

Appendix 1 - Stroud Local Plan Review

Response In respect of the:
**Stroud District
Council Local Plan
Viability Assessment,
2022 Refresh, 18th
August 2022 (EB111,
EB111a, and EB111b)**

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Date:

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1 Introduction

- 1.1 This paper, prepared by Pioneer Property Services Ltd (“PPS”) on behalf of Robert Hitchins Ltd (“RHL”), provides a response to the Stroud District Council Draft Local Plan Viability Assessment 2022 Refresh (“LPVA22”) – published in August 2022 prepared by HDH Planning and Development (“HDH”) on behalf of Stroud District Council (“the Council”).
- 1.2 The LPVA22 is the final iteration of the prior ‘Working Draft’ (“WDLPVA”) – published initially on the 20th of April 2021 and re-published on the 28th of May 2021 on which consultation responses were sought and submitted in July 2021 (including a response prepared by Pioneer on behalf of RHL).
- 1.3 No further opportunities for consultation have taken place, including in respect of online workshop sessions to further discuss the content and scope of the LPVA22 prior to its publication in August 2022.
- 1.4 The generic and strategic typologies modelled in the LPVA22 appear to remain the same as in the WDLPVA (and previously in the June 2020 draft LPVA),¹ although some of the area and density figures have altered. In terms of the strategic sites ‘Grove End Farm’ which was included in the WDLPVA with 2,250 units has been removed and the areas and densities have been updated in Table 9.10 of the LPVA22.
- 1.5 A total of 18 appendices accompany the LPVA22.
- 1.6 The following sections of this paper reviews the areas of concern raised in the WDLPVA consultation and consider whether the concerns raised have been addressed and whether any new issues have arisen.

¹ Table 9.7

2 Residential Market – Sales Values

- 2.1 Sales values assumptions have a significant impact on viability modelling outcomes; over the life of a Development Plan there is the chance that more than one economic cycle could occur seeing values rise and / or fall. Sub-areas within a local authorities may also see changes in values that differ to the overall average values. Robust sensitivity testing at different values combined with increased costs (which are unlikely to see a reduction, but likely to continue to increase) is needed.
- 2.2 The LPVA22 refers in paragraph 4.3 to increases in sold house prices referencing newbuild sold house prices having increased more between September 2020 and May 2022 than existing properties and in paragraph 4.14 to newbuild prices ‘now’ being 55% more expensive than existing prices – this presumably refers to the January 2022 data depicted in Figure 4.3. However, Land Registry data for newbuild sales volumes in Stroud in January 2022 records just a single newbuild sale. On average over the September 2020 to April 2022 period just under 15 newbuild sales are recorded per month in Stroud. This is a tiny data set, and one that is unavailable by property type, presumably because the data pool is so small as to not be statistically significant. As such, caution should be applied in any interpretation of the relevance of any newbuild value increases.
- 2.3 As was pointed out in response to the WDLPVA, a comparison between newbuild and existing property average house sale prices in the District concluding newbuilds to be 55% more than existing prices² is of little relevance unless the properties being compared are like for like in terms of condition, specific location and orientation etc. This observation should, therefore, not be inferred (as it is in paragraph 4.61) to suggest that the newbuild development assessed within the LPVA22 will have significantly higher than average existing property sales values. The newbuild market does not operate in a vacuum and purchasers will have the option of purchasing new and existing homes; developers will want to avoid pricing themselves out of the market.
- 2.4 Footnote 46 to paragraph 4.23 suggests that the PPS response to the WDLPVA sought that the impacts of the Pandemic be ‘predicted’. As has already been pointed out in the consultation response to the WDLPVA (which made a similar claim regarding the PPS response to the draft LPVA) this is inaccurate – it was noted in the PPS response that the full impacts of the Pandemic were as yet unknown and therefore the issues raised in terms of

² Paragraph 4.14, LPVA22

assumptions within the WDLPVA, resulting in an assessment at the margins of viability (or worse when the County Education s106 costs being sought were factored in), were of increased concern. This remains our position in response to the LPVA22.

- 2.5 Hence why the sensitivity testing of combined increased cost / reduced value scenarios (and having regard to the full extent of Affordable Housing, CIL and s106 costs) is so important. Within the next 5 years (the shortest length of time that usually applies until a review of the evidence base let alone policy) significant economic shocks are likely to occur, particularly due to various global events and significant shifts in Government economic policy here in the UK. Indeed, political events in October 2022 have resulted in a significant economic shock seeing markets tumble and the pound falling to its lowest value in decades. Main stream media reporting in late September states that house prices 'are likely to fall by at least 10% next year'.³ Whilst the market has steadied and the pound recovered to a degree, mortgages across all deposit levels are now reported to be at fixed rates of 6.29% to 6.47% - above rates last seen in 2008/2010.⁴ Interest rates and lending criteria for borrowing in general (including by housebuilders) can be expected to be impacted.
- 2.6 Appropriate testing within the evidence base can assist the Council with understanding the impact of these (at various trigger points in terms of cost increases / value decreases or combinations of the two) upon development and enable them to draft policies which can respond rapidly to such changes.
- 2.7 PPS raised concerns in response to both the draft LPVA and the WDLPVA regarding the residential values analysis being based on settlement wide asking prices. As previously, the author maintains that this is a suitable starting point for the research and that the value inputs in the appraisals 'may or may not' follow the settlement hierarchy. The concern remains that sub-markets (some with significant value differences) within settlements will not be reflected by the LPVA22.
- 2.8 As was similarly noted in response to the WDLPVA paragraph 4.59 / Table 4.11; whilst the LPVA22 presents some additional information in paragraph 4.65 on the extent of the value sub-areas set out in Table 4.18 it remains the case that the inclusion of a clear map and lists of settlements within the areas is needed.

³ UK house prices predicted to drop by at least 10% in 2023, [REDACTED] The Guardian, 28th September 2022

⁴ What Next For UK Mortgage Rates? Forbes Advisor, 17th October 2022

2.9 Refreshed newbuild 'prices paid' data is presented in Table 4.9 of the LPVA22. However, other than in Great Oldbury and Hardwicke (which contain 187 and 180 data points respectively) the sample sizes are extremely small; in a number of cases only 1 data point is recorded.

2.10 It remains unclear how the author has reached the value conclusions within Tables 4.18 and 4.19 page 85 that they have i.e. how has the values analysis at a Ward and Settlement level been used, explained step by step, to arrive at the values stated and to support the original values in the WDLPVA which have then been apparently arbitrarily uplifted by 15% across the board on all typologies within the LPVA22. The following concerns apply:

- The preceding paragraph 4.67 'a' refers to Land Registry data suggesting a 32% increase in newbuild sold house prices September 2020 to May 2022, but as noted in paragraph 2.2 above this is based on a very small data sample.
- Paragraph 4.67 'b' refers to newbuild asking prices increasing by 17% since 2020 – but these are not a reliable basis from which to draw conclusions on the prices that homes are actually selling for.
- Paragraph 4.67 'c' then refers to price paid data 'showing a smaller increase' (although the increase is not stated for ease of reference) and stated there to be limited data since 2021. Is this for all properties or newbuild? If newbuild it conflicts with point 'a' which claims a 32% increase for newbuild.

Presumably it is the price paid for all dwellings as set out in Table 4.18 page 84 – the value assumptions in Table 4.18 page 85 are all (and some significantly) in excess of the values in Table 4.18 page 84 across all sub-areas except in respect of brownfield and urban flatted schemes in the Cam / Stonehouse / Stroud / Stroud Valleys and Sharpness sub-area. The basis for this is unexplained, particularly given the low data samples for newbuild sold house prices if the explanation is promulgated by the author that newbuilds should have a premium attached.

