested. Due to the lack of alternative scenario and sensitivity testing being completed to date the current viability evidence does not meet the current requirements of either the current government guidance nor the latest RICS guidance in relation to adequate sensitivity testing.

Given the low levels of viability surplus for all sites assessed by KM, any significant change in the costs of necessary infrastructure or abnormal costs will impact on affordable housing delivery. A series of sensitivity tests provided on this basis would ensure that the plan would meet the tests of soundness.

4. Conclusions.

We remain concerned that despite the valid issues raised in our March 2019 consultation submission no response was made to either ourselves, our clients or their retained planning consultants and no changes appear to have been considered or subsequently made to the 2018 EVA.

We are concerned that the EVA completed by KM in 2018 has not been updated and therefore does not fairly reflect the current viability position for the SHC area either in terms of residential market values or general development costs, both of which have changed in the intervening period.

In addition due to the EVA being prepared in 2018 it does not fairly reflect future development costs as it does not take account the costs associated with achieving the Future Homes Standards. These will come into effect in two stages from June 2023, when a 31% reduction in current CO_2 emissions will need to be achieved and June 2025 when all new dwellings will need to be zero carbon ready.

Finally the costs of achieving Biodiversity Net Gains on all future sites has not been assessed in the 2018 KM EVA.

Due to the significant changes that have occurred in the intervening period it is clear that prior to the examination hearings updated viability appraisals need to be completed for both the main site typologies and the allocated sites. These updated appraisals should test viability based on up to date market values and costs and be inclusive of the costs of all policy and S106 obligations. They should also include for the forthcoming costs associated with meeting the Future Homes Standards and biodiversity net gains as outlined above.

As identified in both government and the latest RICS guidance an appropriate and up to date assessment of viability is required at the plan making stage. If this is not the case then the current approach to viability will continue with the ongoing need to complete site specific viability assessments in a significant proportion of individual planning applications. This will lead to the continuing uncertainty and delay to the delivery of new housing developments.

To fully inform the local plan process and the ability for sites to meet the proposed policy objectives the updated appraisals should also test a range of affordable housing provision, from the proposed policy requirement of 30% in increments of 5% down to zero percent. Any viability surplus or deficit should be stated once the cost of all S106 and other policy costs have been taken into account.

This approach will help to provide greater certainty and resilience to the delivery of the housing objectives set out in the plan over its lifetime.

Given the low levels of viability headroom that were evident from KM’s own viability results across the SHC area in 2018 it is clear that a flexible approach to viability testing at a site specific level will need to be retained going forward. This need for flexibility is recognised by Policy LPA08 which we would support.

Finally we have summarised below in figure 1 the main appraisal inputs and identified where we either support or disagree with position currently adopted by Keppie Massie as outlined in either our March 2019 consultation response or above. The changes outlined below will ensure that the Local Plan remains robust.

Item	KM (on behalf of the Council)	GDS (on behalf of TW)
House Type Mix & Resultant Development Densities	A range of 1 to 5 bedroom dwellings have been utilised within the Typology appraisals and for the Site Allocations at densities of between 30 and 40 DPH For the Scheme 7 200 Dwelling Typology, densities therefore range from 11,381 sq ft per acre to 15,176 sq ft per acre. For the site allocations set out in Appendix 6 of the KM report they range from 10,937 sq ft to 15,212 sq ft per acre.	Whilst GDS would maintain some of the individual house types appraised are large or unlikely to be delivered the overall density adopted in terms of square feet per net developable acre reflect a realistic range of development densities.
Residential Net Market Values	Keppie Massie adopted 3 Value Zones Zone 1 £170/ft Zone 2 £195/ft Zone 3 £225/ft It is unclear how bungalows have been valued.	Residential net market values are currently understated. Since the completion of the KM report market values have generally increased across the St Helens area. Our own market research would indicate that for the same typical Zones whilst there is a range of values currently being achieved within the Value Zones the following average values could now be adopted for Local Plan testing Zone 1 £180/ft Zone 2 £215/ft Zone 3 £245/ft
Affordable Housing Transfer Values	Affordable Rent 45% of OMV Low Cost Home Ownership 70% of OMV	Affordable Housing transfer values are overstated. Affordable Rent 40% of OMV Low Cost Home Ownership 65% of OMV
Standard Build Costs (Based on a Greenfield Site at 35DPH for 200 Dwellings with 30% Affordable Housing)	£1,147/m2 (£106.56/ft) Excludes white goods/appliances, Incentives, floor finishes non-recoverable Vat, contractors profit, code for sustainable homes, abnormal costs. It is unclear how bungalows have been costed. Clarification required on if the cost of garages have been included in this total cost.	Standard build costs are too low and should fall between the BCIS Lower Quartile and Median cost with a typical allowance of 15% for standard external works. Based on current rates this equates to a range of £1,220.21/m2 £113.36/ft) to £1,378.7/m2 (£128.09/ft). Costs should include standard white goods, and floor finishes to bathrooms and kitchens. A separate cost allowance needs to be made for each single at around £7,000.

Item	KM (on behalf of the Council)	GDS (on behalf of TW)
Standard Build Costs For Site Allocations (Excluding Garage Costs)	For sites 1 HA, 2HA, 4HA, 7HA and 8HA the standard build costs adopted range from £1,035.43/m (£96.20/ft) to £1,100.78/m2 (£102.27/ft) clarification required if this excludes white goods/ appliances, Incentives, floor finishes non-recoverable vat, contractors profit and Code for Sustainable Homes.	Standard Build costs are too low and should fall between the BCIS Lower Quartile and Median cost with a typical allowance of 15% for standard external works. Based on current rates this equates to a range of £1,220.21/m2 £113.36/ft) to £1,378.7/m2 (£128.09/ft). Costs should include standard white goods, and floor finishes to bathrooms and kitchens. A separate cost allowance needs to be made for each single at around £7,000.
Infrastructure/ Opening Up/ Abnormal Costs Greenfield Typologies	Zero allowance on Greenfields sites	A comprehensive assessment of both infrastructure and abnormal costs needs to be allowed for on all allocated sites and for the development typologies inclusive of ground contamination, foundation abnormals, utility reinforcement works, foul and surface water drainage, cut and fill, retaining structures, etc. to avoid the need for regular site specific viability appraisals.
Infrastructure/ Opening Up/ Abnormal Costs Brownfield Typologies	Allowance for site clearance and some foundation abnormals only, equivalent to around £5,950 per plot for a typical 200 unit brownfield site at 35 DPH or Circa £208,000/ha (£84,300/acre)	A comprehensive assessment of both infrastructure and abnormal costs needs to be allowed for on the development typologies inclusive of ground contamination, foundation abnormals, utility reinforcement works, foul and surface water drainage, cut and fill, retaining structures, etc. to avoid the need for site specific viability appraisals on sites where abnormal costs are higher than currently allowed.
Infrastructure / Opening Up/ Abnormal Costs Greenfield Allocations	Greenfield Site Allocation Cost Sheets include allowances for open space and play areas and off site highway improvements as applicable only in most cases. The cost of abnormal works ranges from as little £370 per plot to £2,840 per plot	A comprehensive assessment of both infrastructure and abnormal costs needs to be allowed for on the site allocations inclusive of ground contamination, foundation abnormals, utility reinforcement works, foul and surface water drainage, cut and fill, retaining structures, etc. to avoid the need for site specific viability appraisals on sites where abnormal costs are higher than currently allowed. Previous Guidance in the Harman report recommend total costs of between £17,000 and £23,000 per plot for larger strategic sites.

Item	KM (on behalf of the Council)	GDS (on behalf of TW)
Infrastructure / Opening Up/ Abnormal Costs Mixed & Brownfield Allocations	Allowances for site clearance and some foundation abnormals together with open space and play areas and off site highway improvements as applicable only in most cases. The cost of the identified abnormal works range from £3,373 per plot to £9,066 per plot.	A comprehensive assessment of both infrastructure and abnormal costs needs to be allowed for on the site allocations inclusive of ground contamination, foundation abnormals, utility reinforcement works, foul and surface water drainage, cut and fill, retaining structures, etc. to avoid the need for site specific viability appraisals on sites where abnormal costs are higher than currently allowed. Previous Guidance in the Harman report recommend total costs of between £17,000 and £23,000 per plot for larger strategic sites.
Development Contingency	5%	5%
Professional Fees	5% for largest sites, increasing to 7.5% for smaller sites	Are too low and should range from 7% for smallest sites rising to 12% for largest and most complex sites
Building Regulations Optional standards	M4(2) £1,100 per dwelling M4 (3A) £5,500 per Dwelling	Agreed at present
Future Homes Standards (31% reduction on current C02) from June 2023	No Cost allowance Included	£4 to £5/ft
Future Homes Standards Zero Carbon Ready from June 2025	No Cost allowance Included	£9 to £10/ft
Biodiversity Net Gain	No Cost allowance included	£1,500 to £2,000 per dwelling.
Electric Vehicle Charging Points	£220 per dwelling (clarification required regarding specification required)	Currently Understated and should be a minimum of £325 per dwelling for a basic wall mounted installation rising to £700 for 16 Amp. For free standing charging points within parking courts the cost increases to £2,400.
Development Finance	7.00%	7.00% (Increasing to 10% for small scale developments).
Developer Profit (% of GDV)	20% Large sites 17.50% Small sites	Currently understated all sites should be appraised at 20%.

