

## **SD97 Summary of key stakeholders' issues raised regarding viability of the Local Plan and its policies.**

1. A series of viability appraisals and sensitivity tests have been carried out since the Options consultation on the emerging local plan. These have both informed and supported policy development. They have been carried out by experienced consultants using a well-established and tested approach that is consistent with wider experience and has been supported through examinations previously. This approach has been applied to the local circumstances at a proportionate, appropriate level, informed by close working with council officers at all stages, as well as consultation with the development sector. The appraisals have been refined and updated over a period of time to the extent reasonably possible.
2. The council and its consultants acknowledge that such work is necessarily carried out at a point in time at each stage, and cannot be expected fully to reflect all scenarios that may arise or the detail that may emerge during the development and implementation of plan policies.
3. The approach is considered to be reasonable, appropriate and robust for the purpose.
4. The table below sets out a summary of where key stakeholders have raised concerns in relation to the viability assessment approach and/or the assumptions used, together with the council's and its viability consultant's responses (again, in summary).
5. This information was used to inform discussions between the council and developers and landowners of proposed site allocations during the development of the Memoranda of Understanding published on the examination web page. The assessment of viability, like other areas of plan-making, involves a mix of information review, discussion, assumptions, calculations and judgements. There are typically areas where opinions differ, both between the council's consultant team and the development industry, and within the development industry. In the consultant's experience, there is often a fine line between claiming that a proposal is considered viable for inclusion within a Plan and that it is only viable based on an alternative set of assumptions or with a reduced community infrastructure/affordable housing offering, often stated well ahead of actual final proposals being advanced.
6. Some modifications have been proposed to the plan to allow for flexibility of delivery of some elements of the housing policies, for example the council would look to be guided by the Fields in Trust open space standards, rather than requiring strict adherence. The council has left some elements of policies unspecified in order to allow developers flexibility.

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7. Overall, the council, together with its consultants, considers that the assessment approach and content meets the necessary requirements for plan level consideration, and is consistent with the expectations under national guidance.

Comments/areas of disagreement at Pre-submission publication	Dixon Searle Partnership (DSP) / Dorset Council (DC) response
<b>Savills / Lulworth Estate / Redwood Partnership / Andrew Jackson</b>	
Question benchmark land value (BLV); lack of evidence for land values; query the multiplier applied to the existing use value (EUV).	The appraisal results are considered in the context of the potential uplift from existing use value (EUV). According to the latest MHCLG data on 'Land value estimates for policy appraisal' (May 2018) the EUV of agricultural land in Dorset as a whole is £21,000/ha. This is a level of value that varies little regionally or nationally. The updated Planning Policy Guidance (PPG) makes it clear that landowner premium should be considered, balanced against emerging policies and should also provide a reasonable incentive for a landowner to bring forward land for development while allowing sufficient contribution to comply with policy requirements. Any notion of general market comparables/hope value/untested examples (re consistency of assumptions in reflecting policies etc.) now clearly needs to be stepped away from, and this also reflects DSP's assessment practice over a range of assessments in recent years. EUV+ is the key. The assessment uses for greenfield land an EUV at £25,000/ ha and in the context of the PPG, as well as established practice, there is no evidence to suggest that such significant levels of uplift to EUV as stated in some representations will be required or are indeed appropriate. This also reflects the consultants' wider assessment work, including that supported following recent examinations.
Viability buffer: criticise lack of buffer in BLV	This appears to suggest the notion of a fixed requirement for EUV ++ (i.e. a further adjustment to an EUV-based site value view), which is not considered appropriate. The term "buffering" usually relates to CIL charging rates setting, and has a different meaning,

