



**Powys Local Development Plan  
Viability Topic Paper**

**September 2016**

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## EXECUTIVE SUMMARY

This paper provides an update to the Council's position in relation to the viability of the development expected to be delivered by the Plan. This follows the updating and review of the viability evidence previously submitted for examination as part of the evidence base for the Local Development Plan.

The residential element of the *Local Development Plan and Community Infrastructure Levy Viability Assessment (2014)* (EB13) has been reviewed and subsequently updated by the District Valuer Service (DVS) in the *Viability Assessment Update (August 2016)* (EB13) the results of which have been used to inform the Council's case in relation to the viability of development expected to be delivered by the Plan.

The South West sub-market area has been amended slightly to include only the area to the south of the National Park – the communities of Ystradgynlais and Tawe-Uchaf. Parts to the north of the National Park previously within the South West have been incorporated into the Central sub-market area. The sub-market area names taken forward are 'Central', 'Severn Valley', 'North' and 'South West' and are illustrated on a map in Appendix 5.

The update has involved a review of the scale, location, existing uses, mix, and density of site typologies modelled for use in the development appraisals in order to ensure that they are reflective of the development planned by the LDP and informed by past delivery.

Viability assumptions applied to the development appraisals have also been reviewed and changes to these are explained and reasoned in Appendix 1. The updated viability results are reflective of changes in house price values, construction costs, land values and other values, at the time of the update in August 2016, and also of other changes made to assumptions to reflect the characteristics of development expected in Powys.

A review of the cost implications of the individual policy requirements of the latest version of the Plan (*Composite Plan – Deposit PLUS Further Focussed Changes October 2016 – LDP42*) concluded that most requirements, and therefore costs, would be site specific and dependent on the location, scale and impact of the development, which would be difficult to capture in this high level viability testing (see Appendix 2).

The higher viability threshold (or benchmark land value) applied by DVS means that higher residual values will be required in order for development to be considered viable. However, the viability threshold applied is considered to be more realistic and comparable to other relevant LDP studies carried out as noted in Appendix 3.

In terms of the general outcomes of the *Viability Assessment Update (August 2016)* (EB13) for viability, the results indicate that development on sites of 5 or more units within the Central, Severn Valley, and North sub-market areas would be viable, however development viability is more challenging in the South West and on small sites of 3 units or less. Brownfield development is found to be generally viable.

With regards to development in the South West, the Council has evidence of development being delivered in this area, but also of development interest demonstrated by planning permissions and current planning applications (Appendix 4). The DVS has set out certain

factors that explain how development may still be viable on the ground, including increases in house prices, lower build costs, and lower profit margin expectations, and there are other factors likely to be particularly relevant to viability in the South West, including its accessibility (labour markets and transportation of materials), and evidence of increasing sale rates (which may shorten build out periods).

Reference is also made to the detailed site specific evidence of the deliverability of proposed allocations in the South West provided in the *Housing Provision 2 - Allocations (September 2016)* (EB42) which provides confidence that allocations can be delivered in this area.

Based on evidence of past completions, generally supportive future planning policies and certain relevant viability factors, small sites are expected to continue to be a reliable and deliverable source of housing during the remainder of the Plan period.

The conclusions of the updated viability evidence are positive in that they indicate that, on the whole, the development planned by the LDP is viable and can be delivered. Whilst the potential implications of the non-delivery of development in the South West and on small sites have been considered, this is not expected to be a likely scenario, due to the other evidence referred to by the Council, which provides confidence that development can be brought forward in the South West and on small sites. Development viability is not expected to have significant or negative implications for the delivery of the Plan or on its overall Strategy.

The Council is also proposing to monitor future changes to assumptions related to viability, including changes to house prices and costs, along with other relevant development assumptions, in order to identify any changes that may be relevant to the delivery of the Plan and in order to inform any future review of viability and of the Plan.

## 1. INTRODUCTION

1.1 The aim of this topic paper is to summarise, interpret and consider the main findings and implications of the updated and reviewed viability assessment carried out in response to concerns raised by the Inspector regarding the findings of the *Local Development Plan and Community Infrastructure Levy Viability Assessment (2014)* (EB13) and the potential implications of these findings for housing delivery within the Plan.

### *Background*

1.2 The original Local Development Plan and Community Infrastructure Levy Viability Assessment (2014) (EB13) carried out by HDH Planning and Development Ltd was submitted as part of the evidence base to support the submitted *Powys Local Development Plan – Composite Version – Deposit Plan plus Focussed Changes January 2016* (LDP34). The results of the original *HDH Viability Assessment (2014)* (EB13) found housing development within two of the four sub-market areas to be unviable. The modelled sites in the sub-market areas of Central Powys and Severn Valley sub-market areas were found to be generally viable, however most of the modelled sites in the sub-market areas of the Rural North and South West were found to be unviable according to the viability threshold adopted by HDH. Many of the modelled small sites and all of the modelled brownfield sites were also found to be unviable across all sub-market areas according to the viability threshold adopted by HDH.

1.3 Following submission of the Powys Local Development Plan (LDP) for examination in February 2016, and subsequent letter from the LDP Inspector dated 5<sup>th</sup> of April 2016, the decision was made to update the residential element of the *Viability Assessment (2014)* (EB13). This was intended to reflect changes in construction costs and house prices in Powys since the original assessment (which was based on data from March 2014), but more importantly to address the questions raised by the Inspector regarding the deliverability of the quantum of housing development envisaged in the LDP.

1.4 Further discussions took place at the subsequent Exploratory Meeting held by the Inspector on the 10<sup>th</sup> of May 2016, where the Council explained that the draft updated viability evidence provided by HDH suggested that some sites were less viable and some were marginally viable, however the Council also explained that it was witnessing development on the ground in these less viable areas.

1.5 The Council commissioned an update to the *HDH Viability Assessment (2014)* (EB13) and the Council also arranged for the District Valuer Service (DVS) to review the updated Viability Assessment carried out by HDH. This review involved further testing including the review of the values and costs used by HDH and also of other key viability assumptions. This review has led to the production of a further Viability Assessment with a new set of viability results. The work carried out by the DVS is considered to improve the robustness of the evidence-base for the Plan. The Council has decided to take the results and conclusions of the DVS forward to act as the *Viability Assessment Update (August 2016)* (EB13) and therefore to inform the Council's case in relation to the viability and deliverability of the Plan.

## *Content of the paper*

1.6 This paper, firstly, compares the assumptions applied by *HDH Viability Assessment* (EB13) in 2014 with those used by the DVS in the *Viability Assessment Update* (EB13) in August 2016, before summarising and analysing the updated results provided by the DVS. It then goes on to consider the general conclusions of the *Viability Assessment Update (August 2016)* (EB13) in terms of development viability in Powys, with further detailed analysis and evidence provided in relation to the more challenging areas of viability identified. The paper concludes by considering the implications of this updated evidence for the viability of housing proposed to be delivered by the Plan and for the overall strategy of the Plan.