Item	KM (on behalf of the Council)	GDS (on behalf of TW)
BLV Brownfield Sites	£150,000 per net acre Zone 1 £250,000 per net acre Zone 2 £350,000 per net acre Zone 3	All Brownfield appraisals only make allowance for limited abnormal cost items. This is too low. Industrial and commercial land values have also increased in recent years. BLV's therefore need to be increased by circa £100,000 to £150,000 for each value zone to maintain a premium over the EUV/AUV and to take account of the increased gross to net developable area allowance of larger sites.
BLV Greenfield Sites	£150,000 per net acre Zone 1 and 2 £250,000 per net acre Zone 3	All Greenfield appraisals make only limited allowance for infrastructure/opening up costs and no allowance for abnormal costs. This is too low. Industrial and commercial land values have also increased in recent years. BLV's therefore need to be increased by circa £100,000 to £150,000 for each value Zone to maintain a premium over the EUV/AUV and to take account of the increased gross to net developable area allowance of larger sites.

Figure 1. Summary Of Key Appraisal Inputs

We trust that the Council, their advisors will find our further our comments useful and that the necessary updates to the viability appraisals with the amended and additional cost inputs are made now to ensure the results of the subsequent detailed viability testing are robust. This will ensure that the Council's wider housing delivery objectives can be met throughout the plan period and with the appropriate updates and changes in place the viability evidence can be found to be sound.

Appendix 1.

Residential Market Research

Average Price & Volume of Sales

Source: Land Registry

2021

	Detached	Sales	Semi-det	Sales	Terraced	Sales	Flat/mais	Sales	Overall average	Total sales
WA9 1	£0	0	£0	0	£80,250	2	£0	0	£80,250	2
WA9 2	£0	0	£83,500	3	£78,000	2	£0	0	£81,300	5
WA9 3	£175,000	1	£0	0	£111,800	5	£0	0	£122,333	6
WA9 4	£370,000	2	£142,667	6	£84,400	5	£0	0	£155,231	13
WA9 5	£236,833	3	£108,500	2	£114,750	4	£0	0	£154,056	9
Total	£270,917	6	£120,318	11	£97,583	18	£0	0	£134,443	35

2020

	Detached	Sales	Semi-det	Sales	Terraced	Sales	Flat/mais	Sales	Overall average	Total sales
WA9 1	£204,000	2	£92,487	4	£72,383	21	£60,500	1	£84,232	28
WA9 2	£175,000	1	£90,588	12	£73,936	28	£60,667	3	£79,869	44
WA9 3	£173,404	21	£119,213	41	£84,142	57	£63,000	4	£110,384	123
WA9 4	£252,556	25	£145,139	103	£102,238	33	£62,375	4	£150,828	165
WA9 5	£250,442	56	£149,066	36	£114,383	59	£120,720	5	£171,432	156
Total	£233,934	105	£136,022	196	£93,479	198	£79,271	17	£137,752	516

2019

	Detached	Sales	Semi-det	Sales	Terraced	Sales	Flat/mais	Sales	Overall average	Total sales
WA9 1	£170,500	4	£92,187	8	£71,440	21	£57,749	6	£83,750	39
WA9 2	£190,000	1	£116,187	8	£66,330	42	£59,833	3	£75,645	54
WA9 3	£166,837	36	£109,295	108	£81,240	62	£73,400	1	£110,726	207
WA9 4	£241,146	60	£145,111	99	£97,769	42	£65,833	3	£162,444	204
WA9 5	£252,021	47	£153,795	57	£116,609	61	£117,562	14	£164,080	179
Total	£224,270	148	£130,726	280	£90,098	228	£90,473	27	£135,842	683

2018

	Detached	Sales	Semi-det	Sales	Terraced	Sales	Flat/mais	Sales	Overall average	Total sales
WA9 1	£142,167	3	£97,964	14	£67,354	25	£55,125	4	£80,486	46
WA9 2	£147,697	5	£103,963	31	£65,397	40	£52,000	6	£84,015	82
WA9 3	£183,861	22	£106,300	60	£83,954	58	£52,000	2	£108,425	142
WA9 4	£228,341	26	£127,288	97	£97,669	29	£81,000	1	£138,544	153
WA9 5	£248,282	62	£145,839	58	£93,279	59	£94,145	10	£160,302	189
Total	£224,918	118	£122,223	260	£82,962	211	£72,128	23	£126,605	612

2017

	Detached	Sales	Semi-det	Sales	Terraced	Sales	Flat/mais	Sales	Overall average	Total sales
WA9 1	£169,000	2	£81,112	4	£64,216	28	£59,400	5	£70,705	39
WA9 2	£146,433	12	£99,322	30	£61,389	43	£39,500	3	£85,171	88
WA9 3	£162,300	30	£107,572	63	£70,093	60	£55,390	5	£102,080	158
WA9 4	£222,452	22	£116,423	90	£91,732	49	£68,800	5	£121,752	166
WA9 5	£247,116	68	£131,668	68	£100,361	64	£99,095	10	£157,959	210
Total	£213,896	134	£115,736	255	£80,169	244	£72,407	28	£120,671	661

2016

	Detached	Sales	Semi-det	Sales	Terraced	Sales	Flat/mais	Sales	Overall average	Total sales
WA9 1	£148,500	6	£89,961	13	£58,967	30	£46,875	2	£76,926	51
WA9 2	£134,157	6	£89,284	7	£56,837	31	£63,667	3	£71,976	47
WA9 3	£152,952	24	£99,117	55	£61,293	66	£99,497	2	£90,930	147
WA9 4	£188,549	34	£116,023	81	£81,862	50	£60,800	5	£118,856	170
WA9 5	£254,285	60	£130,601	34	£111,121	61	£107,625	10	£166,983	165
Total	£207,958	130	£110,969	190	£77,512	238	£84,727	22	£117,984	580

New Build Availability

Net price assumes 2.5% deduction from asking price due to negotiation and incentives on all new build properties

Morris Homes - Waterside Village, Lea Green, WA9

House Name	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Bedrooms	Type	Storeys
Bramhall	£279,750	1307	£214.04	£208.69	4	Detached	2
Staunton	£305,750	1318	£231.98	£226.18	4	Detached	2
			Average Net Asking Value (ft²)	£208.69			

Hassett Homes - Chantry Gate, Eccleston, WA10

House Name	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Bedrooms	Type	Storeys
Harman	£660,000	2100	£314.29	£306.43	4	Detached	2
			Average Net Asking Value (ft²)	£306.43			

Anwyl - Lea Grange, St Helens, WA9

House Name	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Bedrooms	Type	Storeys
Stratford	£292,995	1321	£221.80	£216.25	4	Detached	2
Ascot	£287,995	1275	£225.88	£220.23	4	Detached	2
Henley	£303,995	1338	£227.20	£221.52	4	Detached	2
Tenby	£228,995	1033	£221.68	£216.14	3	Detached	2
Farndon	£263,000	1175	£223.83	£218.23	4	Detached	2
			Average Net Asking Value (ft²)	£216.25			

St Mowden Homes - Tayleur Leas, Newton-le-Willows, WA12

House Name	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Bedrooms	Type	Storeys
Kemble	£170,995	705	£242.55	£236.48	2	Terraced	2
Hallward	£249,995	979	£255.36	£248.97	3	Detached	2
Becket	£262,495	1210	£216.94	£211.51	4	Semi	2.5
Edwena	£268,995	1036	£259.65	£253.16	3	Detached	2
Hannington	£274,995	1173	£234.44	£228.58	4	Detached	2
			Average Net Asking Value (ft²)	£235.74			

Countryside - Abbotsfield, St Helens, WA9

House Name	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Bedrooms	Type	Storeys
Lymington	£293,995	1215	£241.97	£235.92	4	Detached	2
			Average Net Asking Value (ft²)	£235.92			

Edward Homes - Springfield Park, St Helens, WA9

House Name	Asking Price	Size (ft²)	Gross Asking Price (ft²)	Net Asking Price (ft²)	Bedrooms	Type	Storeys
Kempton	£197,995	900	£219.99	£214.49	3	Detached	2
Lingfield	£194,995	884	£220.58	£215.07	3	Semi	2
Wexford	£203,995	862	£236.65	£230.74	3	Detached	2
			Average Net Asking Value (ft²)	£220.10			

New Build Sold

Taylor Wimpey - Common Road, Newton-le-Willows, WA12

Plot No.	House Name	Sale Price	Size (ft^2)	Gross Sale Price (ft^2)	Net Sale Price (ft^2)	Bedrooms	Type
100	Dadford	£158,895	743	£213.94	£208.59	3	Terraced
				Average Net Sale Price (ft^2)	**£208.59**		