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	which is not being considered at this examination. See above on land value considerations.
Open market housing values	Unclear on the point being made but the submitted points appear to agree with the DSP approach.
Ground rents: queries about the inclusion of ground rental revenue.	It is the council's and consultants' view that at this stage potential ground rental income should be included within any viability assessment. This also reflects ongoing practice as is still usually being agreed in site-specific assessments in the consultants' experience. To ignore the potential income would effectively be forward looking and if accepted would also seem more consistent with the projection of other revenue and costs assumptions – inappropriate. Seeking to bring forward legislation is not the same as actually legislating and the final form of any changes is unknown at this stage. In carrying out this form of exercise there are a great number of unknowns, which has been acknowledged, and it would be incorrect, in our view, to single this out as an assumption based on something that is as yet unconfirmed and seeks to further underwrite the usual range of development risks.
Affordable housing revenue – concerns over the impact of social rented housing.	The council is of the view that this has been considered, and that it has a duty to respond as far as possible to needs.
Construction & sales timescales: criticism that build rate is too short and no mention of sales period.	It is not clear that the representation considers the specialist housing content, reducing the number of market sales. Not unusually, it is not clear at this stage how many parcels / sales outlets will actually be required relating to the phasing / delivery strategy especially in the context of the dispersed nature of the land parcels. It appears that overall the high-level assumptions are similar to those offered in the representation, at 5-6 sales per month.
Baseline construction costs: use of median v mean; use of mixed housing development BCIS rate rather than separate rate for houses and flats; inflation since date of study.	The appraisals of the allocated sites are informed by figures submitted by developers, as well as the consultants' experience. The assessment, in common with numerous other viability studies

	<p>that have been subject to examination, used the median data from BCIS (as is also used in assessments at decision taking stage in the consultants' wide experience.) This therefore reflects the route used by most other practitioners too; it should be noted that Savills have themselves used the 'median' BCIS basis for site specific viability assessments.</p> <p>In terms of the use of the 'Housing: Mixed Developments' category and given that the sites do not yet have a defined mix, again this is the appropriate basis for development appraisals at this strategic level as it represents BCIS analysis of flats and houses together (as indicated by the 'clarifications' within the BCIS data table when viewed online).</p> <p>In terms of 'inflation' since carrying out the study, any such assessment needs to be run at a point in time, as necessarily applies across the assumptions. Conversely, the council would not be expected to subsequently reduce build costs assumptions if BCIS data showed deflation in the intervening period (costs do move around). Nevertheless for further information, sensitivity testing on both build costs and sales values has been included.</p>
<p>Site works &amp; infrastructure: criticism that external works have not been added to base costs.</p>	<p>Across a wide range of work the consultants see a variety of approaches to this. Although these are large site proposals in the Purbeck context, they are not large sites in comparison with many strategic sites that come forward across the country and are subject to appraisals using a similar basis. Without making any allowances for likely economies of scale on the housebuilding costs (the base assumptions used are as for smaller typologies) together with the nature of other cost assumptions used, in DSP's experience the overall assumed cost levels are reflective of the range of information that we see both at a strategic and site</p>

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	specific level and are considered appropriate given the scale and nature of developments envisaged here.
Contingency- believe 3% is too low	As noted above, the appraisals of allocated sites are informed by figures submitted by developers. Alongside the general costs view taken for developments of this scale, we consider that a contingency allowance of 3% for a greenfield site is adequate as well as reflective of other information submitted. The allowance is based on local as well as wider range of information. The council also notes that the HCA (now Homes England) recommended that no allowance for contingencies be made on greenfield sites. Further there are other allowances within the modelling (for example sustainable design and construction costs) that effectively provide additional contingency overall.
Developer's profit- should be higher	We have sensitivity-tested different profit levels reflecting the range noted in the updated PPG (15% - 20% of GDV) and also different approaches adopted at a site specific level. There is no evidence to suggest a range of 20% - 25% on GDV should be assumed and in fact this would be above any level submitted or accepted within a site-specific appraisal or used within a strategic level assessment such as this, in the consultants' wide experience. The consultants note that in common with other practitioners, Savills use a variety of approaches including 20% on cost (equivalent to approximately 16% - 18% on GDV) in presenting a range of site specific viability submissions that DSP reviews on behalf of local authorities.
S106 costs – Need more specific costings for S106 costings	As with other aspects, currently estimated costs have been considered as far as possible based on available information at the time of assessment, as is typically the case. As has been acknowledged, this is unavoidably part of a developing picture, and is expected to be an element of site-specific review and consideration as proposals are worked up across a period of time. No further comments.