- Paragraph 4.67 'd' is incomplete so it is not possible to understand what point is being made.

2.11 Without clarity on exactly how the WDLPVA sub-area values were calculated (raised as an issue in the consultation response to that document) or the basis for the 15% uplift on values

across all typologies in the LPVA22 it remains difficult to constructively feedback on the values presented.

- 2.12 As stated in response to the WDLPVA, slight changes in values impact significantly on viability outcomes and so it is important, even for strategic level assessments, to base assumptions on transparently explained analysis of how the data reported is resulting in the values assumed. The recent economic shock noted in paragraph 2.5 above is likely to impact negatively on values and the rate of sales meaning that the assumptions in the LPVA22 must be treated with caution and reduced value / increased sensitivity testing should be included.

Affordable Housing Values

- 2.13 In paragraph 4.74 the LPVA22 states that the study assumes that Affordable Housing is sold to a Registered Provider (“RP”). However, this will not be the case in respect of First Homes and therefore additional sales costs and sales risk burdens will fall on the developer / housebuilder. As in the WDLPVA, the LPVA22 does not provide commentary on the likely impact of any requirement to provide First Homes on the overall amount Registered Providers are likely to be able to pay for the remaining elements of Affordable Housing.
- 2.14 The LPVA22 does not address these points despite confirming in paragraphs 4.83 and 8.43 that First Homes are tested in a scenario, although confusingly it is noted that paragraph 2.56 states that: ‘*The Council does not consider First Homes to be affordable so these are not included in the base mix.*’
- 2.15 The Residential Appraisal iterations tested set out in Appendix 12 to the LPVA22 do not appear to include any First Homes and the WDLPVA only appeared to test First Homes in conjunction with Affordable Rent as opposed to with Social Rent – the First Homes National Planning Guidance prioritises the provision of Social Rent on the remaining elements of Affordable Housing after the First Homes proportion has been deducted. The September 2020 Local Housing Needs Assessment Final Report and Summary suggests that Affordable Housing is required in a c.50% Social Rent, c.17% Affordable Rent and c.33% Affordable Home Ownership tenure split in Stroud and unless proposed Affordable Housing Policy wording specifies otherwise the Council can seek to apply this regardless of the RP preference for Affordable Rent over Social Rent suggested (but not necessarily borne out in our own experience) in paragraph 4.100’a’ of the LPVA22. Despite this the LPVA22 does not appear to be testing this split.

2.16 The following points, many already raised by Pioneer on behalf of RHL in response to the WDLPVA, remain relevant:

- The provision of First Homes could impact on the ability of Developers to sell similarly sized open market units if interim 'policy' requiring provision comes into play within the District during the Plan period – a First Homes requirement may result in a dampening appetite by First Time purchasers for 1, 2 and 3 bedroom open market dwellings – the income caps specified in the First Homes National Guidance issued by the Government in May 2021 (£80,000 or £90,000 in Greater London⁵) governing eligibility mean that some households with savings or family support who would have been able / would have opted to purchase a home on the open market will use the discounted First Homes route instead. This is an impact absent from the Help to Buy Equity Loan scheme given that the relevant homes were purchased as open market (as opposed to Discount Market Sale Affordable Housing) units from developers. This could result in slow sales of similar open market units, increased sales risks and additional planning costs (due to a need to re-plan sites with an alternative mix focussed on large open market homes) to developers. This is not tested within the LPVA22 as a sensitivity.
- First Homes would not be sold to a Registered Provider, but the requirement for such homes is still likely to impact on the amount Registered Providers can pay for any rented or Shared Ownership Affordable Housing. Furthermore, there will be an increased cost to developers having to sell First Homes in terms of marketing and an increased risk as they will not be able to sell the homes in bulk to a Registered Provider thus obtaining a more reliable up front revenue stream. Both the National and any additional local occupancy requirements applicable to First Homes may result in a delay in the sale of such homes (compared to the sale to a Registered Provider of rented and Shared Ownership housing) which will impact on revenue streams.
- Whilst the Stroud Local Plan is subject to transitional arrangements in respect of First Homes Registered Providers operating in Stroud will also operate in other locations where this requirement may apply, and at Examination the Inspector could recommend an early review to introduce the requirement. Either way the introduction of First Homes is likely to impact on the overall Business Plans of Registered Providers operating in the area; as First Homes will ultimately reduce the amount of Shared Ownership that will be provided this

⁵ Paragraph: 007 Reference ID: 70-007-20210524

will reduce the ability of Providers to cross subsidise the rented element of schemes and to borrow funds thus reducing the value of any offers they are able to make more generally. As appraisals are highly sensitive to changes in revenue assumptions this outcome should be reflected through sensitivity testing in the LPVA22.

- Similar concerns exist in respect of the impact of the new Shared Ownership model from the 28th of June 2021 (subject to similar transitional arrangements as First Homes) which, among other things, will see Registered Providers footing the cost for non-NHBC warranty repairs and maintenance for a period of 10 years on Shared Ownership homes, initial shares being sold as low as 10% and with the potential for 1% incremental share purchases accompanied by reduced fees to the purchaser.

The LPVA22 refers in paragraph 4.108 to ‘discussions’ with RPs confirming these changes will not reduce the amount they are prepared to bid, although supporting evidence / minutes of such meetings are not appended.

However, the LPVA22 does not respond to the August 2022 Government consultation (running into October 2022⁶) on proposals to cap social housing rent increases for the coming financial year at 3%, 5% or 7% as potential options. This will also impact on RP business plans and the blended amount they can bid for Affordable Housing.

Furthermore, the LPVA22 does not consider that the cumulative impacts of the above issues may result in RPs simply bidding for less schemes full stop, thus endangering the ability of developers to secure RP purchasers for the timely delivery of Affordable Housing stock.

- Where the LPVA22 refers to Affordable Housing values it must be stressed that the assumptions in the assessment can only be considered to be a broad estimate of what these are likely to be; in practice the values paid will differ from RP to RP and from scheme to scheme. Furthermore, significant global economic uncertainty and changes in domestic Government economic policy will all impact on the prices that RPs will be able / be prepared to pay.

⁶ <https://www.gov.uk/government/news/rent-cap-on-social-housing-to-protect-millions-of-tenants-from-rising-cost-of-living>

3 Land Values

- 3.1 The LPVA22 carries forwards the benchmark land value assumptions within the WDLPVA. As noted in the consultation response to the WDLPVA, the value assumptions draw predominantly on the same datasets within the Land Values section (Chapter 6) as in the draft LPVA.
- 3.2 Some updated information (compared to the draft LPVA) is presented in both the WDLPVA and LPVA22 in respect of Residential Land Values based on a more recent 2019 iteration of the Government publication 'Land Value Estimates for Policy Appraisal'.⁷ This suggests that residential land values have increased by c.2.8% from £2.285m per hectare in 2017 to £2.350 per hectare in 2019.⁸
- 3.3 Additional information provided by a housebuilder on residential land values is presented at paragraph 6.18 of the WDLPVA and LPVA22, although this is not presented on a per net or gross hectare basis (other than a somewhat unclear reference to '£521k/NDA' – it is assumed that this is £521k per Net Developable Acre), nor does it seem to feed into the determination of a suitable BLV. It is noted that two of these suggest a £78k per plot and a £61k per plot land value compared to the £46k per plot and £29k per plot values listed in Table 6.3.
- 3.4 Despite presenting evidence of policy compliant land sales and suggesting an average land sale value of £761k and a median value of £820k (presumably per gross hectare on the basis that the WDLPVA goes on to refer to a £800k per hectare residential land value in paragraph 6.28 although Table 6.4 is unclear) Gloucestershire wide⁹ the WDLPVA¹⁰ and LPVA22¹¹ (and previously the draft LPVA) sets a Greenfield Site BLV of £25k plus £350,000 per gross hectare.
- 3.5 Concerns raised in the PPS response to the draft LPVA remain unaddressed including in terms of the responses referencing the PPS representations within the WDLPVA and LPVA22 footnotes.
- 3.6 Where the LPVA22 suggests in paragraph 6.52 'h' that alternative evidence has not been presented by PPS – a) it is the job of the LPVA22 author, not respondents, to present robust evidence to inform BLVs, b) the alternative evidence is already presented in the LPVA22 (as it was in the WDLPVA) and suggests that the arbitrarily set BLVs are significantly below the

⁷ Paragraph 6.12, WDLPVA

⁸ See paragraph 6.13 of the draft LPVA and paragraph 6.12 of the WDLPVA

⁹ This is referenced as being based on another report although the underpinning research is not appended. Due to the low levels of transactional data at a local authority level a Gloucestershire wide assessment should be referred to.