1.7 Further site specific evidence in relation to the deliverability of the housing allocations and commitments identified by the Inspector is provided within separate papers – the *Housing Provision 2 - Allocations Paper (September 2016)* (EB42) and *Housing Provision 1 - Commitments (September 2016)* (EB42).

1.8 The implications of the further viability work for affordable housing provision and policies within the Plan are also discussed in a separate paper – the *Affordable Housing Topic Paper Update (September 2016)* (EB21).

## **2. EXPLANATION OF CHANGES TO THE VIABILITY EVIDENCE BASE**

### *Housing sub-market areas*

2.1 The *HDH Viability Assessment (2014)* (EB13) identified four county price zones (otherwise known as sub-market areas) within Powys - 'Central Powys', 'Severn Valley', 'Rural North' and 'Southwest Powys'. Varying residential market values based on house price values per square metre were applied to the appraisals of sites within these areas. These areas were illustrated on a map in figure 4.6 of the *HDH Viability Assessment (2014)* (EB13).

2.2 It is important to note that a slight amendment has been made to these areas in the updated viability work. The area to the north of the Brecon Beacons National Park which was previously included within the Southwest Powys sub-market area, has now been included in the Central sub-market area. It should be noted that no allocations are proposed by the Plan within the area affected by this change, which includes parts of the communities of Trallong, Maescar and Llywel that lie outside the Brecon Beacons National Park. The South West sub-market area now only includes the communities of Ystradgynlais and Tawe-Uchaf to the south of the Brecon Beacons National Park.

2.3 The Housing sub-market areas, as amended, are as illustrated on the map attached in Appendix 5.

2.4 It is also noted that some of the names by which the sub-market areas are referred to have been amended between the 2014 and 2016 Viability Assessments (EB13). The name for 'Severn Valley' remains the same, 'Central Powys' becomes 'Central', the 'Rural North' is now named 'North', and 'Southwest Powys' is now referred to as 'South West'. For clarity,

therefore, the names of the sub-market areas going forward are 'Central', 'Severn Valley', 'North' and 'South West'.

### *Review of typologies*

2.5 As part of the update, the site typologies tested in the original *Viability Assessment (2014)* (EB13) were reviewed in order to ensure that they continued to be reflective of the development planned, particularly as the allocations had been subject to changes, with new sites added, sites removed and sites amended, since the first version of the Deposit Plan in 2014, when the original assessment was conducted.

2.6 The main change involved in the testing of larger sites is the testing of a large 50 unit site as oppose to a 70 unit site. Small greenfield sites of 10 units and also small sites of less than 10 units have been modelled as both edge of settlement sites and infill sites in order to reflect the varied location of smaller sites in Powys. 7 unit schemes have also been tested.

2.7 The majority of the typologies tested are reflective of greenfield sites expected to come forward by the Plan. Greenfield sites account for 95% of the proposed allocated units. A limited range of brownfield site typologies have been tested reflecting the scale of allocated brownfield sites and to account for small brownfield sites likely to come forward as windfall. Larger 100 unit schemes are only tested as greenfield sites to reflect the absence of brownfield allocations and of previous schemes of this size. Brownfield sites of 50 units are tested, whereas they were only previously tested up to sites of 25 units, in order to account for a proposed allocation. Small brownfield sites have only been tested as infill to reflect the location where these types of sites are generally found in Powys.

2.8 In terms of the assumed existing and alternative uses of sites modelled, greenfield sites continue to be tested as being in agricultural use. HDH tested brownfield sites as having an alternative industrial use value, whereas DVS has not accounted for high value alternative industrial uses on brownfield sites. HDH also tested certain small modelled sites based on existing/alternative uses as paddocks, gardens and garages. Further explanation as to the existing/alternative use values applied in both studies are set out in Appendix 1.

2.9 The assumed open market and affordable housing mixes applied to the site typologies have been reviewed against past evidence of house type mixes being delivered on the ground, also taking into account the needs identified in the Local Housing Market Assessment and DVS experience of market demand. The mix applied by the DVS to open market housing is set out in table 3 of the report.

2.10 The assumed densities applied to the site typologies have also been reviewed to reflect evidence of densities being achieved on the ground on recent developments. This evidence suggested that developments were being built to higher densities than those previously assumed. This was particularly the case for brownfield sites where densities of up to 35 units per ha were being seen on larger brownfield sites as oppose to 32 units per hectare previously applied, and densities on larger greenfield sites where averaging 27 units per hectare compared to the 22 units per hectare previously applied. The density guidelines set

out in policy H3 and the capacity of allocations in terms of the number of units indicated in Appendix 1 of the *Composite Plan* (LDP34) have been amended accordingly.

2.11 *The HDH Viability Assessment (2014)* (EB13) assumed a certain amount of on-site open space would be provided on larger sites and this was taken into account in the amount of developable area. The DVS has not accounted for open space provision as the policy requirement for this would be based on site specific circumstances.

#### *Review of viability assumptions*

2.12 In updating the viability assessment to take into account changes in house prices values and costs since the original *HDH Viability Assessment* in March 2014 (EB13), this also provided an opportunity to review the viability assumptions used by HDH to test their accuracy and relevance to the particular characteristics, location and scale of development in Powys.

2.13 The review of viability assumptions by the DVS has lead in some instances to the use of different assumptions, which are a result of changes in values, use of different evidence sources, and also changes in the approach used to identify these values. The local experience of the DVS in carrying out site specific viability assessments in Powys and Wales has informed this review. Changes to the key viability assumptions are summarised in Appendix 1, which also provides commentary on the reasons for the changes.

2.14 The potential implications of any proposed policy requirements have also been reviewed as illustrated in Appendix 2 in line with the latest version of the *Composite Plan – Deposit PLUS Further Focussed Changes October 2016* (LDP41). This review found that many of the cost implications of the individual policy requirements of the Plan would be site specific and their relevance to particular developments would largely depend on the location, scale and impact of the development, which would be difficult to capture in this high level viability testing. It is noted that HDH accounted for additional costs associated with Sustainable Urban Drainage Systems (policy DM5) of 5% on brownfield sites and also accounted for abnormal costs along with higher professional fees and contingency (policy DM9). These additional costs have not been accounted for within the *Viability Assessment Update (2016)* (EB13) as they are considered to be site specific. As explained in the DVS report, the residual values generated for the modelled sites leaves adequate headroom for at least some additional costs to be absorbed by the development.

2.15 Consideration has also been given to the likely impact of the changes made to the assumptions on the viability of development.