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<b>Terence O'Rourke: Moreton Pit</b>	
Nationally described space standards: not required by policy but DSP have included.	The council is not sure on the point being made. In common with many other similar assessments, at the point of inception of assumptions, the inclusion of this policy is typically being considered and so is often reflected as part of the testing process, in the event that its inclusion is progressed. Assuming the nationally described space standard is part of a prudent approach to testing viability of the LP locally. As viability testing is based on costs and values on a £/m <sup>2</sup> basis the difference in assumed dwelling sizes has a marginal impact on overall outcomes.
Affordable housing units larger than needed.	Smaller unit sizes for affordable housing would often improve viability and therefore again an appropriately prudent view has been taken in the testing. In any event, actual sizes of housing will vary between and within sites and therefore an assumption has to be made as an overview, at the point at which the study is carried out. Again, it is fully acknowledged that at this appropriately high level, the appraisals will most likely not exactly have reflected what ultimately gets built.
Disagree with assumptions used around abnormals, contingencies, professional fees, build / sales rate, nitrogen. No mention of Habitat Regulations Strategic Access Management and Monitoring.	Again, as noted above, the appraisals of allocated sites have been informed by figures submitted by developers as well as by wider experience. It has been acknowledged also that developers' approaches vary. Based on information made available to the Council, similar or identical allowances have been made to those considered within the specific appraisals that were submitted to the Council. SAMM is not currently charged separately by the Council.
Build costs: viability study uses inappropriate build costs.	The stated base figure utilises the 'Housing: Mixed Developments' category of BCIS, which is the appropriate basis for development appraisals at this strategic level as it represents BCIS analysis of flats and houses together (as indicated by the 'clarifications' within the BCIS data table when viewed online).

	<p>Circulation space / communal space has been allowed for additionally within development appraisals, extrapolating the same build cost rate across those too.</p> <p>The actual details of the works' scope and therefore also costs associated with the station car park, contamination/ remediation and any other matters are as yet not fully established – to some extent at least, there are unknown abnormalities. Whilst it is believed that the overall cost assumptions made are appropriate, it is possible that such matters would be considered further as the proposals develop, and this would be a typical approach.</p>
Sales Values	<p>The point being made is not clear. The approach to the range of sales values assumptions and tests are set out extensively in the reporting and appendices.</p>
<b>Turley on Behalf of Wyatt Homes</b>	
<p>The Updated Viability Study (UVS) states that rates of CIL adopted within all appraisals are in line with recommendations made to (former) PDC in the 2016 Preliminary Draft Charging Schedule.</p> <p>The adopted approach is regarded as a short-cut, which fails to fully test the implications of varying rates of CIL liability on development despite clear statements in the UVS that market conditions and development assumptions have altered in the intervening period since 2016. This approach is not considered compliant with the CIL Regulations 2010 (as amended).</p>	<p>Viability testing of Local Plan policies and CIL has been undertaken over a period of time reflecting the Local Plan process. The work undertaken should not be viewed in isolation but considered as a whole. In carrying out this update DSP used the rates recommended within the previous assessment work (which were already the subject of 'buffering' and considered to be appropriate) and applied those to the updated viability study appraisals, taking into account the cumulative effect of the proposed DC policies, as well as the direction of CIL as to be reviewed (albeit not being examined at this stage) on likely development viability. Although relevant only amongst the assumptions and to be considered through another examination process, in the Council's view, the proposed CIL level for the site at Upton (£10/m<sup>2</sup>) is significantly below the maximum potentially viable and below the DSP recommendation. Overall, most importantly, the proposed CIL levels, as well as s106 contingencies, have been taken into account across the LP viability testing – again as part of the prudent, appropriate and</p>