¹⁰ Paragraph 6.52 and 6.54

¹¹ Paragraph 6.51 and 6.53

minimum values that landowners are likely to accept for either brownfield or greenfield land for residential development, and c) alternative evidence was provided in response to the WDLPVA.

- 3.7 Many housing sites are promoted and gain permission via promotion agreements or options which have been exposed to open market tender and subsequent negotiation, and it is almost always the case that the legal provisions of these agreements specify a minimum landowner financial return, being a figure below which the land will not be released and available for development.
- 3.8 Furthermore, as already pointed out in response to the WDLPVA; evidence of real world values can readily be found within promotion agreements; in the experience of Robert Hitchins Ltd, when the required landowner returns are taken into account, the gross per hectare land value for such sites will lie in the range of c.£450k to £775k in Gloucestershire. This is based on real-life figures. The arbitrarily set WDLPVA Greenfield BLV of £25k plus £350,000 per gross hectare **does not** reflect the reality of the values which will be required to persuade landowners to make their land available for development in Gloucestershire. It is unclear why the LPVA22 has not acknowledged that this information was provided in response to the WDLPVA.
- 3.9 Where is the Council's evidence to support the LPVA22 Greenfield Site BLV of £25k plus £350,000 per gross hectare?
- 3.10 If conclusions about the release price for, particularly Greenfield, land are to be drawn on the basis of the commentary presented in the draft LPVA / WDLPVA / LPVA22 this will not be linked to evidence and does not, therefore, adhere to the principles established within the National Planning Policy Guidance ("NPPG").
- 3.11 Whilst the revised NPPF has altered a part of how land is considered in the context of viability it still requires a judgment to be made to establish the landowners release price for various types of land. The land value threshold / BLV, or release price, is a critical component of the overall appraisal model and must be suitably identified and evidenced. A failure to do this in the context of the market will potentially jeopardise the timely release of sites over the plan period.

4 Development Costs

Construction and Abnormals

- 4.1 The LPVA22 uses July 2022 BCIS median data re-based to Gloucestershire for the baseline build cost and refers to sensitivity testing having been carried out.¹² However, in the experience of Robert Hitchens Ltd construction costs have increased by c.30% in the last eighteen months and much of this will not be reflected in the July 2022 BCIS data used in the LPVA22, which will be subject to a reporting delay and will not reflect the further significant volatility in costs over recent months.
- 4.2 Further increases are widely expected with the Financial Times reporting the Chief Executive of CRH (described as the ‘worlds largest building materials company’) warning of further increases with energy price related inflation impacting on wages and logistics. CRH is reported as having seen 50% energy cost increases earlier in the year with wages and logistics costs continuing to rise since July. The article also reports housebuilder Berkley Group as confirming that increasing build costs would be likely to impact negatively on the delivery of construction projects.¹³
- 4.3 In this respect it can also be noted that Tender Price Forecasts prepared by Gardiner and Theobald are forecasting a UK average 5.5% annual percentage change for Quarter 4 2022 compared to 5% for Quarter 3. Forecasts for Tender Price Change in 2023 are 3%, 2.5% in 2024 and 2.25% in 2025. UK average tender price forecasts published by the BCIS are reported to suggest increases of 7.85% at September 2022, 6.20% at 2023, 3.3% at 2024 and 3.44% at 2025.¹⁴ At minimum combined reduced value / increased cost sensitivity testing should be included within the LPVA22.
- 4.4 As noted in the PPS response to the draft LPVA and the WDLPVA, the LPVA22, whilst referring to an allowance being made for ‘other normal development costs’ (paragraph 7.9), remains unclear on whether the allowance applied in the modelling is intended to be sufficient to cover only on-plot externals or on-plot and other site infrastructure and site opening up costs (except in respect of strategic sites where it is stated that a separate strategic infrastructure allowance is applied¹⁵).

¹² Paragraph 7.6 and 7.8, LPVA22

¹³ ‘Second wave’ of inflation set to hit construction industry, [REDACTED], Financial Times, 31 August 2022

¹⁴ Q4 2022 Tender Price Indicator Report, Gardiner and Theobald, pages 1 and 8

¹⁵ Paragraph 7.12, LPVA22

- 4.5 The allowances are suggested in paragraph 7.11 of the LPVA22 to range from 5% up to 15% for larger Greenfield schemes, but Appendix 12 suggests a 15% uplift to be applied to the base build cost for larger Greenfield sites (40 to 400 units), Strategic sites and brownfield sites of 40+. This is reduced to 10% for Greenfield sites of 20 units or less and 20-unit or less brownfield sites and reduced again to just 5% for high density brownfield sites with 20 or less units.
- 4.6 The uplifts applied to the BCIS baseline build costs for the 40 to 400 unit generic Greenfield site typologies tested in the LPVA22 are unlikely to be sufficient for anything beyond on-plot external costs. There does not appear to be any other allowance made for on-site infrastructure or site opening up costs for these sites.
- 4.7 For the smaller Greenfield sites a 10% uplift to the base build cost seems a low estimate for on-plot externals, and such sites will also have other off-plot and, potentially, even opening up costs. For high density brownfield sites external costs may indeed be reduced, but for smaller Brownfield non-high density sites a 10% uplift to the base build cost similarly seems a low estimate even only for on-plot externals.
- 4.8 Uplifts of 20% are often used as a proxy to allow for services / externals on small to medium sites which do not involve extensive site service costs on the basis that the development plot is essentially serviced. Town centre apartment schemes could be potentially lower subject to design and layout of the external spaces although below ground parking solutions will significantly alter this position.
- 4.9 It is noted that the LPVA22 includes additional costs under the 'abnormals' heading of the appraisal summaries at Appendix 12 – these appear to apply to all site typologies and Strategic Sites although how these amounts are arrived at is unclear from the information at pages 132 to 135 on abnormalities (other than for Brownfield sites which appear to be set a 5%). The points made by PPS and quoted at paragraph 7.30 of the LPVA22 remain to be addressed.
- 4.10 As previously stated in the PPS response to the draft LPVA and the WDLPVA, the LPVA22 should at least undertake sensitivity testing with a 20% uplift over baseline build costs as a minimum starting point plus additional opening up costs to reflect the impact on more complex Greenfield sites / plus an additional brownfield site allowance. The LPVA22 states at paragraph 7.13 that this was done in the WDLPVA, but it is unclear why it has also been applied within the LPVA22 (which tests up to BCIS +15% in Appendix 16).