St Mowden Homes - Vulcan Parkway, Newton-le-Willows, WA12

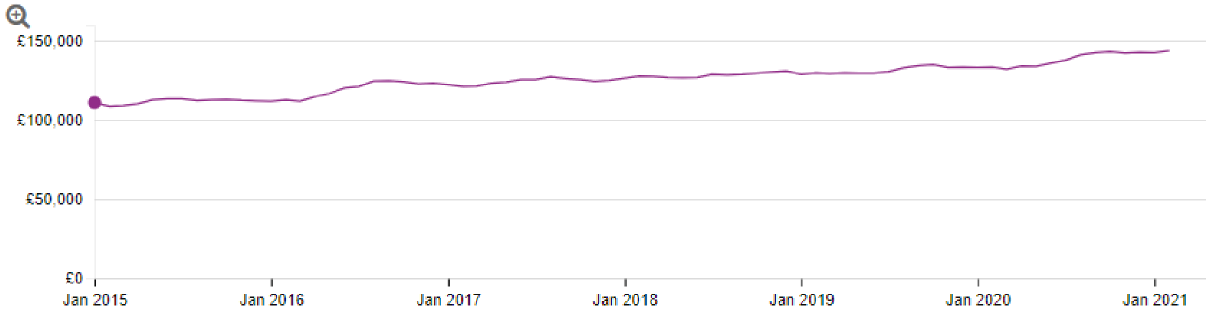
Plot No.	House Name	Sale Price	Size (ft^2)	Gross Sale Price (ft^2)	Net Sale Price (ft^2)	Bedrooms	Type
115	Type 839	£167,995	840	£200.09	£195.09	3	Terraced
126	Type 920	£199,995	915	£218.59	£213.13	3	Semi-detached
				Average Net Sale Price (ft^2)	**£204.11**		

Countryside - Reginald Road, St Helens, WA9

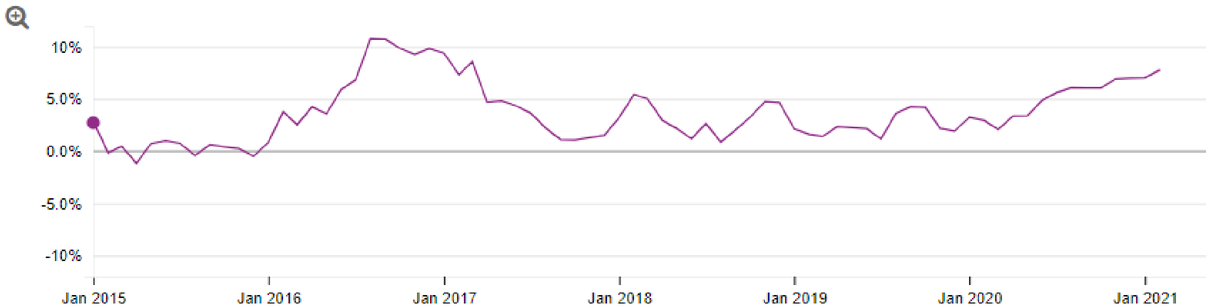
Plot No.	House Name	Sale Price	Size (ft^2)	Gross Sale Price (ft^2)	Net Sale Price (ft^2)	Bedrooms	Type
135	Ashop	£249,995	1066	£234.60	£228.73	3	Detached
152	Ellesmere	£184,995	850	£217.55	£212.11	3	Semi-detached
104	Ellesmere	£181,995	850	£214.02	£208.67	3	Semi-detached
				Average Net Sale Price (ft^2)	**£216.51**		

Average price by type of property in St Helens

Source: HM Land Registry



Percentage change (yearly) in St Helens



Price Trends – St Helens

Market Characteristics	St Helens	National
Market Size Indicator: no. of transactions	14,801	4,886,506
Market Size Indicator: total no. of properties	85,714	25,000,000
Market liquidity Indicator: transactions / properties	17.27%	19.55%
Market Growth Indicator: new homes built	1,819	570,561
Market Growth Indicator: new builds / transactions	12.29%	11.68%

Growth Rate	St Helens	National
5 year house price growth	2.90%	6.90%
Last 12 months house price growth	7.80%	5.40%

Average House Prices

Source: HM Land Registry

Property Type	Jan-15	Jan-21	Change
Detached	£194,104	£250,100	29%
Semi	£120,290	£129,704	8%
Terraced	£68,359	£93,954	37%
Flat	£50,000	-	-
All	£106,648	£119,258	12%

Appendix 2.

BCIS Data Extract.

BCIS®

RICS®

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

Last updated: 24-Apr-2021 00:43

> Rebased to St Helens (98; sample 31)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (15)	1,246	633	1,088	1,210	1,360	2,829	1226
810.1 Estate housing							
Generally (15)	1,244	601	1,061	1,199	1,360	4,309	1548
Single storey (15)	1,397	794	1,184	1,345	1,559	4,309	251
2-storey (15)	1,203	601	1,047	1,172	1,314	2,607	1195
3-storey (15)	1,281	775	1,033	1,232	1,443	2,575	97
4-storey or above (15)	2,615	1,270	2,101	2,347	3,493	3,866	5
810.11 Estate housing detached (15)	1,607	934	1,202	1,371	1,619	4,309	21
810.12 Estate housing semi detached							
Generally (15)	1,240	735	1,067	1,215	1,363	2,294	365
Single storey (15)	1,383	918	1,188	1,362	1,530	2,294	74
2-storey (15)	1,206	735	1,063	1,184	1,322	2,075	278
3-storey (15)	1,178	882	939	1,157	1,264	1,802	13
810.13 Estate housing terraced							
Generally (15)	1,282	775	1,059	1,209	1,413	3,866	298
Single storey (15)	1,442	961	1,225	1,357	1,656	2,038	29
2-storey (15)	1,235	782	1,043	1,186	1,363	2,607	221
3-storey (15)	1,298	775	1,029	1,209	1,437	2,575	46
816. Flats (apartments)							
Generally (15)	1,462	724	1,215	1,393	1,649	5,025	878
1-2 storey (15)	1,383	855	1,178	1,322	1,535	2,469	207
3-5 storey (15)	1,440	724	1,212	1,383	1,635	3,055	571
6 storey or above (15)	1,758	1,073	1,431	1,643	1,898	5,025	97
820.1 'One-off' housing detached (3 units or less)							
Generally (15)	2,199	870	1,516	1,936	2,744	6,012	129
Single storey (15)	1,746	870	1,367	1,669	1,936	3,395	33
2-storey (15)	2,075	923	1,516	1,907	2,515	3,997	62
3-storey (15)	2,641	1,241	1,988	2,578	2,972	4,884	27
4-storey or above (15)	4,355	2,323	2,979	5,175	5,285	6,012	5

Appendix 3.

Ministry of Housing, Communities & Local Government:

The Future Homes Standard: 2019

January 2021

Summary of responses received and Government response

(See Separate Attachment)

Appendix 4:

Grasscroft Development Solutions: Comments on Keppie Massie Economic

Viability Assessment of December 2018: March 2019:

Comments on Keppie Massie Economic Viability Assessment of December 2018

St Helens Local Plan

March 2019

List of Abbreviations:

Taylor Wimpey UK Ltd (Taylor Wimpey)
Keppie Massie (KM)
Grasscroft Development Solutions (GDS)
St Helens Council (SHC)
Economic Viability Assessment (EVA)
Dwellings Per Hectare (DPH)
Community Infrastructure Levy (CIL)
Gross Internal Area (GIA)
Building Cost Information Service (BCIS)
Gross Development Value (GDV)
Benchmark Land Value (BLV)
Existing Use Value (EUV)
Strategic Market Housing Assessment (SHMA)
Registered Social Landlord (RSL)

Contents

2. Introduction.

This report has been produced by Grasscroft Development Solutions to comment on the consultation document produced by Keppie Massie (KM) on behalf of St Helens Council (SHC). The document is titled "ST HELENS LOCAL PLAN ECONOMIC VIABILITY ASSESSMENT" (EVA). The document has been produced to set out and to invite comments on the approach proposed for the assessment of viability when considering the proposed new Local Plan for the period 2020 to 2035.

Grasscroft Development Solutions (GDS) have been instructed by Taylor Wimpey UK Ltd (Taylor Wimpey) to comment on the proposed approach to the Study, the viability appraisal methodology and the assumptions proposed.

Keppie Massie have identified within Section 1 of the EVA the purpose of the report. They refer to the NPPF at paragraph 1.02 and specifically to the importance placed on ensuring polices do not undermine the delivery of the plan[2]. It is with this in mind that all viability assumptions that are ultimately adopted should be based on a cautious approach as the commonly accepted residual valuation approach is by its nature sensitive to even small changes in key assumptions. If a local plan is to be successful in avoiding the need for site specific viability assessments on all future development sites and/or not deterring sites from being brought forward completely, then it is critical that the assumptions adopted are realistic and do not test the limits of viability.

KM and SHC have invited comments on the EVA by Wednesday 13th March 2019. This note concentrates on providing a response to the main assumptions proposed within the EVA in so far as they relate to the residential development market only, it does not comment on commercial uses.

In preparing the note other documents have also been considered and referred to where appropriate including the Authority's Local Plan Strategy and associated documents, Viability Testing Local Plans and the RICS Guidance Note: Financial Viability in Planning.

[2] Reference ID: 10-002-20180724

2. Grasscroft Development Solutions.

This report has been undertaken by Michael Coulter, a Director and Richard Heathcote, a Consultant at Grasscroft Development Solutions.