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	proportionate overall approach to considering all of these matters together.
Evidence should be provided to support the values and construction costs used for the testing of sheltered housing.	The BCIS rate for Supported Housing was used within the appraisals although DSP acknowledge that there was an omission within the report and appendices so this was not as clear as it should be. Build costs were shown in the original report and build cost inflation is discussed within the update. The values assumptions were based on the evidence available, taken together with the consultants' extensive experience that premium values are typically seen for these types of developments as new-builds.
Ground rent investment income is included within the draft site allocation appraisals despite the Government's proposal to restrict ground rents to peppercorn levels. The current assumption will produce an excessive level of financial viability within the published evidence.	It is the council's and consultants' view that at this stage potential ground rental income should be included within any viability assessment. This also reflects ongoing practice as is still usually being agreed in site-specific assessments in the consultants' experience. To ignore the potential income would effectively be forward-looking and if accepted would also seem more consistent with the projection of other revenue and costs assumptions – inappropriate. Seeking to bring forward legislation is not the same as actually legislating and the final form of any changes is unknown at this stage. In carrying out this form of exercise there are a great number of unknowns, which has been acknowledged, and it would be incorrect, in our view, to single this out as an assumption based on something that is as yet unconfirmed and seeks to further underwrite the usual range of development risks.
Sales Values	Point being made is not clear. Sales values are set out extensively in the report and appendices.
Flat build costs used are lower than BCIS	In terms of the use of £1,210/m <sup>2</sup> - this utilises the 'Housing: Mixed Developments' category of BCIS; this is the appropriate basis for development appraisals at this strategic level as it represents BCIS analysis of flats and houses together (as indicated by the 'clarifications' within the BCIS data table when viewed online).



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	<p>The assessment, in common with numerous other viability studies that have been subject to examination, used the median data from BCIS (as is also used in assessments at decision taking stage in the consultants' wide experience). This therefore reflects the route used by most other practitioners too.</p>
<p>External works:</p>	<p>Across a wide range of work the consultants see a variety of approaches to this. Although these are large site proposals in the Purbeck context, they are not large sites in comparison with many strategic sites that come forward across the country and are subject to appraisals using a similar basis. Without making any allowances for likely economies of scale on the housebuilding costs (the base assumptions used are as for smaller typologies) together with the nature of other cost assumptions used, in DSP's experience the overall assumed cost levels are reflective of the range of information that we see both at a strategic and site specific level and are considered appropriate given the scale and nature of developments envisaged here.</p> <p>In the Purbeck context the site allocations have all been considered in the same context and accordingly they are appraised with a higher level of collective cost. Regardless of the fact that the Upton site is only 90 units and is therefore unlikely to require the level of infrastructure typical to larger scale/ strategic development, across a wide range of work the consultants see a variety of approaches to this. Without making any allowances for economies of scale together with the nature of other cost assumptions used, in their wider experience the overall cost levels are reflective of the range of information that is seen and used both at a strategic and site specific level; and considered appropriate for the stage and purpose of review, looking at the reasonable prospects of viable development overall.</p>
<p>Contingency &amp; Professional Fees</p>	<p>Allocated site appraisals follow figures submitted by developers. In the Purbeck context we have considered the site allocations all</p>

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	<p>in the same context and accordingly they are appraised with a higher level of collective cost. We consider a contingency allowance of 3% for a greenfield site to be more than adequate. The allowance is based on local as well as wider range of information. It should also be noted that the HCA (now Homes England) recommended that no allowance for contingencies be made on greenfield sites. Further there are other allowances within our modelling (for example sustainable design and construction costs) that could be considered an additional contingency overall. We consider a professional fees allowance of 7% for a greenfield site to be more than adequate. The allowance is based on local as well as wider range of information.</p>
Finance	<p>A finance rate of 6% is considered to be appropriate and this also reflects local information provided to DSP as part of the site allocations work. A higher rate is used for the site typologies to reflect a potentially variable nature of development across the District.</p>
10% units bungalows – should be tested separately, not included in draft allocated site summaries	<p>Policy H9 requires 10% <b>single storey</b>. It does not specify bungalows. It has been assumed that flatted development could be regarded as single storey development, bearing in mind also that overall land use efficiencies have to be considered.</p>
No scheme typologies are set out for the draft strategic site allocations.	<p>The Council is not clear what this means. Initially, more generic larger/strategic site testing was carried out in order to inform the Council's early work. This aspect of the overall assessment was however developed further, significantly, with the tailored appraisals for the larger sites added subsequently. This is consistent with the guidance.</p>
Unit sizing does not match between viability study and local plan	<p>While the local plan does not identify specific dwelling size requirements, assumptions need to be made, and as above the approach was considered suitable. In practice, dwelling sizes may well vary by locality, by developer and even within sites as well as from one to another. At the point of undertaking a review such as</p>