4.11 It is noted that the LPVA22 (as in the WDLPVA) references a number of respondent concerns regarding the draft LPVA approach to abnormal costs in paragraphs 7.25 to 7.31 (in respect of Greenfield and Brownfield land), but simply responds by stating the PPG has been followed.¹⁶ This disregards the fact that, regardless of the suggestions within the PPG, not all abnormal costs will be absorbed by a landowner. If the LPVA22 is to bear resemblance to the reality of how land is transacted and what landowners will and will not accept and what will and will not be viable then theoretical positions should be applied with appropriate allowances made for both brownfield and larger greenfield sites.

Fees

4.12 It remains our position¹⁷ that including professional fees at 8% of build costs is at the lower end of what can apply and it is noted that it is a reduced assumption compared to that which has been applied previously within the 2016 Stroud CIL Viability Assessment by the same author (at 10% excluding planning fees at 1%). The LPVA22 does not robustly address the concern raised – where all cost inputs are at the lower end of what is likely the assessment outputs will be pushed to the margins of viability as opposed to providing a balanced view on likely viability outcomes for a Plan period.

S106 Costs and Infrastructure

4.13 The LPVA22 continues to apply a £5k per unit s106 cost assumption for non-strategic sites in the baseline appraisals and states that ‘we understand that CIL is the main tool for funding infrastructure’.¹⁸ In paragraph 7.44 the LPVA22 notes the PPS response to the draft LPVA stating that £5k per unit for s106 is too low, but still fails to present the evidence underpinning the ‘discussions’ with the Council on which this cost is based.

4.14 Crucially, despite acknowledging both in the draft LPVA, the WDLPVA and the LPVA22 that increased education s106 contributions are being sought by the County Council,¹⁹ these costs remain untested in the baseline appraisals even against typologies (i.e. larger residential developments) to which they are routinely being applied across Gloucestershire (to the tune of a further c.£17k per unit in costs as suggested within the table at paragraph 8.112 of the LPVA22 in conjunction with the £5k per unit local authority s106 cost assumption this suggests

¹⁶ Paragraph 7.31, LPVA22

¹⁷ As cited in paragraph 5.16 of the PPS response to the draft LPVA and paragraph 4.5 of our response to the WDLPVA

¹⁸ Paragraph 7.43, LPVA22

¹⁹ Paragraphs 8.93 to 8.94, draft LPVA, Paragraphs 8.111 to 8.112, WDLPVA, and Paragraphs 8.111 to 8.112, LPVA22

a total of £22k per unit). As at August 2022 when the LPVA22 was published these are the County Council education s106 amounts set out within the LPVA22.

- 4.15 This lack of inclusion within the baseline testing despite these concerns previously having been raised by PPS in response to the draft LPVA and WDLPVA and the impact of any increased s106 education costs to those assumed for the existing allocated strategic sites based on the July 2022 work by Arup (as set out in Tables 7.3 /12.5 of the LPVA22).
- 4.16 The LPVA22 notes that ‘new allocations under a new Plan would be subject to CIL’.²⁰ CIL is included at a rate of £96.23 £/m² in the baseline testing of both Strategic Sites, and generic Greenfield and Brownfield sites based on the information provided in Appendix 12. For Strategic Sites this is included alongside s106 amounts which the LPVA22 suggests in paragraph 7.49 are based on amounts set out within Scenario A of Table 7.3. As an example Stonehouse North West (PS19a) is listed within scenario A as having updated strategic infrastructure and mitigation costs of £31,136 per dwelling based on the July 2022 Arup work, totalling £21,795,088 for the whole site assuming a yield of 700 units. This is re-stated at paragraph 10.8 ‘c’.
- 4.17 However, the baseline appraisals for the Strategic sites described in the assumptions summary at Appendix 12 page 11 suggests that for Stonehouse North West (PS19a) a per dwelling s106 cost of £20,043 is applied both pre and post CIL – a sum of £31,136 per dwelling is not evident within the cost assumptions and even if the £20,043 per unit cost is intended to reflect a reduction in s106 on the assumption that some of the strategic and infrastructure and mitigation costs will be covered by CIL instead of s106 there is no clear explanation of how this amount is derived and it seems to be at odds with the description of the baseline modelling for these sites within the body of the LPVA22.
- 4.18 It is further noted that in the actual appraisal summary for Stonehouse North West (PS19a) whilst a ‘pre CIL s106 cost of £20,043 per unit is referred to (totalling £14,030,100) the actual amount included in the ‘development costs’ summary box is a ‘post CIL’ £10,841 per unit amount (giving an overall total CIL/S106 cost of £12,686,917).
- 4.19 This per unit s106 / infrastructure / mitigation cost of £10,841 per unit appears to be included alongside CIL at £96.23 per m² on all of the Strategic Sites tested in the appraisal summaries in Appendix 12 – this is significantly less than the per unit s106 / infrastructure / mitigation costs

²⁰ Paragraph 7.50, LPVA22

included in Table 7.3 Scenario A (which range from £18,977 to £31,136 per unit) and less than the per unit s106 / infrastructure / mitigation costs included in Table 7.3 Scenario B (which range from £13,234 to £25,870 per unit).

- 4.20 The basis of the reduced cost is unclear; it does not appear to reflect the Scenario A costs net of the per dwelling CIL costs in Table 7.4 / paragraph 10.8 'c' of the LPVA22, nor net of the abnormals costs which have been included in the Appendix 12 baseline summaries. Nor does it seem to align with Scenario A or B costs net of 80% of the CIL amounts in Table 7.4 and Table 10.5 – based on which assumption paragraph 10.20 suggests a further set of appraisals have been run.
- 4.21 It is also noted that the residual values concluded in Appendix 12 for the Strategic Sites are not the residual values presented in Table 10.1c in the body of the LPVA22 which are all, bar PS36 Sharpness, suggested to be lower than the benchmark land value and significantly lower than the residual values in Appendix 12. Presumably the residual values in Table 10.1c do include the Scenario A costs plus CIL, but for some reason, despite the claim at paragraph 10.9, the actual baseline summaries are not included in Appendix 12, but an amended reduced s106 plus CIL variation is included. (NB: This problem does not seem to apply to the generic typologies where the residual land values in the summaries in Appendix 12 align with those in Tables 10.1a and 10.1b).
- 4.22 However, in respect of the reduced s106 cost Strategic Site appraisal summaries in Appendix 12, there is no clear evidence to support how the Scenario A and B costs in Table 7.3 and paragraph 10.8 'c' would be split between s106 and CIL, nor any guarantee that this will take place in practice in line with the 80% of CIL being used in lieu of s106 costs assumption in paragraph 10.20 of the LPVA22. In this regard conclusions in paragraph 12.65 of the LPVA22, that infrastructure costs can be covered by CIL so no allowance needs to be made for worst case full developer contributions, are evidentially not demonstrated to be the case.
- 4.23 In so far as it is intended to provide an updated assessment of viability in Stroud the LPVA22 s106 analysis should clearly reflect the s106 contributions sought on sites including any new County formulaic approach (the resulting cost of which during the life of the Plan is now subject to a further lack of clarity following the publication of an Interim Position Statement by the County Council in June 2021 with adjusted assumptions albeit the resulting average per unit education s106 cost is unclear). To do otherwise will fail to assess the impact of any new formulaic approach on the deliverability of the Development Plan.

