



Working towards a core strategy for Wiltshire

Wiltshire Core Strategy

Affordable Housing (Core Policy 43) Paper – Implications of Viability Review

28 February 2014

Wiltshire Council

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CORE POLICY 43 – PROVIDING AFFORDABLE HOMES

RESULTING CHANGES RESPONDING TO THE WILTSHIRE LOCAL PLAN VIABILITY STUDY FEBRUARY 2014

BACKGROUND

- 1.1 The submitted Wiltshire Core Strategy includes Core Policy 43 (Providing affordable homes) which seeks to secure at least 40% onsite affordable housing provision on sites of 5 or more dwellings and on sites of 4 dwellings or less a financial contribution towards the provision of affordable housing.
- 1.2 In his 10th procedural letter, the Inspector acknowledged ‘...a considerable need for various forms of affordable housing throughout Wiltshire.’ However, the Inspector also stated concern that the proposed policy approach was not justified adequately by the evidence, particularly the Affordable Housing Viability Assessment (STU/51).
- 1.3 As a consequence the Inspector stated that:
- ‘It may be necessary for the Council to revise STU/51 to look at alternatives which will be clearly viable in a more comprehensive range of circumstances so that the objectives of the CS may be fulfilled. Clearly, subsequent review could be programmed as necessary. I would appreciate your constructive thoughts on how to progress this important matter.’*
- 1.4 The Council subsequently appointed HDH Planning and Development to undertake an assessment of the cumulative impact on development viability, of the policies in the Core Strategy, to ensure that the level of affordable housing and other policy requirements are appropriate, and that the policies in the Plan imposed on developers do not generally render development unviable, as required by paragraphs 173 and 174 of the National Planning Policy Framework (NPPF).
- 1.5 The following paper summarises this up-to-date evidence, the reasonable alternatives considered by the Sustainability Appraisal (incorporating Strategic Environmental Assessment) and the subsequent policy recommendations to be incorporated in the proposed modifications to be submitted to the Inspector.

EVIDENCE SUMMARY

- 2.1 The up-to-date Wiltshire Local Plan Viability Study is based on the November 2013, Hearing Session Track Changed Version of the Core Strategy¹. The methodology applied reflects the requirements of the NPPF and best practice presented by the Harman Viability Guidance² which promotes stakeholder

¹ EXAM/34/A

² Viability Testing Local Plans Advice for planning practitioners Local Housing Delivery Group Chaired by Sir John Harman June 2012

engagement – particularly with members of the development industry. Consultation has taken place and whilst there was not universal agreement, a broad consensus on most matters was achieved.

Methodology

- 2.2 The assessment methodology³ involves preparing broad brush financial appraisals for a representative range of sites, and using these to assess whether development, generally, is viable. The sites were modelled based on discussions with Council officers, the existing available evidence supplied by the Council, and HDH own experience of development. This process ensured that the appraisals are representative of typical development in the Wiltshire.
- 2.3 The appraisal results were in the form of £/ha ‘residual’ land values, showing the maximum value a developer could pay for the site and still return a target profit level. The Residual Land Value was compared to the Alternative Use Value for each site. Only if the Residual Value exceeded the alternative use value / existing use value figure by a satisfactory margin, could the scheme be judged to be viable.
- 2.4 In January 2014 the Council published a Draft Charging Schedule that sets out the proposed Community Infrastructure Levy (CIL) rates. This is yet to be examined, however it has been produced following the public consultation on the Preliminary Draft Charging Schedule and is itself supported by up-to-date viability evidence.
- 2.5 As a consequence, recognising the need to be aware of the interrelationship between the proposed CIL rates and the proposed affordable housing policy approach, the Local Plan Viability Study reflects the proposed CIL charging areas to ensure consistency of approach and evidence.

Table 4.3 Residential Values used in CIL Viability Study		
Settlement Category	Average values £s per sq ft	Average values £s per sq m
Category 1 Marlborough & surrounding area, including Pewsey	£306	£3,294
Category 2 Bradford upon Avon, Salisbury, rural villages south of Salisbury, Wilton and Chippenham	£246	£2,648
Category 3 Corsham, Amesbury, Devizes and surrounding villages	£215	£2,314
Category 4 Melksham, Trowbridge, Westbury, Dilton Marsh, Calne, Warminster, Tisbury and Mere	£196	£2,110

Source: Table 4.2.1 CIL Viability Study (BNP Paribas)