2.16 In terms of any changes made to reflect the timing of the studies, whilst it is difficult to compare the house price values used in both studies, due to the different sources and methods used, the values used by DVS are based on current market evidence as of August 2016 and therefore they will reflect any increases in house prices values that have occurred since March 2014. It is understood that house prices in Powys have generally increased over the period between the original *Viability Assessment (March 2014)* (EB13) and the *Viability Assessment Update (August 2016)* (EB13). According to the Land Registry's House Price Index for Powys (June 2016), average house prices in Powys have increased by 4.9%

since June 2015, and it is noted that during this period Powys has experienced the same increase as has been experienced at the Wales level.

2.17 It would appear that house price values assumed by DVS in the sub-market area of the North are higher than those applied by HDH when viewed in relation to the house price values applied in other sub-market areas - the values being closer to those found in the Severn Valley. This should improve viability in the North.

2.18 This overall increase in house price values, viewed on its own, is likely to improve viability. However, it is also understood that build costs have increased over this period. For example, it is noted that the build cost of a 100 unit scheme applied by DVS is £65 per square metre higher than the cost applied by HDH, however the main difference in costs relates to smaller sites due to the application of the higher specific BCIS costs relating to sites of 3 or less by the DVS. Costs for meeting sprinkler requirements have also been increased by approximately £500 per dwelling to match official Welsh Government estimates.

2.19 Increased build costs, on their own, will have a negative impact on viability, however this potential impact is mitigated to some extent by the reduced allowance for external costs applied by DVS to large 100 unit schemes and also to single plots. The DVS approach towards costs on brownfield sites, by not applying abnormals and contingencies for instance, is likely to improve viability for brownfield sites.

2.20 The changes to the allowances made for other section 106 contributions (not related to affordable housing) by reducing the allowance for smaller sites and removing an allowance for sites of less than 10, whilst maintaining the allowance for larger 100 unit schemes at £2,000 per dwelling, is likely to improve the viability of smaller sites of less than 10 units.

2.21 The changes discussed above will directly impact on viability in terms of the residual values generated for the modelled development schemes. In order to test the viability of modelled development schemes, the residual values have been compared with the viability threshold (otherwise referred to as benchmark land value) which seeks to reflect the price level at which a landowner is likely to release the land for development. In order for development to be deemed viable (according to high level testing), the residual value must exceed the viability threshold.

2.22 As is noted within the commentary of Appendix 1, the approach taken towards establishing the viability threshold is broadly similar in both studies. The current agricultural land value adopted by DVS is lower than that previously adopted but is based upon market evidence. The higher viability threshold applied by DVS, which affects large and small sites, greenfield and brownfield sites alike, means that higher residual values will be required in order for development to be considered viable. However, the viability threshold applied is considered to be more realistic and comparable to other relevant LDP studies carried out as noted in Appendix 3.

2.23 In conclusion, therefore, some of the changes made to the assumptions, including increases in house prices values and reduction of external costs, have the potential to have a positive impact on viability, however the increase identified in build costs identified is likely to counter this improvement to some extent. Overall, therefore, and particularly due to

changes over time, it is likely that the outcome of these changed assumptions for viability will be slightly more positive than those of the previous assessment.

### 3. THE UPDATED VIABILITY RESULTS

3.1 This section summarises and analyses the results of the *Viability Assessment Update (August 2016)* carried out by the DVS (EB13).

3.2 To clarify, the Council is basing the following comparison on the results presented in tables 9-12 of the Update (2016) (EB13) and the results in table 10.5 of the HDH report (2014) (EB13). The focus is also on the results provided at 0% affordable housing i.e. for open market housing schemes, as this confirms whether development is viable or not. The viability testing of affordable housing contributions is discussed in a separate paper – *Affordable Housing Topic Paper Update (September 2016)* (EB21).

3.3 In terms of presentation of the results, the previous assessment presented the results on a £ per ha basis, whereas the DVS results are shown on a £ per hectare and a £ per site basis in the DVS work. Whilst the previous presentation of the results was useful in terms of drawing comparisons between the results for different typologies, by presenting results on a £ per site basis, this reflects the residual value according to the site area of the particular site typology. For this reason, the DVS results considered are mainly those presented on a £ per site basis.

3.4 It is difficult to directly compare the results gained by the DVS in 2016 and HDH in 2014 (EB13) as not only are the results based on different data sources obtained at different times, but also some of the viability and development assumptions applied are different, and the development appraisals undertaken have been produced using different models – the DVS has used the ‘Argus’ model, whereas HDH has used a bespoke model developed by HDH. However, the following comparisons can be made in terms of general outcomes for viability:

- The updated results continue to show that there is considerable variation in viability across the County, with the Central sub-market area appearing to be the most viable area, and South West the least viable area.
- The updated results in Central and Severn Valley for greenfield site typologies larger sites of 10 units or more are similar to the previous results, in that all were found to be viable.
- The updated results for North show improved viability as all greenfield site typologies are generally found to be viable, whereas larger 100 unit and large 70 unit sites were found to be only marginally viable in the 2014 assessment.
- The results for the South West continue to indicate that development is generally unviable. All site typologies in this area continue to have negative residual values, with the exception of greenfield and brownfield sites for 5 and 7 unit (infill and edge) that now have positive residual values, and both greenfield and brownfield 5 and 7

unit infill sites (but not edge) exceed the viability threshold and therefore are found to be viable.

- The results for small sites of less than 10 units are similar for both studies. Both studies found that schemes of 3 units or less in the Central, Severn Valley and North sub-market areas were unviable.
- The results for brownfield sites show that across the Central, Severn Valley and North sub-market area, these sites are generally found to be viable, whereas they were previously found to be unviable. Brownfield schemes continue to be generally unviable in the South West.
- Marginal viability results are only found in single unit typologies in certain areas, whereas they were also previously found in larger and large sites in the North and smaller 10 unit schemes in the Severn Valley (bearing in mind that the definition of marginal viability differs between the two studies, as explained in Appendix 1).

3.5 In view of the general outcomes of the *Viability Assessment Update (2016)* (EB13) for viability, set out above, it can be concluded that development on sites of 5 or more units within the Central, Severn Valley, and North sub-market areas would be viable according to the high level viability testing carried out. Sites of this size are reflective of the scale of allocations and anticipated large windfall sites. However, small sites of 3 units or less, which are more representative of the scale of small windfall sites that are expected to come forward, are found to be unviable.

3.6 The *Viability Assessment Update (2016)* (EB13) also concludes that brownfield development, which was previously found to be largely unviable, is potentially viable. This apparent improvement in the viability of brownfield development appears to be as a result of the changes to the assumptions applied by the DVS to brownfield sites, as explained in Appendix 1.