- 4.24 In Appendix 14 to the LPVA22 varied developer contributions tested in conjunction with Affordable Housing tested at varied levels, full emerging policy costs (or at least the costs deemed to apply by the LPVA22 to achieve compliance with these policies), and CIL are summarised (although the appraisal summaries themselves are not attached in this report iteration).
- 4.25 The summaries in Appendix 14 of the LPVA22 suggest that, assuming 30% affordable housing, CIL, s106 at £20k per unit and in the context of the emerging policies for which costs have been assumed, 41 (76%) of the 54 generic sites tested fail to achieve a RLV that exceeds the BLV. The Gloucester Fringe and Cotswolds sub-area is suggested to have the most viable sites against the LPVA22 BLVs, but still contains 5 out of the 14 sites tested (36%) that have RLVS below the BLVs.
- 4.26 County education s106 costs are stated to be reflected in the LPVA22 modelled assumptions for the strategic sites tested (and summarised in Table 7.3) based on the Local Plan Review Infrastructure Delivery Plan (“IDP”) Addendum Report published in August 2022. The IDP Addendum states that, based on discussions with the County Council, the Pupil Product Ratios remain under review and that:
- “This revised rate will be published within an updated version of the Local Development Guide (GCC) and would be consulted upon, most likely in Autumn 2022.*
- It was advised that until the review had been completed, the PPRs from the Interim Position Statement (published June 2021) should be used to calculate need.”*
- (paragraph 2.2.1)
- 4.27 However, it is unclear how the costs listed in the IDP Addendum correlate with the overall £5k per unit s106 costs assumed in the LPVA22 in respect of the generic site typologies. The prior IDP (May 2021) wording suggests that smaller and windfall sites will only be required to fund education through CIL. However, this is not how the County have been approaching matters across Gloucestershire in practice.
- 4.28 The above lack of clarity is further compounded by the May 2021 IDP failing to set out transparently, on a site by site basis, how all the different infrastructure items required will be funded (i.e. including in respect of s106 and or CIL), the total costs of this, or the timing of these costs. The Infrastructure Funding Statement does not clarify these matters and these issues are not covered in the IDP Addendum in respect of non-strategic sites.

- 4.29 Notwithstanding the above, assessing the viability impact of any new County formulaic approach is the last step: ahead of that the evidential basis of the formula (i.e. which underpins the assumptions on pupil places etc) must be demonstrated, then the impact of this on other Development Plan policies must be examined (i.e. such as increased housing requirements etc), and then the viability of the requirement should be tested – this all needs to take place as part of the current Local Plan examination.
- 4.30 It should be noted that having had regard to a critique of the new County formulaic approach and existing pupil capacity undertaken by the appellant in the Coombe Hill Appeal in Tewkesbury Borough (appeal reference 3257625 – 1st June 2021) the s78 Planning Appeal Inspector concurred with the Appellant and was ‘not convinced by the County Council’s calculations’ of pupil demand.²¹ Notwithstanding that the approach has been successfully challenged elsewhere, it remains essential that the viability of any County education contribution (including any revisions through the Interim Position Statement or later reviews) be tested as part of this Local Plan process unless absolute clarity is provided by the Council that any such new formulaic approach will not be sought from planning applications in Stroud. The LPVA22 response in paragraph 8.114 is simply not good enough.
- 4.31 As a result of an unrealistically low average s106 costs being applied sites will be concluded to be viable despite that this is completely inaccurate. In the real world these sites will remain unviable and homes will remain undelivered as a result further restricting the planned housing supply in the local authority area.
- 4.32 These points must be borne in mind when considering the average s106 that is being assumed on sites in the baseline testing – given its routine application across Gloucestershire, County education s106 costs should not be considered to be a potential additional cost, but something being applied in practice.

Developer Return

- 4.33 The LPVA22 states that a developer return assumption of 17.5% is applied to the value of the market housing and 6% to the value of the Affordable Housing.²² Points made previously in response to the LPVA22 remain applicable;

²¹ First paragraph top of page 21 Inspector’s report - appeal reference 3257625

²² Paragraph 7.66, LPVA22

- The level of return being applied is less than the 20% of total Gross Development Value applied by the same author in the 2016 CIL Viability Assessment for Stroud District. It is unclear why it is considered that in June 2020 project risks have decreased compared to March 2016. The approach is at odds with the current economic outlook; the proposed assumption is insufficient.
- Notwithstanding guidance within the National Planning Policy Guidance (“NPPG”), unless / until real world impacts such as this are taken into consideration the exercise of viability testing Plan policies will be of limited use in providing a robust view on the extent of any burdens that development can bear.
- As is quoted within the LPVA22 at page 143 our concern remains that:
 - o a return range of 15-20% of GDV, whilst set out in the NPPG viability section, is already lower than the up to 30% that Housebuilders will require in the real world. Ignoring this fact devalues the whole viability exercise and renders it meaningless. Furthermore, reductions below 20% risk jeopardising the ability to secure finance for schemes (something which will become even more prevalent in the current economic climate) and are not a realistic assumption for inclusion within either a high level plan making or a decision-taking financial viability assessment. It is also realistic to suggest that developer return should be significantly increased where risks are greater than average; this would be a normal expectation in any sphere of investment and it is unclear why development would be any different. In respect of First Homes; this Affordable Housing product represents a greater risk to developers than other types of Affordable Housing and should not be subject to reduced profit assumptions on the basis of being an Affordable Housing product.

Site Holding Costs and Receipts

4.34 The LPVA does not address the concerns raised in paragraphs 5.42 to 5.43 of the PPS response to the draft LPVA and re-iterated in response to the WDLPVA:

- No allowance is made for holding costs...we are now entering unknown territory in economic terms and it seems reasonable to suggest that many sites will accrue holding costs where it has become economically impossible to develop them under the weight of the current planning gain expectations placed upon them.

- It is not as simple as saying that this should be reflected in the land value as sites may already be subject to purchase contracts / have been purchased. Where it remains the Government's objective to boost housing supply it will be necessary for local authorities to incentivise the development of such sites by ensuring that unaffordable developer contribution expectations / policy burdens are not placed upon them and this will necessitate a realistic assessment of viability.

4.35 The exclusion of any holding cost assumptions within the LPVA22 for any of the typologies tested will result in unrealistic viability outcomes.

5 Local Plan Policy Requirements

- 5.1 The LPVA22 author suggests on various occasions that it is the respondent's responsibility to present the evidence to support or disprove the assumptions within their own assessment. This is demonstrated in the response in paragraph 8.16 of the LPVA22 to the PPS concern raised in response to the prior WDLPVA in respect of a lack of evidence being presented in the draft LPVA to support the Core Policy 5 cost assumptions.
- 5.2 The evidence requested has still not been presented within this LPVA22 iteration and instead the author maintains that the respondent has not evidenced their position – the point is being raised in respect of the lack of evidence presented by the LPVA22 author to support the claims they have made as opposed to saying that they are wrong or right; in the absence of their own evidence being provided it is impossible to scrutinise their position.
- 5.3 The costs assumed in the LPVA22 for minimising water consumption in line with enhanced building regulations have reduced from c. £100/dwelling in the draft LPVA based on a 2014 study²³ to an indexed £7/dwelling in the LPVA22 based on a 2015 Study.²⁴ Even with the updated Building Regulations in force the additional costs will take some time to filter through to the BCIS index and ahead of that realistic cost assumptions should be applied.
- 5.4 It is unclear how the Council can viability assess the cumulative impact upon development of the cost of imposing the indistinctly described requirements within Policy CP7. Indeed the LPVA22 and the prior WDLPVA confirm that 'the policy is general in nature'. As such it is not viability tested.
- 5.5 The LPVA22 refers to Policy CP8 as a 'general policy' and does not reflect the impact of different housing mix and tenure requirements where these are to be applied at a Parish Cluster level or specifically assess viability at a sub-area level based on the extent of the Parish Cluster areas having regard to differences in land values and differing mix requirements. LPVA22 confirms the viability is prepared based on a general mix taken from the 2019 Gloucestershire Local Housing Needs Assessment as opposed to being based on a Parish Cluster specific mix.
- 5.6 The costs assumed by the LPVA22 against Core Policy DCP2 for Category 2 and 3 (Approved Document M) standards, whilst subject to indexation in the LPVA22,²⁵ still fail to reflect the

²³ Page 105, draft LPVA

²⁴ Paragraph 8.17, LPVA22

²⁵ Pages 154 to 155, LPVA22

impact of larger floor area requirements on land take and masterplanning, all of which have impacts on scheme viability. As such, the viability concerns remain as stated.