Grasscroft Development Solutions is the development consultancy arm of the Grasscroft Property Company Ltd, which is a regional based residential and commercial development company.

The Grasscroft group of companies has been active within the North West, and wider area, for the past twelve years and has undertaken and completed a number of successful residential and commercial developments.

Michael Coulter has a First Class Honours Degree in Building, a Master's Degree in Built Environment Research and is a Member of the Chartered Institute of Building. He has 20 years experience at the highest level within the property industry and has held senior and board level positions at a variety of development and building companies.

Michael's career has had a strong residential focus and as such he has been responsible for the development and delivery of a wide variety of private sector and social housing schemes within the North of England. These schemes have ranged from small new build projects to large urban regeneration initiatives, including Macintosh Village in Manchester which incorporated the UK's first 'eco tower'. Posts held by him have included:

- Roland Bardsley Homes Ltd – Director
- Taylor Woodrow Capital Developments – Associate Director
- Morrison Homes Ltd – Area Development Manager

Richard Heathcote has a degree in Urban Land Economics and has 25 years of experience in the property industry having held senior positions with a number of development companies and commercial property practices.

Richard's career has also had a strong residential focus, both for new build traditional housing, high rise apartment development, mixed use developments and major listed building conversions throughout England and Wales. Posts held by him have included:

- GL Hearn - Land and Planning Director
- Crosby Lend Lease - Development Manager
- CALA Finance - Business Development Manager
- PJ Livesey Group - Land and Estates Manager

Current consultancy commissions range from providing advice on viability to full development management of residential and mixed use projects.

Taking into account the above demonstrable experience, the writers of this paper are in a very strong position to comment on the issues set out within the St Helens Local Plan Economic Viability Assessment consultation document.

12. General Methodology.

Within this section of the report we will consider and comment upon the general approach adopted by Keppie Massie to assessing viability in the SHC area and highlight some of the key areas of guidance, particularly where KM have adopted a different approach or where from the information provided to date there is a lack of clarity on the basis of inputs.

Evidence Base and Presentation of Viability Results.

There is currently a lack of detail on how a number of the KM appraisal inputs have been evidenced and calculated, particularly in regard to critical assumptions such as build cost. It is clear however that this is currently set at too low a level overall, which we will refer to further below.

At present the EVA does not include copies of the viability appraisal summaries. For consultees to be able to assess fully the KM assumptions and the results tables that have been produced copies should be provided within the appendices for the main typologies and the key strategic sites that the Local Plan will rely upon. KM have provided similar appraisal summaries for other local authority areas, including the recently concluded Cheshire East CIL Examination Hearings. This is key evidence which is readily available and should be provide as soon as possible to give all consultees the opportunity to review and make representations as appropriate. Our ability to comment fully on overall viability matters is currently limited by the omission of appraisal summaries from the EVA.

Testing Viability at the Plan Making Stage.

We note the quotes taken from the various sources relating to Viability and Local Plans. Emphasis is increasingly being placed on ensuring that the types of sites and developments planned are deliverable wherever possible without the need for further viability assessment at the decision making stage. This is evident when referring to the updated Planning Practice Guidance.[3]

Whilst this seems a sensible approach, all too often this is not currently possible. Each site is unique and therefore its overall development cost is also unique. Any area wide approach to viability therefore needs to ensure that the vast majority of development will remain viable even when fully policy compliant. To achieve this, the overall cumulative impact of all the Council's plan polices needs to be carefully assessed and set at a level that allows sufficient headroom to ensure this is the case throughout the plan period.

This is typically done by completing a series of financial appraisals and assessing what if any level of surplus is available to make contributions to affordable housing and other local plan policy objectives. To ensure the long term deliverability of the plan it is good practice not to test the margins of viability and therefore it is widely accepted and that "headroom" needs to be built into appraisals, both within the levels of individual cost and revenue assumptions but also when considering what proportion of any final surplus should be considered available for

[3] Reference ID: 10-002-20180724 and Reference ID: 10-008-20180724

contributions to local plan polices. In many cases headroom of between 30% and 50% is allowed. This was the case in the recent Cheshire East CIL examination hearings we took part in where 50% was adopted. The remaining 50% is the sum available for the funding of plan polices and CIL (if it were to be considered).

Clearly over the proposed plan period economic and market conditions will change considerably on a number of occasions and therefore it is also important to retain a degree of flexibility so that should market conditions deteriorate a good proportion of development can remain viable and developments continue to come forward to meet the overall plan requirements. In periods of economic slowdown (which are bound to occur during the plan period), it is imperative that development is still possible to retain the economic and social benefits that derive from it.

Guidance on Key Appraisal Assumptions.

With this in mind it is important that the key appraisal inputs are conservatively assessed. Given the nature of a residual valuation approach, these assumptions have a significant potential impact on the outcome and any surplus that may be available is normally only a small percentage of the total gross development value. We will make more detailed comments on the individual appraisal assumptions in other areas of our consultation response.

Whilst the price paid for land is not deemed to be a relevant justification for failing to accord with policies in the plan it is critical that the "base input" land cost is set at a level that provides a real incentive for landowners to either bring their sites to the market or to invest directly themselves in promoting the sites through the planning system. Whichever route is taken there is a considerable financial risk given the uncertainties around obtaining planning consents and the subsequent ability to achieve a successful sale. Long periods of time can be required to successfully promote sites during which both market conditions and individual circumstances can change. There has to be a significant potential return to the landowner to motivate them to either promote the site themselves or enter into an agreement with a third party to do so.

It is also critical that the cost of all plan polices are fully and realistically costed and detailed item by item. All too often appraisals fail to incorporate these costs fully and make no allowance for the cost of these polices increasing year on year whilst the review of the impacts is only periodic.

The Planning Practice Guidance on Viability states that ***…."The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan."…[4]*** If this aim is to be achieved then the appraisals produced will need to include for an objective assessment of likely abnormal costs that developments will also incur otherwise there will continue to need to be detailed site specific assessments. At present abnormal costs have been specifically excluded from KM's total cost assessments.

[4] Paragraph 002 Reference ID10-002-20180724

Similarly for many larger strategic sites there are significant opening up costs which often go un-assessed or significantly under assessed when part of an area wide assessment of this type. This cost item is dealt with within the detailed guidance contained in ***Viability Testing Local Plans, Advice for planning practitioners (the Harman Report***). Opening up costs are identified in Appendix B item 2 as **....**"***strategic infrastructure costs which are typically in the order of £17,000 - £23,000 per plot for larger scale schemes".***[5]

KM have made allowances for opening up costs in table 5.4 at paragraph 5.44 of the EVA which increase from zero from small sites of up to 14 dwellings up to £8,300 for sites of 200 units and over which is approximately 40% of the cost advocated by Harman. This allowance therefore appears low but does needs to be considered as part of the total development cost allowance.

Larger sites will also have additional costs associated with their promotion through planning. This has been widely accepted and adopted elsewhere and should be reflected in the fee percentage adopted. Again the Harman Report makes detailed reference to these costs in item 4 of Appendix B:

".....Many viability studies incorporate an assessment of fees based solely upon a percentage of house-building costs. While this may be appropriate in relation to smaller scale sites, such an approach may underestimate the costs associated with the promotion and implementation of larger, more complex schemes.

Such costs may include:

- ***Outline application costs***
- ***Local Plan promotion***
- ***CIL Examination in Public representation***
- ***Environmental statements***
- ***Design and access statements***
- ***Masterplan and design codes***
- ***Public consultation costs***
- ***The discharge of planning conditions and approval of reserved matters***
- ***Planning application fees***
- ***Project management costs***
- ***Building regulation fees***
- ***Statutory undertakers' fees, including bonding costs.***

Figures for fees relating to design, planning and other professional fees can range from 8 -10% for straightforward sites to 20% for the most complex, multi–phase sites. In circumstances where the Local Plan is reliant upon large scale sites in order to accommodate its assessed housing requirement, consideration should also be given to the additional planning promotion and land assembly costs necessarily incurred in the manner described in Step 2 (Threshold and Benchmark Land Value)."[6]

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[5] Viability Testing Local Plans, Advice for planning practitioners, Appendix B, Item 2, Page 44
[6] Viability Testing Local Plans, Advice for planning practitioners, Appendix B, Item 4, page 44-45

Whilst the above list is by no means definitive it is clear that the costs associated with the initial assessment and subsequent promotion of large residential and mixed use sites are significant. These costs need to be fully reflected within the appraisals proposed, with appropriate levels of fees and opening up costs included.

If SHC wish to minimise the need for future site specific viability assessments then the general assumptions used in the proposed viability appraisals need to be cautious in their overall approach, incorporate the appropriate level of construction costs and allow for significant headroom. By adopting this approach modest changes in economic conditions should not render all sites unviable and only those sites with significant abnormal costs will in normal market conditions incur viability issues and therefore need some relaxation of local plan policy requirements. If this approach is not adopted, then there will continue to be the need for site specific viability appraisals, which will impact on overall housing delivery and on affordable housing provision in particular.