3.7 The *Viability Assessment Update (2016)* (EB13) continues to identify certain areas of concern in terms of viability, and therefore further consideration has been given to the apparent viability challenges in the South West area and also to the viability challenges of small sites.

#### **4. VIABILITY IN THE SOUTH WEST SUB-MARKET AREA**

4.1 Both the assessments by the HDH (2014) and the DVS (2016) (EB13) have identified challenging issues with the viability of development in the South West. Based on the assumptions used and sites modelled, on the whole the appraisals have generated negative residual values in this area. This appears to be mainly as a result of the relatively low house price values currently experienced in this area, which do not appear to be sufficient to outweigh the costs of development.

4.2 Notwithstanding the results of both studies in respect of development viability in the South West, the Council has evidence of development completions and developments under

construction on the ground, and therefore of development being delivered in this area, but also of developments proposed with planning permission and current planning applications.

#### *Delivery of UDP allocations*

At the time that the Powys UDP was adopted, two sites included in the Plan had been completed. This included a development in Abercrave for 20 units (B1 HA2) and a development in Gurnos for 15 units (B34 HA3). Since the adoption of the UDP, further schemes on allocated sites in Ystradgynlais for 6 units (B30 HA2) and another for 3 units (B30 HA3) have been completed.

#### *Joint Housing Land Availability data*

4.3 According to sites recorded in the Powys JHLAS database (2009 onwards) in the South-West area, which represent the supply of sites of 5 units or more in this area, it is noted that 2 sites have been completed, another 2 sites are mainly completed, and work has commenced on a further site. All sites have planning permission, except for 1 site which is an allocation under the UDP.

#### *Small site evidence*

4.4 With regards to small site completions, according to the Council's small site monitoring data (recording small sites that have been completed or are under construction since the beginning of the Plan period in 2011), 8 sites have been completed, 1 is partially completed, and 2 sites are under construction.

#### *Planning permissions*

4.5 Reference has also been made to records of recent planning permissions as this provides an indication as to the scale and type of development that may come forward, and therefore the housing land supply. This also provides an indication of interest in development in the area.

4.6 Based on planning permissions granted since March 2010 until June 2016, the following is noted:

- 57 planning applications have been granted planning permission in the South-West, approving a total of 289 dwellings.
- 6 permissions planned a total of 222 units on large sites.
- 51 permissions related to small sites (of less than 5 units), approving a total of 67 units, half of which were planned on single plots.
- The majority of units (198 units) were planned on brownfield sites, with 80 units planned on greenfield sites.
- The majority of units (145 units) were new build within the development boundary, with 58 units new build in residential curtilages.

- Very few other types of development were planned - 1 barn conversion, 2 flat conversions to 2 units, and 1 new build flat scheme.

#### *Current planning applications*

4.7 There are currently 8 planning applications being processed in respect of residential development in the South West sub-market area, as listed in Appendix 6. This includes an application made in outline in respect of a residential development for 10 dwellings, with the remainder involving proposed single dwellings.

#### *Deliverability of development in the South West*

4.8 The above evidence proves that development has happened in the past in this area and is continuing to happen, based on past completions and sites under construction. The relatively limited number of units and sites involved are likely to be reflective of general market conditions in recent years. Importantly, in terms of future development, it is clear that there is continued interest in development in this area, based on planning permissions granted and also current planning applications. This provides confidence that development will continue to be delivered in the future.

4.9 The viability results are based on the hypothetical sites modelled and general assumptions assumed which are necessary in order to carry out a high level assessment at a Plan wide level. Whilst the sites modelled and assumptions used are considered to generally reflect the proposed housing land supply, from allocations and windfall, under the LDP, it is inevitable that viability as it plays out on the ground will depend on the site specific circumstances of each development and developer, and therefore detailed viability factors cannot be captured in a high level study.

4.10 The DVS has outlined several factors which may explain why sites are still coming forward and could continue to come forward in areas found to be unviable, such as the South West (see paragraph 5.11 of the *Updated Viability Assessment (2016)* EB13). These include factors, such as continued increases in house price values, quicker build out periods, lower build costs and lower profit margin expectations, which will improve viability and potentially make specific developments viable.

4.11 In terms of the particular characteristics of the South West, it is noted that the South West is positioned closer to the large potential labour markets of the Swansea area and is relatively accessible in terms of its transport links, and therefore this may enable lower developer overheads in terms of labour and materials, along with shorter build out periods, which would all have positive effects on the financing of development. Reference is made to developers building according to the sales period and therefore increases in sales rates are likely to have a positive impact on build out rates and viability. According to the average volume of sales recorded by the Land Registry indicate that in the SA9 area (which includes the South West sub-market area), sales rates have generally increased in this area since 1995 and apart from the impact of the downturn in 2008, sales have continued to increase year on year.

4.12 Landowner expectations in the South West may be generally lower than in other more viable areas of the County which may enable land to be released for a lower sum than

assumed in the assessment, and general expectations in terms of the design and type of housing products to be developed may also be lower. In the town of Ystradgynlais, in particular, more urban forms of development may be expected, compared to rural areas, and there are likely to be opportunities for development on infill sites which may already benefit from existing infrastructure.

4.13 The Council also understands the importance of evidencing the deliverability of the development sites that it proposes to allocate in order to meet the housing needs of this area. A total of 8 sites (providing a total of 466 units) are allocated in the South-West, 7 of which are proposed in the town of Ystradgynlais and 1 of which is proposed in the large village of Abercrave. Two committed sites (providing a total of 63 units) have been included, one in the town of Ystradgynlais and another in the large village of Coelbren. Detailed evidence of the deliverability of these allocations is provided in the *Housing Provision 2 – Allocations (September 2016)* (EB42). This Statement concludes that based on the activities of site owners and site promoters of the site allocations, and other development activity as referred to above, there is continued confidence that the site allocations in the South-West can come forward.

## **5. SMALL SITE VIABILITY**

5.1 Both the HDH (2014) and the DVS (2016) Viability Assessments (EB13) have identified small sites of 3 units or less as generally unviable across all sub-market areas. The continued negative residual values of these small sites in the South West reflects the overall results in this area, however in the other sub-market areas, more positive residual values are found and their viability varies by size of scheme and by sub-market area. With the exception of single units greenfield schemes in Central, which are found to be viable, all would be either marginally viable, or their residual values, whilst being positive, are not sufficient to be within a reasonable margin of the viability threshold, and therefore are not deemed to be viable. The residual values for 3 unit greenfield edge schemes and single unit brownfield in the North are negative and therefore are not viable.