- 5.7 The wording within Core Policy 9 seeks 'at least' 30% affordable housing. It is impossible to have an understanding of the economic viability or practical impacts of an open ended proposition such as 'at least 30%' affordable housing – the varied Affordable Housing testing summarised at pages 204 to 208 of the LPVA22 go up to 30%. The Policy wording results in a lack of certainty for those seeking to bring land forwards for development as a full understanding of likely policy cost burdens and masterplanning impacts will not be known. Even if the wording is adjusted to remove the text 'at least' it is not robustly demonstrated in the LPVA22 that '30%' let alone 'at least' 30% will be deliverable in the District alongside the other development cost burdens that will apply. The appraisal outcomes are covered in detail in Section 6 below.
- 5.8 In addition, Core Policy 9 the LPVA22 refers to testing a 67% Affordable Rent and 33% 'Intermediate' Affordable Housing tenure split in line with the Local Housing Needs Assessment (published in September 2020).²⁶ The September 2020 LHNA, whilst including this broad rented /sale Affordable Housing tenure split further splits the rented element into Social Rent and Affordable Rent tenures.²⁷ If the Council are proposing to apply the LHNA tenure split with regards to Social Rent then this is the baseline tenure split that should be tested in the LPVA22.
- 5.9 Paragraph 8.43 of the LPVA22 refers to iterations of appraisals testing First Homes – please see the comments on the potential viability impacts of these homes in Section 2 above.
- 5.10 The LPVA22 states that the delivery of Policy HC3, which seeks 2% of housing on Strategic Sites for self or custom build, has been tested.²⁸ However, there is no explanation of what the cost has been assumed to be, or on how it is applied within the modelling (including in terms of timing and delivery mechanisms) and the Appraisal sheets are not appended for consideration that may shed light on this. Concerns were raised about this in response to the draft LPVA and the WDLPVA and remain to be addressed.

²⁶ Paragraph 8.40, LPVA22

²⁷ Figure 91 of the September 2020 LHNA

²⁸ Paragraph 8.49, LPVA22

- 5.11 It remains unclear that the potential cost of Policy HC1²⁹ is robustly tested. Concerns were raised about this in response to the draft LPVA and WDLPVA and remain to be addressed.
- 5.12 It remains unclear that the potential cost of Policy DHC5³⁰ (which is suggested to have costs up to £4k per unit when provided off-site) is robustly tested. The LPVA22 refers to the costs having been 'embedded' in the modelling, but the process by which this is taking place has not been clarified. Concerns were raised about this in response to the draft LPVA and WDLPVA and remain to be addressed.
- 5.13 It remains unclear that the potential costs of Policies CP13, EI12, DE11, and EI16³¹ are robustly tested within the scope of the £5k s106 contribution. Concerns were raised about this in response to the draft LPVA and WDLPVA and remain to be addressed.
- 5.14 It remains unclear that the potential cost of Policies CP14 and CP15³² are robustly tested. Concerns were raised about this in response to the draft LPVA and WDLPVA and remain to be addressed.
- 5.15 It remains unclear that the potential cost of Policy ES1³³ (including in respect of electric car charging points) is robustly tested. Concerns were raised about this in response to the draft LPVA and WDLPVA and remain to be addressed. The LPVA22 refers in paragraph 8.76 to including a 3% indexed cost above base construction costs for the impacts of changes to Approved Document L, but then states that the Council's policy goes beyond these requirements and references uplifts of between 5% to 11% based on the 2018 Currie and Brown report which the Council's policies are described in the LPVA22 as being informed by. It is unclear that uplifts applied to BCIS in the LPVA22 reflect the full costs associated with this emerging policy. In addition, the LPVA22 reasoning³⁴ that it should not assume the worst case cost scenario for electric car charging points can equally be applied to call into question the approach it has taken; i.e. to assume the best case scenario. Clearly, this is unlikely to apply to sites which need significant electrical capacity reinforcements – the LPVA22 has not presented any evidence to confirm that this will not apply to the typologies tested.

²⁹ Paragraph 8.54, LPVA22

³⁰ Paragraphs 8.57 to 8.61, LPVA22

³¹ Page 161, LPVA22

³² Page 161, LPVA22

³³ Page 162, LPVA22

³⁴ Page 164, LPVA22

5.16 As similar policies are taking effect in other local authority areas the cumulative impacts on existing infrastructure from additional pressures in terms of electricity demand are becoming evident – this is illustrated by an article in Housing Today (29th July 2022)³⁵ which states that:

“The mayor of London has raised “urgent” concerns that a capacity issue in the power network in west London is threatening to hold up construction of “thousands of much-needed homes”.”

“...developers of sites of more than 25 homes told by utilities firms that they may need to wait for years, and even as long as 2035, before receiving a power connection.”

(Housing Today, ‘Khan raises concern over ‘urgent’ power network issues holding up development’, 29 July 2022)

5.17 Whilst this issue is described as resulting from a proliferation of high electric use data centre operators requiring new connections throughout West London (as opposed to increased burdens from the developments themselves), the point is that significantly increased electricity demands from a range of sources (and which will be exacerbated by the requirement for electric car charging points and heat pumps on new residential developments) are going to require existing infrastructure to be modernised at significant cost.

5.18 A further article in Housebuilder (21 September 2022)³⁶ [REDACTED], TriConnex’s business development director is quoted as stating that:

“In less than nine months, an HV electric vehicle charging hub can take the [electrical] capacity of 300 homes,” Doré said. “One bus garage can take the capacity of 1,000 homes.”

5.19 The article goes on to state:

“Other sectors seeking electrical capacity for their buildings and infrastructure, including data centres, were “well-funded and can make decisions quickly. You [housebuilders] are not going to spend money unless you can buy the land,” Doré stated.

³⁵ [Khan raises concern over ‘urgent’ power network issues holding up development | News | Housing Today](#)

³⁶ [Electricity and building challenges at Tech Conference \(house-builder.co.uk\)](#)

He strongly recommended housebuilders create and maintain a live view of the grid status of the whole of their pipelines”

(Housebuilder, ‘Electricity and building challenges at Tech Conference’, 21 September 2022)

- 5.20 It is apparent that even a traditional development is likely to end up facing additional cost burdens in terms of infrastructure requirements, let alone developments with additional electricity demand burdens.
- 5.21 It remains unclear that the potential cost of Policies³⁷ DES3, ES6, ES12 and ES16 are robustly tested. Concerns were raised about this in response to the draft LPVA and WDLPVA and remain to be addressed. In particular, DES3 which the LPVA22 acknowledges to be ‘potentially costly’, is suggested not to have been modelled or included in baseline appraisals.³⁸ Unless the policy is tested and demonstrated to be deliverable it should not be included in the emerging Local Plan.
- 5.22 The commentary in respect of Strategic Sites in paragraph 8.103 of the LPVA22 remains insufficient to confirm how the actual costs of the listed policies will apply (or not) to these sites. Concerns were raised about this in response to the draft LPVA and WDLPVA and remain to be addressed.
- 5.23 In terms of floor areas the draft LPVA stated that Nationally Described Space Standards sizes were assumed in the modelling.³⁹ The LPVA22 does not now state that NDSS floor areas are tested when referencing NDSS in paragraph 8.104 and confirms that NDSS are not being sought through the Draft Local Plan.⁴⁰