4. Evidence, Analysis & Appraisal Assumptions.

At present there is insufficient information provided within the KM report to make a full assessment of the various viability assumptions proposed. As stated above it would greatly assist all consultees if copies of the viability appraisal summaries were provided. Notwithstanding the above, our current observations are as detailed below:

Development Mix And Density.

The development dwelling mix and resultant density is a critical assumption and needs careful consideration. Development densities are often referred to in terms of the number of dwelling per hectare (DPH) however this is only part of the picture and whilst it is reasonable for SHC to have a target density of typically 30 dwellings per net hectare or higher in more urban locations, densities will vary from site to site dependent upon the site location, and characteristics of the surrounding area, topography, social and economic factors and market conditions. In some cases a lower density may be more appropriate, for example sites in edge of settlement locations which were formally open countryside or Greenbelt. It is often the case that on larger sites, to achieve varying character areas, densities will be variable. In addition it is important to identify the SHC are seeking to promote larger homes as part of their housing strategy and accordingly, a lower density will be necessary.

Just as important is the actual mix of house types and the sizes of each type of dwelling. It is the combination of the number of dwellings per hectare, the mix of house types and the individual house type unit size which drives the actual development density and therefore the resultant overall gross development value.

Whilst we accept it is common to see a range of development densities the planning constraints placed on development layouts are generally common and have a significant impact on the quantum of development that can be achieved. The majority of councils will look to have broadly similar "standards" they seek to achieve relating to privacy distances and overlooking issues, the size of private amenity space, parking standards and road layouts, etc. These constraints to a great extent dictate the density of development that can be achieved.

Whilst greater density can be achieved (in terms of m2 per hectare or square feet per acre) by for example utilising a larger proportion of terraced house types or three storey dwellings, these will generally also achieve a lower sales value compared to detached housing at lower density. Developments that are of a higher density will have a different appearance and will generally also tend to achieve lower sales values, though the impact can be ameliorated to some extent through the use of higher quality design, materials and finish, though this will impact on the development cost.

We support the general approach of testing a range of sites typologies as set out in table 3.4 on page 25 of the EVA however, what is not clear is what if any adjustment to the housing mix has been made when completing the appraisals for the 30DPH, 35DPH and 40DPH scenarios. Without this detail we are unable to comment fully on the suitability or robustness of the assumptions.

From the limited information provided in the EVA we would make the following initial comments on the individual assumptions proposed.

Dwelling Sizes.

KM discusses at some length from page 25 to 29 of the EVA development densities, mix and unit sizes.

They refer to analysis they have completed on dwelling mix and sizes from recent planning permissions and refer to these in tables 3.8 and 3.10 and compare them to the assumptions made in previous viability work from 2016 and from the housing mix recommended within the councils SHMA.

It is not clear how recent applications have been analysed, however the KM analysis closely accords with the previous assumptions from the 2016 viability work and the councils SHMA and therefore they have decided to maintain the previously applied assumptions on mix and dwelling sizes.

This being the case the mix maintains a 1 bedroom house type at 56m2 however there is no corresponding evidence for such a house type within the planning application analysis. This is not surprising as we are unaware of any developer seeking to develop such a property, we would therefore recommend either its removal from the dwelling mix or its replacement with a 1 bedroom bungalow type which would at least be a theoretically feasible (if unlikely) option.

The sizes proposed by KM are set out in Table 1 below:

Dwelling Type	1 Bed House	2 Bed House	3 Bed House	4 Bed House	5 Bed House	1 Bed Flat	2 Bed Flat
Dwelling Size Proposed Sq m	56	70	84	109	139	56	70
Dwelling Size Proposed sq ft	603	753	904	1173	1496	603	703

Table 1: Average Dwelling Sizes adopted in the EVA.

GDS believe that the methodology adopted is too simplistic and is not sufficiently representative of the range of sizes for a particular house type that will be delivered across the borough, dependent on the market location. It also fails to differentiate between terraced, semi detached or detached house types. There is also no reference to 3 storey house types or Bungalows that we understand are also proposed within the housing mix.

Whilst there is less margin for error with the smaller house types i.e. the 1, 2 and 3 bed dwellings due to a smaller range in sizes, the inappropriateness of the adopted methodology is illustrated when considering the larger properties. For instance KM has assumed all 5 bed houses at 139m2 irrespective of the market location. The size of a 5 bedroom house can vary widely dependent upon both the location, size of the development site and the developer profile, from as little as around 120m2 up to around 250m2.

To adopt a single average size for the house types is too broad-brush and consideration should be given to a range of sizes which better reflect the specific market locations. It is however also important to recognise that when adopting a larger house type size there will inevitably also be an impact on the DPH. You cannot simply apply the same mix and unit size to a 40 DPH scheme as you would at 30 DPH. For a 40 DPH dwelling mix we would expect no 5 bedroom detached houses would be included for example.

Included within the KM table 3.11 are 1 and 2 bedroom flats However, it is not clear how these are relevant as it is not specified how, if at all they are included in the proposed dwelling mix as outlined in the table 2.3 on page 12 of the EVA. The mix proposed gives no breakdown for the proportions of 4 and 5 bedroom houses and for all dwelling types provides a range of percentages. From the information provided, therefore, it is impossible to calculate what actual development density is being proposed in terms of the total square feet per acre (metres per hectare). We are therefore unable to comment fully on its appropriateness.

Our overall comment is that as an “average” the unit sizes proposed are reasonably representative of 2 storey detached for the 4 and 5 bedroom units.

For the 3 bedroom units it is not representative of a semi detached or terraced unit which would be smaller at between 770 sq ft and 870 sq ft.

Similarly for 2 bedroom terraced or semis detached we would expect them to be in the region of 675 sq ft to 720 sq ft in this area.

When considering bungalows then as they will have less circulation space 600 sq ft would be appropriate for a 1 bedroom unit and 675 sq ft for a 2 bedroom bungalow.

The apartment sizes adopted are also larger than we would expect in SHC area with a more typical 1 bedroom apartment averaging 525 sq ft and a 2 bedroom apartment 650 sq ft.

Gross to Net Site Ratios.

The gross to net areas proposed in Table 3.6 on page 26 of the EVA have been applied to the generic assessments of a range of sites from 5 to 200 dwellings.

We would point out that not all small sites will have a 100% developable area and it may therefore be prudent to adopt say a 95% gross to net ratio for the smallest sites.

KM state that for the larger site specific assessments of sites allocated for new development they have based their assumptions on the site areas, densities and capacities as set out in table 2.2 on page 9 of the EVA.

Whilst this is a reasonable approach, in itself this will not impact significantly on viability though sites with larger areas of undeveloped land will tend to require an increased budget for external works, open space set up and management, etc. It is the assumptions surrounding the density of development in terms of the square feet per acre (square metres per hectare) as outlined above which are of far more significance in reaching a suitably realistic and cautious view on viability. Without access to actual copies of the development appraisals it is not possible for us to reach a firm conclusion on the appropriateness of the densities appraised.

Densities/Acre (Hectare).

As referred to above, there is currently insufficient detail within the EVA to make a detailed assessment of the assumptions proposed. We are therefore unable to calculate the actual density proposed as it is unclear, if, for example, flats are included within the mix or what is the proposed split between 4 and 5 bedroom houses, as they are currently grouped together as providing 15-20% of dwellings.

From previous analysis we have carried out elsewhere densities of between 11,500 to 13,000 sq feet per acre (2,640 to 2,985m2 per hectare) would represent a suitably conservative range of assumptions for development density for a typical 2 storey housing only development. This would increase if 3 storey houses were included, or a proportion of apartments but would decrease if bungalows were included.

As referred to above, if densities in excess of 30 dwellings per hectare are to be tested then there needs to be an adjustment to the development mix assumptions so that the actual density of accommodation in terms of metres squared per hectare (sq ft per acre) remains realistic as a cautious assumption for an area wide assessment of this kind. Densities of 40 DPH will necessitate the inclusion of a much higher proportion of smaller terraced or semi detached properties, and either elements of 3 storey housing or some apartments. It cannot be simply assumed that the same 2 storey housing mix can be carried forward.

Use of Appropriate Build Cost Data.

We are concerned that no reference is made to the BCIS data costs which are normally relied upon as a key source of construction cost data for area wide assessments of this kind. Instead KM refers to their internal database, knowledge and experience.

Within the Keppie Massie Report on Construction Costs, at paragraph 2.9, they point out that the BCIS is referenced as an appropriate data source within the latest guidance. It is in fact the only data source so referenced. Whilst alternatives could be considered if they were made available and were based on actual completed projects build cost data. From our recent experience during an examination hearing for another local authority area it has become clear that the database referred to by KM is in fact not based on actual development costs and in fact is based upon viability appraisals from throughout the country. This seriously undermines the utility of the schedule, and means that it should be unfavourably compared to information provided by BCIS data which is based upon actual construction costs not prospective ones.

Whilst some information regarding the background of the KM Database and what it contains, plus a copy of part of the report, was ultimately provided after the examination hearing closed we have still not been provided with any real background as to the inputs and whether this is appropriate evidence to assess likely development costs.

It is our conclusion from an assessment of the limited information obtained on the KM database that it is insufficient, confused and cannot be properly interrogated, nor has a proper explanation of the inputs been provided.