³ Page 21 Wiltshire Local Plan Viability Study February 2014

Findings

- 2.6 As expected, based on the Council's experience of achieving delivery, when tested against the full policy requirements in the Plan (including CIL as set out in the draft Charging Schedule), all development sites in the Category 1 and Category 2 areas are viable and able to bear the costs of affordable housing and CIL, as well as the wider policy burdens.
- 2.7 The assessment shows that there is some scope to increase the affordable housing requirements, particularly in the Category 1 and Category 2 areas (see appendix). However, this has not been pursued further as this should provide further comfort that a 40% requirement, when considered in combination with the proposed CIL rate, is not setting the overall policy requirements at the limits of viability.
- 2.8 The larger sites in the Category 3 area are not able to bear the 40% affordable housing requirement when combined with the proposed rates of CIL. With 35% affordable housing, the residual value is in excess of the viability threshold – but only by a small margin. On balance the assessment conclusions recommend that the Council give consideration to reducing the Affordable Housing Requirement to 30% in the Category 3 area.
- 2.9 In the Category 4 area several of the modelled sites are not viable, even without any affordable housing contributions. On the remaining sites the tipping point is generally between 25% and 35%. The assessment recognises that from the Council's affordable housing track record that most sites in this area are delivering affordable housing at 30% - but some are not. It is therefore the report's recommendation that the affordable housing requirement in this area is reduced to 30%.

Policy review and flexibility

- 2.10 The assessment also recognises the need for the Council to continue to be flexible over the implementation of policies as there is no doubt that not all sites will be able to bear the full policies requirements. However, the assessment outputs indicate that the majority of sites will be able to bear the costs and therefore suggests that the Council maintains the policies as drafted (subject to the recommended amendment to affordable housing delivery – see findings).
- 2.11 The Harman Guidance is clear that viability should be monitored regularly over time. The Local Plan Viability Assessment recommends that the Council monitor house prices from the date of this report and consider reviewing the affordable housing requirements should house prices change by more than 10% (up or down).

Financial contributions / thresholds

- 2.12 The assessment states that a 5 unit threshold (as presented) will not put development at risk. However, concerns are raised in relation to the proposed

collection of financial contributions from a more practical point of view based on HDH wider experience and work with other local authorities.

'Many of the smaller sites are built out by smaller builders. These smaller businesses are not always as engaged with the planning system in the same the way as the larger house builders and developers. Sometimes smaller builders do not have the resources, experience and expertise to engage with planners, lawyers and then Housing Associations to deliver affordable housing on-site or pay a financial contribution. The result can be that they are deterred by the 'hassle factor'. There is some anecdotal evidence that where affordable housing thresholds are reduced that, regardless of the viability, the delivery of smaller sites is adversely impacted.'

- 2.13 This concern is reflected in the Council's own experience of applying financial contributions through the adopted South Wiltshire Core Strategy affordable housing policy. Furthermore the monies captured are not considered to be sufficient to make a significant contribution to affordable housing delivery in the plan period.

Sustainability Appraisal Report

- 2.14 The Council have produced an addendum to the Sustainability Appraisal (SA) Report which contains an assessment of the sustainability implications of the proposed modifications in response to the Inspectors 10th procedural letter including CP43. A series of reasonable alternatives have been considered to help inform the most appropriate policy approach reflecting the most up-to-date evidence contained within the Wiltshire Local Plan Viability Study (Feb 2014). The SA addendum states that:

'The Council is proposing a two-tier approach which they consider will bring certainty to the market and will enable adequate affordable homes to be delivered across the whole of the plan area. Additionally, it is felt this policy approach will secure additional affordable homes at higher value areas dependent on the viability differential. The SA considers that this approach is most likely to lead to greater sustainability outcomes out of the three reasonable alternatives outlined above.'

PROPOSED POLICY AMENDMENTS

- 3.1 Reflecting up-to-date evidence it is considered that, subject to the affordable housing requirement being reduced to 30% in the Category 3 and Category 4 areas, the cumulative impact of the policies within the emerging Wiltshire Core Strategy does not threaten or put at risk the viability of proposed development across the Plan area.
- 3.2 In relation to contributions being sought from small sites it is also considered that the presented policy, in relation to seeking financial contributions on small sites (4 units or fewer), is removed to respond to concerns raised by the evidence.

3.3 The proposed amendments to CP43 and the consequential changes to the supporting text of the plan are presented in the schedule of proposed modifications submitted to the Inspector (EXAM/90).

APPENDIX

Table 12.1 Residual Values – FULL POLICY and differing levels of Affordable Housing