5.2 It would appear that the premium costs applied to schemes of 3 units or less is likely to explain the apparent unviability of these sites. The DVS also refers to the sensitivity of the results to the housing mix assumed for 3 unit schemes, and that alternative mixes may improve viability. Some of the factors discussed by the DVS to explain why sites deemed to be unviable in the assessment may still happen, could also be relevant to small site viability, particularly in terms of the possible lower profit expectations and financing arrangement of small developers. It is also likely that a small scale scheme would be carried out for or by an individual and would not be speculative as such, and therefore would not be driven by the same viability concerns as those that larger developers are concerned with.

5.3 Notwithstanding the results of both studies in respect of the development viability of small sites, the Council has evidence of development completions and developments under construction on the ground, and therefore of small site developments being delivered.

5.4 Data gathered for the purposes of explaining and reviewing the windfall allowance (see *Housing Provision 3 – Windfall Allowance (September 2016)* (EB42)) in relation to past

completions in Powys since April 2016 indicates that 828 completions of the total 2038 completions took place on small sites of less than 5 units. 99 units were completed on small sites between April 2014 and March 2015. This represents 74% of the total number of windfall completions, and therefore small sites are an important component of the housing land supply on windfall sites. A quarter of all windfall (both on large and small sites) involved new build on greenfield within the development boundary, and it is also noted that almost a third involved conversions of non-residential buildings to dwellings. Affordable local need dwellings and rural enterprise dwellings also featured within the mix but at lower proportions.

5.5 Single and small multiple unit schemes of less than 5 units, therefore, have taken place in the past in Powys, and there will continue to be opportunities for windfalls of this scale to come forward in the future in Powys, and such would generally be permitted in principle by future planning policies as they have been under the adopted UDP policies.

5.6 Barn conversions and flat conversions were not tested in the original *Viability Assessment (2014)* (EB13) and have not been tested by the DVS in 2016. DVS has explained that values and costs can vary hugely for conversions on a scheme by scheme basis, and this would clearly make it difficult to accurately appraise the likely viability of such schemes. However, again these types of schemes have been delivered in the past and therefore the Council can remain confident that they will continue to be delivered and contribute towards the Council's housing land supply for small sites.

5.7 In view of the evidence of past completions and factors which explain how small sites are being delivered, it is considered that these sites can and will continue to be delivered.

## **6. IMPLICATIONS FOR THE VIABILITY AND DELIVERABILITY OF THE PLAN**

6.1 This section considers the implications of the conclusions of the updated viability evidence, and taking into account other relevant evidence, for the viability and deliverability of the Plan and its strategy.

6.2 The conclusions of the *Viability Assessment Update (2016)* (EB13) indicate that, on the whole, the development planned by the LDP is viable and can be delivered. Whilst the assessment also indicates that the viability of development in the South West and also on small sites may be challenging, other evidence relating to housing delivery, proposals and interest in these challenging areas, taking into account other relevant factors that may improve viability in the South West and on small sites, suggests that housing developments can be delivered on the ground.

6.3 Whilst regard has been given to the potential impact that non-delivery of development in areas of challenging viability, this is not deemed to be a likely scenario, given the other evidence relating to deliverability, as mentioned above.

### *Housing and spatial strategy*

6.4 The LDP plans for growth by dispersing growth proportionally around the Plan area to meet housing and other needs. The approach towards housing development is aimed at enabling the distribution of the most growth to the most sustainable locations. The LDP's

spatial strategy is based on a sustainable settlement hierarchy with levels of development allocated to settlements commensurate with their size (number of households) and position in the hierarchy. The sustainable settlement hierarchy underpins the decisions on allocating new housing growth across the Plan period.

6.5 In accordance with this Strategy (focusing on the South West) development in the South West will be focused mainly on the town of Ystradgynlais and also to a lesser extent on the large village of Abercrave and Coelbren, in the form of allocations, commitments and to a lesser extent large and small windfall. In the small village of Cae Hopkin, small sites may be permitted as modest infill or as extensions for affordable housing exception sites.

6.6 Based on the evidence discussed above relating to viability and deliverability of development, the ability of the Plan to deliver housing in line with its Strategy is not considered to be compromised. If housing development expected in the South West area was not delivered, this would impact on the ability of the Plan to meet the needs of the communities of the South West and to ensure their sustainability. However, in view of the assessment of viability and evidence that supports the deliverability of development in the South West and on small sites, the Council can be confident that the housing development envisaged by the Plan can be delivered and that development viability should not impact on the overall strategy as it relates to housing development.

#### *Housing provision*

6.7 The impact of the viability evidence on the contribution that allocations and windfall make towards the housing provision proposed in the Plan has been considered. The impact on the Plan's overall housing provision number of 5,596 in terms of its components is set out below.

#### *Allocations*

6.8 84% of the total allocated units, and 74 allocated sites, are in areas that are found by the updated *Viability Assessment Update (2016)* (EB13) to be viable. The viability evidence therefore supports the viability of the majority of allocated sites and units. Development is expected to be deliverable on allocated development in the South West, as set out in the *Housing Provision 2 - Allocations (September 2016)* (EB42).

6.9 Furthermore, by allocating land this will provide increased certainty for developers to invest and also removes an element of risk, which enables developers to have confidence in the County, and which may help to make development in less viable areas worthwhile.

#### *Commitments*

6.10 95% of the total committed units (1115 units) are in areas that the updated *Viability Assessment (2016)* has found to be viable. The evidence therefore supports the viability of the majority of committed sites units, and other evidence mentioned above, and within the *Housing Provision 1 - Commitments (September 2016)* (EB42) is considered to support the deliverability of outstanding committed sites.

6.11 Furthermore, a significant proportion (77% if include large and small site completions) of the overall number of committed sites included in the Plan have either been delivered or

are being delivered on the ground. It should also be noted that an allowance of 40% has been applied within the *Composite Plan – Deposit PLUS Further Focussed Changes October 2016* (LDP42) for non-delivery of committed sites that have not started, and therefore the Plan is only expecting 610 units to come forward on outstanding commitments.

#### *Anticipated Windfall*

6.12 327 units are anticipated to come forward on large windfall sites and 883 units are anticipated to come forward on small windfall sites during the remainder of LDP period.

6.13 Large windfall sites are expected to contribute towards 5.5% of the overall housing provision number, and the windfall projection on large sites is 327 units over the 11 years of the remainder of the Plan period. Taking into account the above evidence on viability and delivery of sites, including past delivery on these types of sites, it can be expected that large windfall development will continue to be developed.

6.14 Anticipated development on small sites accounts for 15% of the overall housing provision number, projected at 883 units, over the remainder of the Plan. As explained above, small sites can be delivered as evidenced through past completions, and therefore it is considered that small sites can continue to be a reliable and deliverable source of housing during the remainder of the Plan period.