³⁷ Pages 164 - 168, LPVA22

³⁸ Pages 164 and 165, LPVA22

³⁹ Pages 118 and 119, draft LPVA

⁴⁰ Page 168, LPVA22

6 Appraisal Outcomes – Conclusion

- 6.1 Many of the concerns raised in the PPS response to the Residential Values section of the draft LPVA and WDLPVA remain unaddressed in the LPVA22. Crucially:
- The decision-making process and assumptions which inform the final value inputs in the LPVA22 are not set out step by step in a transparent way. The LPVA22 section on sales values requires restructuring to explain step by step how conclusions have been drawn and how these conclusions have also been informed by values based on second-hand market sales data (which is a wider context that housebuilders will be unable to ignore when marketing newbuild homes). The report (as in prior iterations) jumps from values at a Ward and Settlement level to assumptions at a sub-area / strategic site location with no clear explanation of how the final values are derived.
 - There is no evidentially supported consideration of how the introduction of First Homes and / or the new Shared Ownership model may impact on Registered Providers and the amount that they can pay for Affordable Housing across the board (i.e. given likely reductions in Shared Ownership homes should First Homes be sought which would normally cross-subsidise the rented elements and increased costs to the Provider due to the new Shared Ownership model). Whilst the Stroud Local Plan Review will be subject to transitional arrangements Registered Providers are likely to operate across other areas where the requirements may apply and this will impact upon their Business Plans.
- 6.2 It remains the case that the Policy Requirements section of the LPVA22 would benefit from improved clarification on how cost assumptions (or nil cost assumptions) are arrived at and by the presentation of additional evidence to support where cost (or nil cost) input assumptions are made. Many of the cost assumptions seem likely to underestimate the costs that development will actually face as a result of the proposed policies. Currently, it is unclear how or if many of the policy costs are accounted for by the LPVA22 either within developer contributions or through uplifts to the base build cost, although separate sensitivity testing is summarised in Section 10 (i.e. to vary Affordable Housing or to vary s106 / developer contributions or to vary draft Policy costs) the full policy costs should be reflected in the baseline position, not indicated within a sensitivity which infers policy burdens as possible, as opposed to actual, cost. Underestimating policy costs will artificially improve viability outcomes.

- 6.3 The outcomes of the LPVA22 modelling are set out within Section 10 with recommendations in Section 12.
- 6.4 The LPVA22 suggests within paragraph 10.4 that viability is ‘marginal’ where the Residual Land Value (“RLV”) exceeds the EUV but does not achieve the BLV. The LPVA22 suggests that whilst such sites are not viable, they may still come forwards. This issue was commented on in response to the draft LPVA⁴¹ and to the WDLPVA.
- 6.5 The evidential basis of the LPVA22 claim is not presented and such an approach renders the process of setting a benchmark in the first place against which policy / developer contribution burdens upon development are to be tested meaningless. The NPPG does not advocate setting a BLV and then ignoring it. Furthermore, as stated in the Harman Viability guidance:

“Local Plan policies should not be predicated on the assumption that the development upon which the plan relies will come forward at the ‘margins of viability’.”

(page 16, Viability Testing Local Plans, June 2012)

The Harman Guidance clarifies that the whole point of setting a BLV (or Threshold Land Value) is to provide a ‘cushion’ to assist with ‘guarding against’ small changes in ‘external circumstances’ rendering sites unviable. If this cushion is eroded or ignored then housing delivery targets are unlikely to be met. Whilst the Harman guidance was drafted in 2012 this logic remains relevant within the context of the current NPPF and NPPG. The LPVA22 response in paragraph 10.6 does not address these concerns.

- 6.6 Tables 10.2a, 10.2b and 10.2c of the LPVA22 provide separate baseline appraisal summaries (in terms of the Residual Land Values – “RLV”) for the generic sites tested in the ‘Gloucester Fringe and Cotswolds’, the ‘Rural West’, and the ‘Cam Stonehouse Stroud Stroud Valleys and Sharpness’ sub-areas respectively.
- 6.7 Tables 10.2a, 10.2b, 10.2c and 10.2d suggest that, assuming 30% affordable housing, CIL, s106 at £5k per unit and in the context of the emerging policies for which costs have been assumed, **69%⁴² of the generic sites tested fail to achieve a RLV that exceeds the BLV.** The Gloucester Fringe and Cotswolds sub-area is suggested to have the most viable sites against the LPVA22 BLVs, but the ‘Cam, Stonehouse, Stroud and Sharpness’ sub-area is

⁴¹ Paragraph 4.9

⁴² 37 out of 54

suggested to contain only **ONE site that achieves a RLV that exceeds the BLV** whilst the Stroud Valleys sub-area **has NO sites that achieve a RLV that exceeds the BLV.**

- 6.8 Table 10.2e of the LPVA22 suggests that, assuming 30% affordable housing, CIL, s106 and strategic infrastructure / mitigation costs and in the context of the emerging policies for which costs have been assumed, **ALL of the strategic sites tested fail to achieve a RLV that exceeds the BLV. This is before CIL costs are applied.**
- 6.9 Therefore, even without having regard to the concerns regarding overestimated sales values and underestimated costs raised throughout this paper this suggests that **the entirety of the proposed policy and developer contribution requirements cannot be supported by c.69% of the non-strategic and 100% of the Strategic Sites tested.**
- 6.10 A significant concern in respect of the Development Costs section of the LPVA22 remains the failure to clearly acknowledge the full extent of s106 costs which have been routinely sought from sites across the County as a result of a new County formulaic education approach. County Council s106 requirements for education alone are likely to result in an additional £17k per unit cost to development (based on recent practices and the information presented in the LPVA22) on top of the £5k per unit tested in the baseline LPVA22 appraisals. It remains unclear how the County s106 education cost will be impacted by the County Interim Position Statement.
- 6.11 In Appendix 14 to the LPVA22 varied developer contributions tested in conjunction with Affordable Housing tested at varied levels, full emerging policy costs (or at least the costs deemed to apply by the LPVA22 to achieve compliance with these policies), and CIL are summarised (although the appraisal summaries themselves are not attached in this report iteration).
- 6.12 The summaries in Appendix 14 of the LPVA22 suggest that, assuming 30% affordable housing, CIL, s106 at £20k per unit and in the context of the emerging policies for which costs have been assumed, **41 (76%) of the 54 generic sites tested fail to achieve a RLV that exceeds the BLV.** The Gloucester Fringe and Cotswolds sub-area is suggested to have the most viable sites against the LPVA22 BLVs, but still contains 5 out of the 14 sites tested (36%) that have RLVS below the BLVs.
- 6.13 Notwithstanding that the approach has been successfully challenged at a s78 Planning Appeal elsewhere, it is essential that the viability of any County education contribution be tested as part of this Local Plan process unless absolute clarity is provided by the Council that a new

formulaic approach **will not be sought** from planning applications in Stroud. The NPPF does not support policy making through the planning appeal process: it requires that viability is robustly tested at the Plan making stage.