If KM are to persist with relying on this flawed database rather than BCIS costs then it should be produced in full at an early stage so that all parties have the opportunity to review and make detailed representations on its suitability and shortcomings.

It is important to reiterate that the information published elsewhere in respect of the KM database is insufficient and missing critical information that is necessary to understand the information. For any reasonable participant to determine whether the database forms an appropriate evidence base upon which to determine viability. Noting that this is prospective information based on viability assessments and not retrospective information based upon actual build costs (as is the case with the BCIS database) then to even begin to determine whether the costs database is "appropriate" evidence, as a minimum it is considered that the following information is required:

- Type of Developer/organisation that submitted the viability evidence (i.e. national housebuilder, registered provider, land promoter or small developer etc.);
- Site size or density of development;
- Type of dwellings & mix of uses (if any) provided. For example, some schemes may have been for or included apartments;
- Site background. Information regarding the stage that the site was at when the viability appraisal was submitted or what works had been carried out prior to the site being purchased. This type of information is critical to understanding the submitted costs.
- An explanation as to how average figures have been reached.

If the site is for a mixed use details of how they have been treated should be provided, particularly those which have substantial residential elements. It would appear from the information provided to date elsewhere that such schemes have been excluded from the data set.

From our previous analysis of the KM database, it is also not possible to determine the status of each development site when the viability appraisal data is entered into the database. As such we do not know what stage of development or pre-development the sites are at. Some sites within the data set may already have a planning consent and therefore the level of professional fees required by them to bring the site forward will be significantly reduced. Other sites could have had significant elements of enabling works already completed by land owners or site promoters, for example the construction of shared spine roads, service infrastructure and site clearance and remediation which would effectively reduce the construction cost but may have be reflected in the price paid or the site. There appears to have been no attempt to rationalise or normalise these "outliers" from the data to prevent unrealistic skewing of the data.

For a scheme to be brought forward in SHC, all the construction costs would need to be accounted for. It is clear from our previous examination of the KM database that significant costs associated with the schemes within the Database could, and we expect are, missing thereby deflating the average figures and giving a misrepresentative picture in terms of construction and professional costs. This clearly raises issues as to whether it is, therefore, a reliable or robust source of actual development costs.

If KM are to persist with the use of their internal database then it also needs to be made available in a format that is capable of being readily interrogated and commented upon.

KM have claimed their database has been benchmarked against BCIS data However, we have previously 'sense-checked' it against the actual construction costs in the BCIS database and it is demonstrably at odds with it.

We have also previously looked at the make-up of the data set in terms of the scale of developments. Whilst we only have details of scheme size by bands, it is clear that it not representative of the scale of development for which it is being used as a basis for assessing costs in the SHC area. Of the 131 sites within the data set previously provided to us 77 have less than 50 dwellings (58.8%). Only 5 of the sites (3.8%) have over 250 dwellings. A breakdown of the site categories is provided in Table 2 for ease of reference. Given the scale of some of the sites in SHC this is a further anomaly in this use of a data set that is not representative of the sites that are being appraised.

Dwelling Range	Number of Schemes	% of Schemes
0-50	77	58.80%
50 - 150	38	29.00%
150 - 250	11	8.40%
250+	5	3.80%
Total	**131**	**100.00%**

Table 2 - Estimated Breakdown of Scheme Sizes

From our previous limited review of the entries within the table it is clear that it contains errors. As an example, if one looks at the column for fee percentage this should be a calculation of the fee cost as a percentage of all the other development costs (excluding contingency). For the second site in the table (Allerdale May 2012) the fee percentage is quoted as 6.48%. Development costs inclusive of fees are £8,994,147. Fees are £698,116. There is no inclusion for a contingency on this project. The total cost excluding fees is therefore £8,296,031. Fees as a percentage of development cost are actually 8.42%.

As the table had not been provided to us in a useable form we cannot resolve how this error has occurred nor are we able to correct it. We have carried out a similar calculation for a site in the High Peak area dated May 2014. For this site the fee percentage is stated as 8.29%. When calculated correctly after the deduction of the fee cost itself and the contingency cost from the total cost the correct percentage is 9.68%. We have therefore concluded that if the error applies to all sites. Therefore the fee percentage is consistently being understated within the data set. Likewise, we are simply unable to corroborate how the average professional fee figure has been calculated.

In addition, we would highlight that there appears to be other errors within the database. As an example, the St Helens entry dated 10/2013 is for a scheme of between 0-25 dwellings however the floorspace banding is set at 6,500-7,000m2. Even using the higher number of dwellings and lower floorspace banding, an average of 260m2 per dwelling seems to be so unrealistic that we expect the band categorisation is incorrect. Other anomalies such as this may exist, although without having the data in a usable form it is difficult to confirm this. Thus, the form of the database means that proper scrutiny is not possible, and the details produced so far suggest that its content is unreliable. It does not comprise appropriate evidence on the basis of what has been disclosed to date.

We remain of the view given the significant limitations of the evidence provided to support the use of the KM database as highlighted above that it cannot be relied upon. We see no justification for departing from the use of BCIS data as is prevalent in the vast majority of other area wide viability assessments that have been carried out throughout the country by other consultants, particularly when KM propose to use the BCIS data as the basis for the commercial elements on mixed use sites.

It is also unclear how the KM database has actually informed the build costs applied within their viability appraisals as copies of the appraisal summaries are not include within the EVA. If build costs have been based on an analysis and application of the KM database then we are unsure of the relevance of much of the detail contained within Report on Construction Costs which appears to suggest that the build costs have actually been derived from a cost plan based on a range of assumptions as set out in that report.

Keppie Massie Report on Construction Costs.

Appendix B of the KM report on construction costs includes a number of tables which identify the various site typologies appraised at the various densities for Greenfield and Brownfield sites.

Within the tables the total construction cost is identified and also then expressed as an average cost per square metre. No breakdown of how the cost has been arrived at is provided and we are unable to determine the basis of the KM "Total Cost" with any certainty from the information in the report however our interpretation of their approach to total costs is set out below:

From the information provided we believe the total cost referred to in these tables includes:

- All plot build costs for both sub and superstructures
- All preliminary costs
- All external works

It is clear from paragraph 2.23 that the cost of constructing garages for larger house types is included as part of the KM external works costs but no detail is provided on the actual cost included for this item.

There is a list of excluded items which are common to all scenarios set out on each table. The excluded items are:

- White goods/ appliances
- Incentives
- Floor Finishes

- Remediation of contaminated land in Brownfield sites
- Vat excluded from all costs
- Contractors profit excluded
- No allowance for code for sustainable homes compliance
- No abnormal costs on Greenfield sites

We disagree with the exclusion of the cost of white goods / appliances as these are included within standard specifications for most developers. Similarly tile finishes to bathrooms are commonly included. The cost of incentives should be reflected in the net sales values adopted as we refer to below.

We believe certain other items have been excluded from these costs as within the Viability Testing results section of the report the impact of these items is separately identified. These are:

- S106 Costs
- M4(2) and M4 (3) costs
- Education contributions

It is however unclear if the costs are also inclusive of other items but our interpretation of paragraph 6.03 of the EVA is that the build costs referred to in the various tables in Appendix B of the report on construction costs also include allowances for:

- Surface water attenuation
- Provision of opens space for developments greater than 40 dwellings
- Sustainable Drainage Systems
- Ducting for cable and broadband.

It is also unclear if the cost of other opening up costs is included within the total cost. Paragraph 2.24 states open space costs have been costed separately but no details are provided. For opening up costs the table at paragraph 2.36 indicates a range of costs from Zero for sites of up to 14 dwellings to £8,300 per dwelling for sites of over 200 units. We would point out that this figure is significantly below the range of cost allowance advocated in the Harman report[7] of £17,000 to £23,000 for large strategic sites.

The KM Cost report also confirms that they have made separate cost allowances for professional fees of between 7.5% for small sites decreasing to just 5% for larger sites. This approach is completely contrary to the advice in the Harman report as referred to in detail in section 3 of this report. It is also at odds with the approach adopted by all other council advisors we have encountered. Larger sites will tend to have a wider range of more complex issues to resolve which will increase the need for specialist consultants and consultants of greater experience. It is our experience that the fee costs tend to increase with the scale of projects not decrease.

We have recently reviewed the allowance made in over 30 other local authority areas and in all other cases (with the exception of those where KM have been involved) the fee percentage

[7] Viability Testing Local Plans, Advice for planning practitioners, Appendix B, Item 2, Page 44

adopted has been in the range of 8% to 12%. For those authorities where a range of fees were adopted the fee percentage increased as the scale of the development increased.

We would therefore recommend that an allowance of 7% is adopted as a minimum assumption for smaller sites and that this should increase for large sites to between 10% and 12% depending on scale and complexity

Finally KM have made a contingency allowance of 5% on all development costs, including professional fees which is a standard allowance for area wide assessments of this kind.

Given the KM cost tables refer to “total costs” we can only assume that these items are also included in the costs quoted.

Contractor Profit.

KM also state that they will also adjust the build cost rate that they derive from their own database to exclude construction profit. However, it is unclear how they will calculate this. We do not agree with this approach and question how they determine which sites were built out by a main contractor and which were developed by in house teams and subcontractors.