#### *Impact on the ability to meet dwelling requirement number*

6.15 The LDP seeks to meet the housing requirements of the County, and the dwelling requirement figure identified by the Plan is 4,500 units. The above evidence provides confidence that the identified housing requirements can be met as development within the Plan area is generally found to be viable. The potential unviability of development in the South West and small sites identified, if realised, would not have a significant impact on overall housing provision with the Plan and would not compromise the ability of the Plan to meet the overall dwelling requirement of the County. This scenario could impact on the ability to meet the dwelling requirements of the South West, however development is expected to be delivered in this area to meet these requirements.

#### *Impact on the housing trajectory*

6.16 The trajectory (see *Housing Provision – Phasing and Delivery (Trajectory) September 2016 – EB29*) sets out the phasing expected of development proposed by the Plan, including proposed allocations and commitments, and is used to inform the expected 5 year housing land supply following adoption and throughout the Plan. The phasing assumptions applied in the *Viability Assessment Update (2016)* (EB13) have been used to inform the phasing of sites within the trajectory, however consideration has also been given to site specific factors and constraints that are likely to influence when and over how long a period a development is likely to be delivered.

6.17 It is noted that some of the allocations in the South West are expected to be delivered within the next 5 years of the Plan period, whilst others are not expected to be delivered until the later stages of the Plan period. The potential for viability to improve over time could assist in their delivery. The trajectory demonstrates that a 5 year housing land supply is

expected to be available at adoption of the LDP and that this supply can be maintained throughout the Plan period.

#### *LDP policies*

6.18 In view of the positive viability results for much of the Plan's area and proposed sites, the Council is confident that the majority of planned and anticipated development can meet the policy requirements set out in the LDP whilst also maintaining development viability. In areas of apparent unviability, this does not appear to be as a direct consequence of policy requirements and is instead a reflection of the local housing market and the balance between house prices and costs in those areas.

6.19 Where policy requirements involve section 106 obligations requiring financial contributions, a general allowance has been accounted for within the *Viability Assessment Update (2016)* (EB13). However, planning obligations will be negotiated on a case by case basis and requirements will depend on the nature, location and scale of the development, and the need to mitigate any adverse impacts on local infrastructure and the community. There is a mechanism within the policy which allows for viability to be taken into account subject to the submission of detailed viability evidence by the developer.

6.20 The viability of affordable housing policy requirements is detailed in the *Affordable Housing Topic Paper Update (September 2016)* (EB21).

#### *Conclusions on implications for the Plan and Strategy*

6.21 In view of the above discussion, and based on the conclusions drawn from the viability evidence and other evidence relating to housing deliverability, development viability is not expected to have a negative impact on the delivery of the Plan or on its overall Strategy. Consideration has been given to the potential implications of non-delivery of development planned and anticipated in the South West by the Plan, however these implications have been considered on the basis of the worse-case scenario whereby no development would come forward in this area. If this were to be the case, the above discussion demonstrates that the impact would not be significant in terms of the overall housing numbers proposed by the Plan. However, it is recognised that this scenario would have a localised impact on housing delivery in the South West sub-market area.

6.22 The Council does not consider the complete non-delivery of development in this area to be a realistic scenario, given that there is evidence of development happening on the ground and of development interest, along with developer intentions to bring allocations forward for development in this area. On this basis, development viability is not expected to have any significant or negative implications for the Plan and its Strategy.

## **7. MONITORING AND REVIEW**

7.1 For the purposes of monitoring viability on an annual basis and throughout the remainder of the Plan period, it will be important for key viability assumptions to be monitored in order to identify any changes that may affect development viability and that may have implications for

the delivery of the Plan. The original *Viability Assessment* in 2014 (EB13) recommended that house prices be monitored either every 4 years or if house prices change by more than 10%. The DVS has recommended that changes in both house prices and costs should be monitored, as a 10% increase in house prices would need to be viewed in relation to changes in other variables, including costs, which would impact on overall viability.

7.2 DVS recommends that changes in values and costs could be monitored concurrently by calculating the residual value of a 100 unit scheme and identifying a significant divergence between the costs and value. It is suggested that a divergence of 5% would be significant enough to warrant review of viability. This is considered to provide a practical way of monitoring and identifying potentially significant changes in viability that also takes into the relationship between values and costs. It is also considered to be appropriate to monitor existing use values, based on agricultural land values, as significant increases/decreases may impact on benchmark land values.

7.3 It is also proposed to monitor other development assumptions applied in the *Viability Assessment Update (2016)* (EB13) in order to ensure their continued relevance to planned development and also to inform any future review or update of the Viability Assessment.

These include:

- Density of development being proposed and delivered on the ground. The density of proposed and completed developments will be monitored against the densities applied in the Viability Assessment and against the guidelines provided in policy H3.
- The mix of housing being proposed and delivered on the ground, particularly given the sensitivity of viability to the mix assumed.
- The level of other section 106 contributions (not related to affordable housing) is also proposed to be monitored in the AMR.
- Build out periods of sites as this is relevant to the financing of development.
- Changes in relevant policy requirements at a national and local level that may have cost implications for development.

7.4 Specific monitoring proposed in order to inform review of the affordable housing requirements is discussed in the *Affordable Housing Topic Paper Update (September 2016)* (EB21).

## **8. CONCLUSION**

8.1 The *Viability Assessment Update (2016)* (EB13) indicates that most of the housing land supply identified by the Local Development Plan, including allocations, commitments and windfall development, can be brought forward during the Plan period, and is not expected to be constrained by viability issues.

8.2 In terms of the key changes to the viability results compared to the original *Viability Assessment (2014)* (EB13), the improved results for development in the North sub-market

area means that development in this area is deemed to be viable according to the *Viability Assessment Update (2016)* (EB13). Development on brownfield sites is also found to be generally viable due to the approach taken which does not account for abnormal costs as these are site specific and therefore cannot be captured in a high level assessment such as this.

8.3 In areas where the viability evidence suggests that viability may be more challenging, namely in the South-West sub-market area and on small sites of 3 or less units, the Council is confident that development can still come forward as is evident from past delivery, general development interest and site specific developer intentions, and deliverability evidence for allocations.

8.4 Development viability is not expected to have significant or negative implications for the overall housing delivery of the Plan or on its Strategy. Proposed allocations in the South West have been demonstrated to be deliverable and the windfall allowance for small sites is considered to be realistic.

8.5 The Council is also proposing to monitor future changes to assumptions related to viability in order to identify any changes that may be relevant to the delivery of the Plan and in order to inform any future review of viability and of the Plan.

## **9. APPENDICES**

- Appendix 1 Explanation of changes made to key viability assumptions between the 2014 and 2016 Viability Assessments.
- Appendix 2 Review of the cost implications of the proposed LDP policy requirements.
- Appendix 3 Viability thresholds applied in other LDP Viability Assessments.
- Appendix 4 A list of current planning applications in the South West.
- Appendix 5 A map of the sub-market areas, as amended, in 2016

## APPENDIX 1

Table clarifying the differences in the key assumptions applied in the original *HDH Viability Assessment (October 2014)* (EB13) and the *Viability Assessment Update (August 2016)* (EB13), along with reasons for changes in approaches and values applied.