- 6.14 County education s106 costs are stated to be reflected in the LPVA22 modelled assumptions for the strategic sites tested (and summarised in Table 7.3) based on the Local Plan Review Infrastructure Delivery Plan (“IDP”) Addendum Report published in August 2022.
- 6.15 However, it is unclear how the costs listed in the IDP Addendum correlate with the overall £5k per unit s106 costs assumed in the LPVA22 in respect of the generic site typologies. The prior IDP (May 2021) wording suggests that smaller and windfall sites will only be required to fund education through CIL. However, this is not how the County have been approaching matters across Gloucestershire in practice.
- 6.16 The above lack of clarity is further compounded by the May 2021 IDP failing to set out transparently, on a site by site basis, how all the different infrastructure items required will be funded (i.e. including in respect of s106 and or CIL), the total costs of this, or the timing of these costs.
- 6.17 Assessing the viability impact of any new County formulaic approach is the last step: ahead of that the evidential basis of the formula (i.e. which underpins the assumptions on pupil places etc) must be demonstrated, then the impact of this on other Development Plan policies must be examined (i.e. such as increased housing requirements etc), and then the viability of the requirement should be tested – this all needs to take place as part of the current Local Plan examination.

Summary

- 6.18 The LPVA22 presents a variety of ‘sensitivity’ appraisal summaries in addition to the baseline iterations. The LPVA22 also presents appraisal summaries in Appendix 14 which reflect the combined impact of 30% Affordable Housing, CIL, s106 at £20k per unit (which broadly reflects the County Education costs plus a £5k per unit local authority s106 cost - subject to further revisions to the County’s formula) and the cumulative Draft Plan Policy costs. These confirm that once the combined cost of all these factors are considered, and the RLVs compared to the BLVs set in the LPVA22, c.76% of the generic sites tested will be unviable.
- 6.19 County education s106 costs are stated to be reflected in the LPVA22 modelled assumptions for the strategic sites tested, although the May 2021 IDP / August 2022 IDP Addendum fails to

transparently set out, on a site by site basis, how all the different infrastructure items required will be funded (i.e. including in respect of s106 and or CIL), the total costs of this, or the timing of these costs. This also applies in respect of specific requirements such as those within Policy PS19a Stonehouse North West for plots for travelling showpeople – it remains the case that the potential impact on land value, development viability and site deliverability have not been assessed within the LPVA22 (or any costs identified within the May 2021 IDP or more recent August 2022 IDP Addendum). The LPVA22 confirms that new Strategic Allocations will be subject CIL payments.

- 6.20 Not all of the policy requirements proposed in the Stroud Draft Local Plan will be able to be sought even without factoring in: the concerns raised in this paper regarding the LPVA22 modelling, additional s106 burdens being sought by the County Council, reduced revenues from Registered Providers as a result of the wider requirements for First Homes and the new Shared Ownership model in the areas in which they operate and how global economics may worsen. As stated in response to the draft LPVA and WDLPVA: emerging policies must be revisited, with wish list policies removed and cost burdens reduced (including through looking at existing Plan policy burdens) to ensure the Plan is deliverable, particularly given the pressures revealed in the LPVA22 to be being placed on ALL of the Strategic Allocations tested.
- 6.21 The adjustments to policies suggested in paragraphs 12.66 and 12.67 of the LPVA22 (which include moving the Affordable Housing tenure to a 50:50 rent / sale split) will not be enough.
- 6.22 Furthermore, the sensitivity testing of combined increased cost / reduced value scenarios (and having regard to the full extent of Affordable Housing, CIL and s106 costs) is crucial. Within the next 5 years (the shortest length of time that usually applies until a review of the evidence base let alone policy) significant economic shocks are likely to occur, particularly due to various global events and significant shifts in Government economic policy here in the UK. Political events in October 2022 have resulted in a significant economic shock seeing markets tumble and the pound falling to its lowest value in decades. Whilst the market has steadied and the pound recovered to a degree, mortgages across all deposit levels are now reported to be at fixed rates of 6.29% to 6.47% - above rates last seen in 2008/2010.⁴³ Interest rates and lending criteria for borrowing in general (including by housebuilders) can be expected to be impacted.

⁴³ What Next For UK Mortgage Rates? Forbes Advisor, 17th October 2022

- 6.23 There have been significant increases in build costs of c.30% over the last eighteen months and since the July 2022 baseline position tested in the LPVA (which will be subject to reporting delays). Tender Price Forecasts (Gardiner and Theobald) suggest a UK average 5.5% annual percentage change for Quarter 4 2022. There is also forecast to be significant further increases by the end of 2023, coupled with forecast reductions of ‘at least 10%’ in house prices being reported in the main stream media, emphasise the need for combined increased cost / reduced value scenarios to be robustly tested.
- 6.24 Appropriate testing within the evidence base can assist the Council with understanding the impact of these (at various trigger points in terms of cost increases / value decreases or combinations of the two) upon development and enable them to draft policies which can respond rapidly to such changes. Notwithstanding a need for additional sensitivity testing, the LPVA22 will need updating to reflect these latest economic impacts which will be having an immediate impact on development viability.
- 6.25 It is noted that NDSS is referred to as having been tested in Table 12.7 and paragraph 12.66 and yet the LPVA22 does not now state that NDSS floor areas are tested when referencing NDSS in paragraph 8.104 and confirms that NDSS are not being sought through the Draft Local Plan.⁴⁴ This point needs immediate clarification.
- 6.26 There is no clear evidence to support how the Strategic Site Scenario A and B costs in Table 7.3 and paragraph 10.8 ‘c’ would be split between s106 and CIL, nor any guarantee that this will take place in practice in line with the 80% of CIL being used in lieu of s106 costs assumption in paragraph 10.20 of the LPVA22.
- 6.27 In this regard the Council’s claim in paragraph 12.65 ‘b’ that infrastructure can be funded by CIL so it is unnecessary to assess the full worst case for developer contributions is simply not evidenced anywhere in the LPVA22 to be the position that developers will be faced with in practice. These concerns also apply in terms of how CIL and s106 will interact (if at all) in respect of windfall sites (particularly larger Greenfield windfall sites) such as are tested within the LPVA22 through the generic typologies – the testing should not be relying on arbitrary assumptions promulgated by the Council on the proportion that s106 burdens will be reduced by due to CIL, particularly if no clarity can be provided by the Council to confirm that a new

⁴⁴ Page 168, LPVA22

County formulaic approach to education contributions **will not be sought** from planning applications in Stroud.

- 6.28 Affordable housing is one of the largest cost burdens faced by development, and where other mitigating factors cannot be removed / reduced this is a requirement that will need to flex downwards. The majority of the sites tested struggle to support 30% affordable housing under the emerging Plan policies even subject to the adjustments suggested, and none will be able to do so where additional County Council education s106 contributions are imposed and if realistic BLVs are applied.
- 6.29 In this regard it must be noted that, the LPVA22 (and previously the draft LPVA and WDLPVA) Greenfield Site BLV of £25k plus £350,000 per gross hectare appears to fail to reflect the LPVA22 author's own evidence of policy compliant land sales suggesting an average land sale value of £761k and a median value of £820k (presumably per gross hectare) Gloucestershire wide.
- 6.30 When land is being marketed on the basis of seeking offers for promotion agreements, it is usual that all bidders need to include in their offers, the minimum landowner return figure being proposed. The market is competitive. If realistic offers are not made land **will not** be secured. The LPVA22 BLV of £25k plus £350,000 per gross hectare **does not** reflect the reality (based on the experience of Robert Hitchens Ltd as per the information provided in response to the WDLPVA consultation) that in Gloucestershire values will range between £450k to £775k per gross hectare.
- 6.31 The LPVA22 recommendation that in the cases of the site typologies where development remains unviable even after policy adjustments within 12.66 and 12.67 of the LPVA22 the Council reverts to site by site viability testing is contrary to the approach advocated within the NPPF paragraphs 34 and 58 which, together with the accompanying national planning practice guidance, places a significant emphasis on the assessment of viability by local authorities at the Plan making stage (albeit with site by site testing remaining an option where justified by planning applicants at the planning application stage).