Whilst we accept that some sites will be built utilising a main contractor whilst others will be procured by an in house team utilising subcontractors, the overall costs will be broadly similar as regardless all contractors include a profit margin within their cost. In addition a developer who procures their own subcontractors will have to directly employ additional staff to manage the construction which adds to the overall development cost.

The approach proposed by KM If adopted would lead to an under assessment of costs which many developers would not be able to achieve.

Comparison of KM Costs Against Recognised Alternative Data.

To reach any conclusions on the costs adopted by KM is very difficult without sight of the detailed appraisal summaries. However, if our interpretation of the costs is correct then for a typical 200 unit Greenfield scheme providing 30% affordable housing at a density of 35DPH the KM total cost equates to £1,147/m2 (£106.56/ft).

To try and put this “Total Cost” into some perspective we have considered the BCIS cost data for the St Helens area. A copy is attached at Appendix A.

In many of the area wide assessments we have reviewed in recent years a figure close to the BCIS median cost data has been utilised. For the St Helens area in Q4 2018 the median cost for Estate Housing Generally was reported at £1189/m2 (£110.46). To enable a meaningful comparison with the proposed KM cost a number of adjustments need to be made to the base cost.

The BCIS data does not include for the cost of any external works and therefore a widely accepted and utilised approach is to allow for these works by adding around 12% to 15% to the reported base build costs depending upon the scale and layout of the individual site. For an area wide assessment of the kind this represents a suitably cautious assumption.

For larger sites there is, as highlighted above, the need to reflect opening up costs, the cost of which are detailed in the Hardman Guidance and again widely adopted in other area wide assessments of this kind. These costs are in addition to the normal external works allowance.

Is should also be noted that the BCIS costs do not include for the cost of construction of private garages. When completing the detailed appraisals this cost needs to be separately identified for those properties where either single or double will be provided. An appropriate cost for a single garage is around £6000 whilst for a double garage we would allow around £11,000.

Based on BCIS median and lower quartile costs the total cost for a typical 200 dwelling site is summarised in the table below. It should be noted that these costs do not include any allowance for opening up costs or site specific abnormals, garages for 3, 4 and 5 bedroom houses or the costs of the proposed SHC policies in relation construction standards, education and other S106 items.

Cost Item	£/ft	Cost Item	£/ft
BCIS Median Base Build Cost	110.46	BCIS Lower Quartile Base Build Cost	97.45
External Works 15%	16.57	External Works 15%	14.62
Professional Fees 8%	10.16	Professional Fees 8%	8.97
Contingency 5%	6.86	Contingency 5%	6.05
Total Cost	**144.05**	**Total Cost**	**127.08**

Table 3: Greenfield Development Costs Based on BCIS Standard Assumptions.

By reference to the widely supported and referenced BCIS data with typical allowances for external works, professional fees and a contingency we would expect total costs to fall somewhere in the range of £127.08/ft to £144.05/ft subject to individual site factors subject to appropriate additions for the provision of garages, additional opening up costs on larger sites and abnormal costs.

It should also be noted from the BCIS data at Appendix A that the build costs for small developers are significantly higher. We would recommend that figures that closely accord with the BCIS median cost for “One Off” housing detached (3 units or less) are utilised for the appraisal of the 5 unit schemes (£1777/m2 or £165.08/ft) and that for the 10 to 20 dwelling schemes an appropriate base cost would be somewhere around the mid-point between this cost and the Estate Housing Generally cost of £1119/m2 (£110.46/ft) with the appropriate additions for external works, professional fees and contingency to reflect the bespoke nature of smaller developments.

In contrast the KM Cost report proposes a range of “Total Costs” from £104.42 for the largest 200 dwelling sites up to £130.71 for sites of just 5 dwellings or fewer.

Apartment Block Costs.

In Appendix C of the EVA Keppie Massie have adopted a different approach to costs for apartment blocks. Here they have provided a series of cost summaries which set out the individual cost build up for substructures, super structures, external work, preliminaries, professional fees and an overall contingency allowance. From the total of these cost elements there is a 6.5% reduction applied for contractors profit and overhead. It is not clear why this reduction has been made as whilst we are aware Keppie Massie have applied a similar reduction when assessing costs based on BCIS costs, as is highlighted by the comparative costs in Table 4 below this "cost plan" is clearly not based on BCIS costs.

KM "Cost Plan"	£/ft	BCIS Cost Base	£/ft
Base Cost	99.42	BCIS Median	128.76
External Works 14.22%	14.14	External Works 14%	18.03
Professional Fees 7%	7.95	Professional Fees 8%	11.74
Contingency 5%	6.08	Contingency 5%	7.93
minus 6.5% Contractor	-8.29	Zero Contractor Deduction	0.0
Total Cost	**119.29**	**Total Cost**	**166.46**

Table 4: Greenfield Apartment Cost Comparison KM Cost Plan against BCIS Costs.

To enable comparison with the BCIS base cost the KM base cost is made up of their costs for sub structures, superstructures and preliminaries.

As can be seen from the table the Keppie Massie base cost is almost £30/ft (circa 23%) less than the comparable the BCIS median cost and would also be £13/ft (circa 11.5%) less than the lower quartile BCIS cost using the same assumptions.

Proposed Planning Polices and the Impact on Development Costs.

KM have considered the impact of the proposed local plan polices and identified those which will have an impact on development costs. They have then made an assessment of the likely cost of each item. We support this approach and comment further on each item below.

Building Regulations Optional Standards.

We note that an allowance of £1,100 per house is proposed to meet the requirements of Building Regulations Optional Standards M4(2) relating to accessible and adaptable dwellings and £5,500 per house to achieve M4(3A). A build up has been provided for each of these additional cost items. Whilst these costs are generally appropriate it is not clear what assumptions have been made on the impact on the net sales values of the adapted properties as the appraisal summaries have not been included within the EVA.

Electric Vehicle Charging Points.

KM have considered the costs associated with electric vehicle charging points and state an allowance of £220 per dwelling has been made. The allowance is low and we would expect a cost of £300 to £350 to be more typical. Whilst in itself the impact on viability is minor for the cost of the works on individual dwellings there is the potential for a significant increase in the overall electricity supply requirement for a site. Our client's recent experience on a large strategic Green Belt release in Chester where charging points have been required on all plots deriving from policy, this has resulted in the need for substantial additional reinforcement of infrastructure and additional substation requirements to meet the additional loading requirements. These costs are currently not reflected within the KM allowance.

Site Specific S106 costs.

There is an allowance of £1,000 per dwelling currently proposed to cover the cost of all site specific S106 requirements. Whilst this may be sufficient on some small scale developments where S106 contributions are very limited for the majority of larger sites this would be inadequate. Any site that is required to make contributions to any off site facilities or services will incur a far higher level of cost. We would recommend that a schedule of likely residual S106 contributions is included within any subsequent consultation with each item costed in detail so as to ensure the sum included within appraisals is robust rather than an arbitrary nominal allowance. We would expect the true cost to be significantly higher.

Items that remain subject to S106/S278 contributions may include:

- Open Space
- Public Transport
- Highway Improvements
- Infrastructure or Services
- Footpaths and Cycleways
- Community Facilities
- Health Care
- Leisure Services
- Ecology

Conclusions on Reliance on KM Cost Database.

We have significant concerns regarding the use of the KM database. Instead the base development cost should be taken from the relevant BCIS data adopting the appropriate values for the St Helens area, with appropriate allowances then made for external works, professional fees (at varying percentages to reflect the scale and complexity of developments) and an overall contingency. In addition larger sites should include an allowance for opening up costs.

The BCIS costs are specifically referenced as an appropriate source with the latest NPPF guidance note and are utilised in the vast majority of other assessments of this type. The BCIS costs are based on actual costs whereas the KM data base is not.

The data received by KM is from a range of third parties cost estimates with a wide range of different unknown assumptions within it. It is clear from the limited information we have seen elsewhere that it is unreliable and not correctly analysed. It remains unclear how the KM database has informed the “Total Cost” adopted in the KM cost report and we would welcome further explanation alongside the provision of the detailed appraisal summaries.

Residential Net Sales Values.

With regard to the residential net sales values proposed, we have carried out our own analysis of sites currently available and these broadly support the net sales values adopted.

There is however a need for caution when analysing headline asking prices. The vast majority of developers will offer significant incentive packages (free carpets, fitted furniture, upgraded appliances, stamp duty payments, etc.) in addition to the help to buy initiative which is prevalent on most sites, makes the calculation of a true net sale price difficult. Assessing a true net sales value becomes far more difficult when developers also offer part exchange deals on buyers old homes.

Depending on general market conditions, the levels of completion from other sites, the marketing approach of the individual developer and the specific characteristics of the site itself the level of incentives can vary significantly, but would typically be around 5% in strong market conditions but can rise to 10% when the market deteriorates or if a particular site is not performing well.

Affordable Housing.

In terms of affordable housing provision, we would recommend a range of tenure assumptions are appraised as for more challenging sites a different tenure mix may enable some affordable housing to remain viable.