<b>ASSUMPTION</b>	<b>OCTOBER 2014 REPORT (HDH)</b>	<b>AUGUST 2016 REPORT (DVS)</b>	<b>REASONS</b>
<b>Approach towards identifying an appropriate Viability Threshold (also referred to as Benchmark Land Value)</b>	Comparing the Residual Value generated by the viability appraisals with the Existing Use Value (EUV) or an Alternative Use Value (AUV) plus an appropriate uplift to incentivise the landowner to sell. A competitive return for the landowner is considered. Judgement informed by reference to market value of the land both with and without planning permission.	DVS has assessed existing and alternative use values and has referred to comparable land sales evidence in order to identify a benchmark land value that offers significant financial incentives to landowners, but is also reflective of likely planning obligations and affordable housing contributions. The threshold, therefore, may be below what may historically have been aspirational figures held by landowners.	Both HDH and DVS have been informed by viability guidance available from sources such as the Harman report and the RICS Viability in Planning Guidance note, and it is understood DVS were part of the group that authored the RICS guidance. As such both HDH and DVS believe that any benchmark land value must be reflective of full planning policy requirements whilst also offering a suitable incentive over EUV to the landowner to release the land for development to be realistic.
<b>Existing and alternative use values</b>	Agricultural land value of £25,000 per hectare	Agricultural land value of £17,300 per hectare based on values of pasture land in Wales RICS/RAU Rural Land Market Survey (second half	The assumed agricultural land value has been reduced in order to reflect market evidence of average values in Wales and taking into account the fact that agricultural land is generally in use as pasture land in Powys.

		of 2015)	
	Industrial land value of £250,000 per hectare	Industrial land value not included.	Considering the real nature of the land likely to come forward in Powys no specific industrial land value has been taken into account by DVS as it is believed in its nature it will be more akin to Greenfield and that high value alternative industrial uses are highly unlikely to exist in fact. The demand for this type of land in Powys is also expected to be relatively limited.
	Paddock land value of £50,000 per hectare.	Paddock land value not included.	Paddock uses are not considered to be generally reflective of the planned development sites, or of potential alternative uses, in Powys.
	Residential land value (based on garden land) of £500,000 per hectare.	Garden land value not included.	Garden land uses are not considered to be generally reflective of the planned development sites, or of potential alternative uses, in Powys.
	Garage land value of £250,000.	Garage land value not included.	Garage uses are not considered to be generally reflective of the planned development sites, or of potential alternative uses, in Powys.
<b>Viability Threshold (benchmark land values) identified</b>	Large greenfield sites (10 or more units):  Residual value to exceed Existing Use Value (EUV) +20% and an additional £200,000 per hectare –	Large greenfield sites (10 or more units): £300,000 per hectare.	A higher viability threshold has been applied by DVS which is based on their experience of specific viability cases and other area wide studies. A table summarising the viability threshold applied by other Authorities in their LDP Viability Assessments is provided within Appendix 3. The viability threshold applied by the DVS is the same as that applied to greenfield sites in the Ceredigion study, which is a

	averages as £230,000 per hectare.		predominantly rural area similar to Powys. Other studies have applied lower thresholds of £250,000, and others higher thresholds. However, by comparing with other similar areas, notably Ceredigion, it is clear that the viability threshold assumed by HDH in 2014 is on the low side, which may have partly been a reflection of lower expectations within the market at that time.
	<p>Large brownfield sites (10 or more units):</p> <p>Residual value to exceed Existing Use Value (EUV) +20%. Averaged at £260,000 per hectare.</p>	<p>Large brownfield sites (10 or more units):</p> <p>£300,000 per hectare.</p>	<p>HDH has differentiated between the Viability Threshold for greenfield and brownfield, whereas the DVS has applied the same Viability Threshold to both greenfield and brownfield sites, explaining that remediation costs of sites in Powys are expected to be relatively minor and that true higher value alternative industrial uses are unlikely to be in evidence.</p> <p>The Council considers it to be appropriate to apply the same Viability Threshold to both greenfield and brownfield sites. Any abnormal costs or associated costs reflecting the risk involved in the development of brownfield sites, will be site specific and where these exist, they should be reflected in the price paid for the land. The same principle applies to any abnormal costs associated with development on greenfield sites.</p>
	<p>Small greenfield sites (less than 10 units):</p> <p>Residual value to exceed Existing Use Value (EUV) +20% and an additional £200,000 per hectare</p>	<p>Small greenfield sites (less than 10 units):</p> <p>£30,000 per plot</p>	<p>HDH has applied the same viability threshold (calculated on a £ per hectare basis) to small sites as the large sites as set out above.</p> <p>DVS has applied a higher viability threshold of £30,000 per plot to sites of less than 10 units, which is based on a review of recent sales evidence. The DVS considers that single plots and small sites should be based on a plot basis due to the size of the sites involved.</p>

			The Council considers it appropriate to apply a higher Viability Threshold (relative to site size) to small sites, as otherwise this would result in relatively low and potentially unrealistic viability thresholds for small sites.
	Small brownfield sites (less than 10 units):  Residual value to exceed Existing Use Value (EUUV) +20%	Small brownfield sites (less than 10 units):  £30,000 per plot	The Council considers it appropriate to apply a higher Viability Threshold to small sites compared to larger sites, and also to apply the same Viability Threshold to brownfield and greenfield sites, for the same reasons as set out above.
<b>Definition of marginal viability</b>	Where the Residual Value is above the Alternative Use Value but below the Viability Threshold. HDH considered developments with marginal 'amber' residual values as being not viable.	Where the Residual Value is within a reasonable margin of the Viability Threshold – 10% - the DVS considers it to be still likely that the development will come forward.	The definition applied previously was based on the potential viability of a scheme if the residual value exceeded the alternative use value. However, this would cover residual values within a wide and varying margin of the Viability Threshold, and would not reflect the likely uplift expected by the landowner to incentivise to sell. The DVS approach recognises that Residual Values that are too far below the Viability Threshold to be considered to be marginally viable, would not be viable, and instead has applied a margin of within 10% of the Viability Threshold, within which development could be deemed viable.