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	this, the approach is considered suitable and also reflects that used in other similar, examined assessments.
No details of affordable or social rent calculations for checking	Viability assessment Appendix I and Report set out details of the assumptions used.
No justification of affordable home ownership being 65% of market value for checking	Appendix I and the report set out details of the assumptions used. Note that reference to Affordable Home Ownership covers a range of types of provision, some of which may achieve values significantly higher than 65% of market value. Across a wide range of experience, the assumption is considered appropriate and if anything a prudent one.
Self-build plots not specifically modelled	This could take a variety of forms, again varying by site and developer approach. It is expected to be at least neutral in viability terms, with the exact outcomes dependent on site-specific details, as with other aspects of the development process.
General build cost and sales value inflation: states sales values and build costs have decreased since 2016 study.	This point appears not to reflect the UVS.
Garages not included resulting in financial viability being overstated	The council would expect any specific viability assessment to reflect the fact that the costs of garages (if any) will be more than supported by the values assumed to be achieved; otherwise these would be unlikely to be provided. The approach will be likely to vary significantly, by and within schemes.
Full plan policy costs not included in draft allocation site appraisals	The council is not clear what is being referred to here. As noted above and set out within the suite of assessment work, a comprehensive overview of policies and the estimated cost implications for viability has been undertaken.
No details of market housing or affordable housing sales rates provided to present cash flow modelling as required by NPPG.	The appraisals assume a circa. 2.5/month rate of sale (per potential outlet, where multiple outlets may be applicable – current unknowns). The affordable housing is assumed to be sold in tranches assuming a turnkey type package.
Consistency between policies H3 and I4 and viability issues arising from compliance with Fields in Trust Benchmark guidelines.	This is the subject of a suggested modification:

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	<p>Proposal to amend first sentence of the first paragraph in policy I4 to read:</p> <p>'New facilities</p> <p>Residential development will be required to make provision for formal and informal recreation, sport and/or open space facilities on-site <del>to achieve the identified</del> following Fields in Trust benchmark guidelines.'</p>
Policy to specify the size of the retail convenience store at Moreton to allow viability to be assessed.	This has been left flexible to allow developer to determine what is appropriate/viable. It was discussed with the developer prior to consultation.
Proportions of affordable homes required by H11 not viable.	The council has undertaken comprehensively prepared evidence which has enabled it to consider viability proportionately and in balance with the level of affordable housing need that it must strive as hard as possible to work towards meeting. The council's affordable housing policies have been adjusted and set accordingly for the new Local Plan. It has been acknowledged also that a range of matters potentially influencing viability could change over time and affect the more specific proposals variably (including but not limited to national policy/guidance, economic and property market backdrop, funding availability and the like).
Costs of delivering open space and vehicle charging points/superfast broadband unclear.	Rough costs of electric charging points have been included in the infrastructure plan. The number of vehicle charging points has not been specified as we are currently awaiting guidelines – this allows flexibility in development. Superfast broadband costings are available from providers upon application by developer.
<b>Home Builders Federation</b>	
H3 New Housing Development Requirements (g) The inclusion of £500 per dwelling allowance in the Council's viability testing (for electric charging points) may not cover	An allowance for electric charging points is only one of the additional costs included within the assumptions – as set out in Appendix 1 of Updated Viability Study to Support Purbeck District Council's Draft Local Plan and Revised Community Infrastructure