		Alternative Use Value £/ha	Viability Threshold £/ha	Residual Value	10%	20%	25%	30%	35%	40%	45%	50%
				0%								
1	Large Greenfield	25,000	330,000	1,022,308	956,283	886,872	850,896	813,920	776,097	725,837	697,261	656,052
2	Medium Greenfield	25,000	330,000	1,895,375	1,761,638	1,631,556	1,564,135	1,494,841	1,423,960	1,329,249	1,276,209	1,198,892
3	Medium Greenfield	50,000	360,000	2,121,484	1,991,461	1,854,771	1,783,925	1,711,110	1,636,629	1,537,049	1,481,372	1,400,524
4	Small Greenfield	50,000	360,000	2,442,855	2,294,524	2,138,586	2,057,764	1,974,697	1,889,728	1,776,038	1,712,608	1,620,376
5	Infill PDL	500,000	600,000	4,219,812	3,968,898	3,703,922	3,566,489	3,425,239	3,280,754	3,087,335	2,979,571	2,822,736
6	Large PDL	350,000	420,000	2,476,650	2,318,094	2,151,406	2,065,013	1,976,220	1,885,393	1,763,970	1,696,065	1,597,476
7	Small PDL	350,000	420,000	3,317,428	3,099,960	2,870,303	2,751,190	2,628,767	2,503,541	2,358,256	2,263,963	2,126,733
8	Infill PDL	1,000,000	1,200,000	3,018,462	3,018,462	3,018,462	3,018,462	3,018,462	3,018,462	3,018,462	3,018,462	3,018,462
9	Large Greenfield	25,000	330,000	625,683	578,765	529,441	503,877	477,600	450,722	415,292	394,703	365,530
10	Medium Greenfield	25,000	330,000	1,080,861	995,618	906,002	859,555	811,815	762,982	698,188	661,188	607,827
11	Medium Greenfield	50,000	360,000	1,271,073	1,181,660	1,087,661	1,038,943	988,888	937,647	869,642	830,885	775,289
12	Small Greenfield	50,000	360,000	1,464,887	1,363,137	1,256,170	1,200,730	1,143,746	1,085,458	1,008,005	963,967	900,699
13	Infill Greenfield	500,000	600,000	2,548,614	2,423,418	2,238,348	2,142,386	2,043,754	1,942,864	1,808,728	1,732,574	1,623,064
14	Large PDL	350,000	420,000	1,440,485	1,331,422	1,216,765	1,157,339	1,096,259	1,033,781	950,838	903,556	835,741
15	Small PDL	350,000	420,000	1,886,876	1,736,746	1,577,909	1,495,549	1,410,898	1,324,309	1,232,780	1,166,145	1,070,324
16	Infill PDL	1,000,000	1,200,000	1,885,917	1,885,917	1,885,917	1,885,917	1,885,917	1,885,917	1,885,917	1,885,917	1,885,917
17	Large Greenfield	25,000	330,000	522,216	473,335	421,936	395,255	367,832	339,780	302,528	281,312	250,864
18	Medium Greenfield	25,000	330,000	966,451	869,556	767,691	714,895	660,630	605,122	531,350	489,426	428,953
19	Medium Greenfield	50,000	360,000	1,150,276	1,048,468	941,440	885,967	828,952	770,630	693,077	649,068	585,765
20	Small Greenfield	50,000	360,000	1,326,405	1,210,267	1,088,173	1,024,893	959,852	893,322	804,788	754,649	688,903
21	Infill Greenfield	500,000	600,000	2,357,352	2,157,109	1,945,588	1,835,894	1,723,148	1,607,820	1,454,278	1,367,434	1,250,000
22	Large PDL	350,000	420,000	1,293,216	1,169,068	1,038,553	970,908	901,381	830,262	735,697	682,025	604,830
23	Small PDL	350,000	420,000	1,680,045	1,508,185	1,326,647	1,250,000	1,157,897	1,056,986	922,636	846,647	737,114
24	Infill PDL	1,000,000	1,200,000	1,717,004	1,717,004	1,717,004	1,717,004	1,717,004	1,717,004	1,717,004	1,717,004	1,717,004
25	Large Greenfield	25,000	330,000	322,569	287,667	250,975	231,958	212,409	192,413	166,263	150,744	129,042
26	Medium Greenfield	25,000	330,000	514,884	450,162	382,121	346,856	310,607	273,527	224,863	196,247	155,693
27	Medium Greenfield	50,000	360,000	672,900	605,096	533,814	496,869	458,893	420,047	369,036	339,093	299,747
28	Small Greenfield	50,000	360,000	777,280	706,879	625,123	582,749	539,193	494,640	436,087	401,788	356,815
29	Infill Greenfield	500,000	600,000	1,400,583	1,268,432	1,139,532	1,066,238	990,900	913,837	812,508	753,233	669,592
23	Large PDL	350,000	420,000	1,711,597	1,597,878	1,471,918	1,400,000	1,326,647	1,250,000	1,157,897	1,056,986	922,636
31	Small PDL	350,000	420,000	875,653	760,021	637,505	579,655	513,733	446,303	357,641	307,252	255,331
32	Infill PDL	1,000,000	1,200,000	1,058,409	1,058,409	1,058,409	1,058,409	1,058,409	1,058,409	1,058,409	1,058,409	1,058,409

Source: Table 10.5 Wiltshire Local Plan Viability Study. HDH 2014