The EVA sets out that the bid prices adopted for testing are as follows:

- Affordable Rent 45% of market value
- Low Cost Home Ownership 70% of market value

The rent caps on affordable units announced by the government during 2015 have effectively put Registered Providers on hold and meant that rental offers are being reduced for social rent properties. Many developers that GDS are working with are facing difficulties in receiving any offers at all from Registered Providers to take on social rent housing, and where offers are made they are typically reduced to approximately 35% of market value. An appropriate discount reflective of the market is:

- Affordable Rent 40% of market value
- Intermediate 65% of market value

Benchmark Land Values.

We have reviewed the approach currently proposed by KM within the EVA and are broadly supportive of their interpretation of the relevant guidance.

It is important that landowners remain sufficiently incentivised to bring forward their sites so that the council’s wider housing delivery needs are met. If benchmark land values are set too low then there is no incentive and landowners, who sometimes have held sites for generations, will take a longer term view and chose to hold the site or look at other alternative development forms.

With regard to the Benchmark Land Values proposed we do not believe the differentiation between Brownfield values and Greenfield values is correct. The £150,000 and £250,000 proposed for Greenfield Sites is significantly below achieved sales values. If a full analysis of current market values was carried out we believe that this would support a much closer correlation between Greenfield and Brownfield values which should be reflected in the Benchmark Land Values adopted.

At present the EVA is assessing some Greenfield sites against benchmark land values of the equivalent of or less than alternative commercial uses, for example Industrial Land Values of £150,000 and Office Land Values of £200,000 have been adopted elsewhere in the EVA, both of which are very conservative assessments of these alternative use values. Our recent experience in other parts of the Northwest would indicate that industrial land is achieving values significantly higher than the £150,000 adopted by KM. The BLV for Residential land needs to be a reflection of the EUV plus a premium. Based on the current BLV's there is no incentive to the landowner to achieve a residential consent for their site.

It also needs to be kept in mind when carrying out area wide assessments of this kind there remains the possibility that additional abnormal costs will still affect a specific site. These may only come to light during a detailed planning application when more intrusive site investigation is undertaken. If there is no buffer provided now then these additional costs can only by paid for by the land owner accepting a reduced value for their site. If the benchmark land value is set too low then this leaves no scope to absorb any additional abnormal costs and the site will not come forward. Therefore either the both the commercial and residential Benchmark Land Values need to be increased or appropriate allowances made for the likely impact of abnormal costs for both Brownfield and Greenfield sites. An increase to the various benchmark land values of around £100,000 to £150,000 would be appropriate and would allow for some level of abnormal costs to be absorbed by landowners whilst still offering them a return on their site.

Acquisition costs.

The 1.8% land acquisition cost is based on 1% of purchase price for agent's fees and legal fees at 0.8%.

GDS agrees that the allowances made are within the range of costs seen in the market but are at the lower end of the range and therefore are not a conservative assumption. The cumulative impact all the individual assumptions have on a residual appraisal needs to be considered. Even small adjustments can have a significant impact when taken together.

Agents fees can vary from just under 1% to as high as 2.5% therefore we would recommend the fee level is increased to 1.5%.

In addition for the assessment of the smaller generic sites both the agent fee and legal fee should be subject to a minimum cost of £10,000 each as a percentage allowance becomes irrelevant when site values fall to very low levels.

Finance.

The 7% rate suggested is realistic for the majority of developers. However for smaller developers funding remains both difficult to obtain and the costs are significantly more than 7%. In addition to the interest rate applied to the loan facility funders often require valuation fees, arrangement fees, management fees, and exit fees which are usually based on a percentage of the peak facility requirement.

In addition, many funders only provide facilities for limited periods and so developers often find they incur additional costs to extend or renew facilities particularly on sites when predicted development programmes are not met. These additional costs often effectively double the cost of finance to the developer.

For this reason we would recommend that the cost of finance for sites of 30 units or fewer are increased to at least 10%.

Developer Profit.

Similar to our concerns on finance costs, whist we support the 20% of GDV profit margin adopted on larger schemes, though this should be seen as a minimum requirement, with many developers requiring in excess of this amount.

We do not agree that this should be reduced to 17.5% for schemes of 10 units or less. Small developers often rely on funding developments from specialist funders or in some cases high net worth individuals. It is our own experience over many years that in order for them to provide funding profit margins of in excess of 20% are required as a smaller or less experienced developer is often seen as carrying a greater risk. In the current market a small developer would not be able to access funding with a profit margin of only 17.5%. The minimum level that should be adopted is 20% to align with the larger sites.

5. Conclusions.

In Summary whilst we support the general approach to viability testing and the general methodology utilised within the Keppie Massie Economic Viability Assessment we have identified a number of areas for further consideration:

1. For a full assessment of the KM EVA to be possible copies of the various appraisal summaries need to be published for analysis and comment in a similar format to those provided by them in other local authority areas.

2. In relation to the Total Costs referred to in the KM Report of Construction Costs tables it is unclear how this cost is built up. Provision of the appraisal summaries would go a long way to clarifying the position.

3 We are unable to determine the exact level of base build costs proposed for residential housing schemes, however given the level of "Total Costs" of development set out within Appendix B of the KM Report of Construction Costs it would appear they are significantly below comparable BCIS costs both at median and lower quartile cost levels. We are therefore unable to support their use at this time.

4 The base build costs proposed for apartment schemes as set out in Appendix C of the EVA appear to be based on a simplified cost plan with no supporting evidence for the costs proposed. The overall costs are significantly below comparable BCIS costs both at median and lower quartile cost levels. We are therefore unable to support their use.

5 We are unable to support the use of the KM "build cost" database given the inadequacies we have previously identified. Instead BCIS costs should be adopted at the appropriate level for the St Helens area.

6 The KM development costs currently exclude any assessment of abnormal development costs which limits their value at the plan making stage. This being the case, site specific viability assessments will continue to be required on sites where abnormal development costs or significant infrastructure and opening up costs are encountered.

7 The Net Sales Values adopted should reflect an allowance for appropriate levels of sales incentives.

8 Discounts from market value for affordable housing require minor adjustment to reflect a conservative assumption on the current bid values achievable from RSL's.

9 The Benchmark Land values adopted for both residential and commercial uses are low, particularly for Greenfield Residential sites in the medium and higher value areas. In the former the level proposed is below that adopted for commercial office developments and only the same as potential industrial uses, both of which are also set at very low level. At these Benchmark land values there is no incentive to land owners to promote

their sites for residential development given they could be depressed further by abnormal costs.

10 Finance costs for small developers should be increased to represent the higher costs of funding they incur.

11 Developer Profit Margins of 20% should be adopted for all developments. Small developers are unable to obtain funding at returns below this level.

We trust that the Council and their advisors will find our comments useful and that the necessary amendments are made now to ensure the results of subsequent detailed viability testing are robust and ensure that the Council's wider housing delivery objectives can be met throughout the plan period.

Appendix 1.

BCIS Data Extract.

BCIS®

RICS

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 02-Mar-2019 00:39

› Rebased to 4Q 2018 (321) and St Helens (99; sample 31)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
810. Housing, mixed developments (15)	1,246	630	1,079	1,214	1,375	2,839	1222
810.1 Estate housing							
Generally (15)	1,228	595	1,049	1,189	1,349	4,207	1740
Single storey (15)	1,379	774	1,179	1,323	1,543	4,207	286
2-storey (15)	1,193	595	1,039	1,162	1,305	2,393	1321
3-storey (15)	1,219	776	989	1,178	1,377	2,521	129
4-storey or above (15)	2,393	1,280	-	2,200	-	3,893	4
810.11 Estate housing detached (15)	1,563	940	1,195	1,372	1,609	4,207	20
810.12 Estate housing semi detached							
Generally (15)	1,222	711	1,053	1,190	1,338	2,261	410
Single storey (15)	1,391	859	1,189	1,362	1,553	2,261	75
2-storey (15)	1,189	711	1,047	1,162	1,297	2,101	315
3-storey (15)	1,110	834	925	1,050	1,202	1,806	20
810.13 Estate housing terraced							
Generally (15)	1,254	771	1,051	1,202	1,382	3,893	359
Single storey (15)	1,384	939	1,148	1,304	1,602	2,025	43
2-storey (15)	1,225	771	1,044	1,187	1,360	2,393	260
3-storey (15)	1,243	776	966	1,178	1,371	2,521	55
816. Flats (apartments)							
Generally (15)	1,450	706	1,210	1,386	1,634	4,881	964
1-2 storey (15)	1,384	867	1,175	1,326	1,524	2,578	233
3-5 storey (15)	1,428	706	1,204	1,374	1,629	2,865	642
6+ storey (15)	1,797	1,048	1,457	1,691	1,907	4,881	86
820.1 'One-off' housing detached (3 units or less)							
Generally (15)	2,079	839	1,457	1,777	2,577	5,987	138
Single storey (15)	1,601	839	1,337	1,455	1,801	2,902	39
2-storey (15)	2,064	902	1,511	1,861	2,523	4,020	67
3-storey (15)	2,442	1,170	1,703	2,375	2,771	4,539	24
4-storey or above (15)	3,878	1,735	2,480	4,009	5,169	5,987	6