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<p>significant infrastructure improvements resulting in an adverse impact on housing delivery.</p>	<p>Levy. Applied to every dwelling appraised, the £500/dwelling assumption made solely for charging points provision is considered appropriate at the overview level, bearing in mind also that it may not be necessary or practicable to provide each new dwelling with this. Some provision may be communal. Site specific solutions will vary.</p>
<p>H11 Affordable Housing: The cumulative burden of policy requirements should be set so that most development is deliverable without further viability assessment negotiations (2018 NPPF para 57). Viability assessment is highly sensitive to changes in its inputs whereby an adjustment or an error in any one assumption can have a significant impact on the viability or otherwise of development. It is important that the council understands and tests the influence of all inputs on viability as this determines whether land is released for development. The Harman Report highlighted that “what ultimately matters for housing delivery is whether the value received by land owners is sufficient to persuade him or her to sell their land for development”. The council’s viability evidence is set out in its Viability Report 2018.</p>	<p>All the policy assumptions are set out in Appendix 1 of the Updated Viability Study to Support Purbeck District Council’s Draft Local Plan and Revised Community Infrastructure Levy. The study takes a well-established and comprehensive, proportionate approach to taking account appropriately of estimated cumulative costs of development. The points raised appear to be at least broadly consistent with the council’s understanding and the assessment approach taken.</p>
<p>In the Designated Rural Areas provision is for equivalent off-site financial contributions. The policy should clarify that such financial contributions are only payable on completion. As evidenced in the council’s Viability Report there should also be a differentiation between contributions for greenfield and brownfield land on sites of 2 – 9 dwellings.</p>	<p>The Updated Viability Study to Support Purbeck District Council’s Draft Local Plan and Revised Community Infrastructure Levy does not distinguish between greenfield and PDL for houses on small sites (Appendix IIa, table 1a) as developments are highly varied in terms of actual characteristics and overall it was considered that an additional layer of CIL differentiation was not warranted (wider information only here, as this examination does not cover the CIL as such). The council, appropriately it considers, wishes not to over-complicate the charging schedule.</p>
<p>H9 Housing Mix: It is not clear if the council has considered the loss of Community Infrastructure Levy (CIL) contributions as self / custom build</p>	<p>Policies (a) and (b) are not inter-connected. The council is aware that self-builds are exempt. The council can have no influence over the degree to which this might influence the CIL receipts, as</p>

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properties are exempt. If these policy requirements cannot be fully justified by supporting evidence bullet Points (a) and (b) of Policy H9 should be deleted.	the regulations prescribe this and proposals will be a mix or could even change from initial inception. However, the council notes that viability will increase if CIL is reduced or removed. The viability study allows for CIL to be paid by all non-affordable (i.e. market) homes and does not make assumptions about any element of self-build being exempt. Likewise, it makes no allowance for any "allowable" existing floor space that would on many occasions be netted-off from the CIL liability – additional areas of buffering (in the CIL review context).
<b>Planning Bureau for Retirement Housing Consortium</b>	
Mix used is not reflective – over estimates 2 bed provision.	With limited scheme information available at the time of setting assumptions, the consultants' wider experience of reviewing appraisal of such schemes informed a mix assumption that was considered representative of typical work on this – as progressed elsewhere. This submitted point does not appear to reflect that broader experience.
Sales values assumptions considered to reflect higher value area of Swanage and not reflective of costs across the plan area.	It is considered likely that a variety of scheme types and specifications may come forward, with values typically reflecting (as new-builds) a premium over the general market.
Study appears to ignore void costs and extended sales period. Phasing and sales patterns are different for sheltered and extra care proposals. Suggest 1.3 units per month.	The council confirms that the assessment has used a range of assumptions varied from the general market typologies to reflect the acknowledged nature of differences. Tailored assumptions used have included a longer overall scheme duration, increased communal (non-saleable) areas, adjusted base build costs, higher costs of sale and empty property costs.
Should apply a higher profit margin and marketing allowance to specialist housing to allow for slow payback period and enhanced marketing required.	The council and consultants do not agree that a higher profit level should be factored in, but the assessment has reflected the other matters noted here.
Low benchmark, especially for brownfield residential which is usual source of this type of housing.	This appears perhaps to be a standardised comment. The local plan proposes that majority of extra care/specialist housing is provided on the two larger green field allocations – this is the whole plan relevant overview.