<p><b>Approach towards identifying house price values</b></p>	<p>HDH has applied different residential market values (on a £ per square metre basis) to each sub-market area. Values are based on current asking prices on active developments at the time of the Assessment, and informed by the general pattern of all house prices across the study area.</p>	<p>DVS has calculated typical prices for different unit types across the different sub-market areas. Regard has been given to new build sale prices and also to general value levels of all property sales.</p>	<p>The method used to estimate house price values differs between the HDH and DVS studies.</p> <p>The Council agrees with the method used by DVS as this is based on typical prices for actual house types.</p>
<p><b>House price values</b></p>	<p>Central - £2,250          Severn Valley - £2,100          North - £1,850          South-West - £1,500</p>	<p>Exact values applied by DVS based on house type within each sub-market area are set out in Table 6 of the DVS report. The average value for each sub-market area is as follows:</p> <p>Central - £200,000          Severn Valley - £175,000          North - £170,000          South-West – £130,000</p>	<p>Due to the different methods and sources used to estimate house price values and therefore the house sale values applied in the two studies cannot be directly compared.</p> <p>Both studies assume the highest values are found in the Central sub-market area, and that the lower values are found in the South West. However, it is noted that the values applied by DVS in the North and Severn Valley generally show more similarity to each other than in the values assumed by HDH, where values applied in the Severn Valley were notably higher than in the North.</p> <p>The values used by DVS are current as of August 2016 and therefore it is considered to be appropriate to apply these values in the viability testing.</p>

	Additional 10% premium applied to units on small sites and 15% premium applied to single units.	Additional 10% premium applied to units on small sites (of 7 units or less) and 15% premium applied to single units, based on perceived 'exclusivity' of a smaller scheme as opposed to a larger estate build, and also as smaller schemes tend to be more architecturally driven and desirable.	The DVS continues to apply an additional 10% premium to small sites and an additional 15% for single sites, as previously applied by HDH.
<b>Developer profit</b>	20% of Gross Development Cost	<p>Open market housing:</p> <p>Greenfield site - 17.5% of Gross Development Value</p> <p>Brownfield site - 20% of Gross Development Value</p> <p>Affordable housing:</p> <p>6% of Gross Development Value</p>	<p>The method used for calculating developer profit differs between the HDH and DVS studies. HDH calculates profit as a percentage of the Gross Development Cost, whereas DVS calculates profit as a percentage of the Gross Development Value.</p> <p>The Council agrees with the method used by DVS as this is the default methodology for calculating developer profit residential development viability assessments according to the Harman Guidance.</p> <p>DVS also applies varied levels of profit depending on whether the site is greenfield/brownfield (given the perceived higher risk of brownfield sites and higher potential for unknown contamination), and also accounts for a lower profit for affordable housing than for open market housing. HDH applies a flat percentage for developer profit to all types of housing and sites.</p> <p>The Council considers it appropriate to vary the profit level</p>

			expected of greenfield and brownfield sites, and reduced profit level expected of the affordable housing element of a scheme. The level of profit assumed by the DVS is within the range normally allowed for developer profit, taking into account the level of profit allowed for in other studies.
<b>Build costs</b>	Based on BCIS costs re-based to Powys (March 2014):  Ranging from £849 per square metre to £1,225 per sqm varied by size of site and whether greenfield/brownfield.  e.g. £900 per sqm for a larger 100 unit scheme	Based on BCIS median estate housing general costs and costs for 3 and fewer units re-based to Powys as at 23 <sup>rd</sup> of July 2016:  £969 per square metre for houses  £1,128 per square metre for flats	It is understood that construction costs have generally increased and therefore it is considered appropriate to apply costs in line with up-to-date data.
	On sites of 3 and fewer units:  25% higher build costs applied.  £1,225 per square metre	On sites of 3 and fewer units:  £1,616 per square metres for detached dwellings  £1,150 per square metre for semi-detached and terraced housing	HDH stated that the costs for small sites according to BCIS are just over 25% higher than those applied to larger sites. It is considered appropriate to apply a higher cost assumption to flats and small sites of 3 and fewer units in line with the current relevant BCIS cost data. The higher costs expected on small sites is also consistent with the premium house price value expected, which reflects the generally higher expectation on small site development in terms of their design and individual character.
<b>External</b>	20% of build costs for	15% of build costs for over	HDH has applied higher costs to large greenfield sites as these

<p><b>costs</b></p>	<p>large greenfield sites</p> <p>10% of build costs for small sites</p>	<p>10 units</p> <p>10% of build costs for under 10 units</p> <p>5% of build costs for single units</p> <p>Based upon the experience of the DVS Quantity Surveyors and as agreed on specific viability cases which have suggested a general tone.</p>	<p>would be more likely to require substantial expenditure on bringing services to the site and have greater areas of external landscaping.</p> <p>DVS has applied lower external costs allowances to large greenfield sites and single sites as suggested by the tone of specific viability work.</p> <p>The Council considers that the level of external costs applied by the DVS to larger sites is more reflective of the scale and nature, and therefore of infrastructure requirements, of development sites in Powys. The reduced allowance applied for single units also reflects the relatively limited external costs likely to be involved in this scale of site.</p>
<p><b>Building regulations/ Sprinklers</b></p>	<p>Additional cost of £2,500 per dwelling. Estimate of £1,000 per house where there is adequate water pressure, however where water pressure is inadequate, there will be extra costs, and therefore a higher figure of £2,500 has been assumed to cover this extra cost.</p>	<p>£3,075 per dwelling</p> <p>£875 per flatted dwelling</p> <p>Based on official estimates (Welsh Government Ministerial Statement 'Regulating for automatic fire suppression systems in domestic buildings' May 2012).</p>	<p>The DVS has allowed for a higher cost for meeting sprinkler requirements which came into force in January 2016. The cost per dwelling accounted for HDH in 2014 was lower than the DVS, however DVS are based on the Welsh Assembly Government estimates. DVS has also accounted for a lower cost for sprinklers in flatted dwellings, which appears reasonable.</p>
<p><b>Section 106 allowance for other</b></p>	<p>£2,000 per dwelling</p> <p>Based on deriving the aggregate cost of s106</p>	<p>Larger 100 units - total £200,000 per site</p>	<p>The decision to change the section 106 allowances made for other contributions was informed by evidence of average contributions secured in the past according to the Council's Section 106 Register,</p>

<p><b>contributions</b></p>	<p>contributions by drawing on the historic level of s106 contributions by the Council.</p>	<p>Large 50 units - total £50,000 per site</p> <p>Medium 25 units - total £25,000 per site</p> <p>Small 10 units - total £10,000 per site</p> <p>Less than 10 units - £0.</p> <p>Based on evidence from the Council of the S106 sums that have been collected from approved schemes.</p> <p>A higher contribution of £5,000 contribution has also been tested.</p>	<p>accounting for section 106 agreements requiring contributions that had been entered into since 2011 to-date. Analysis of the information contained on the Register indicated that on average £1,000 per dwelling had been secured, however the amount secured per dwelling ranged from a minimum of £100 per dwelling to a maximum of £2,600 per dwelling.</p> <p>It was noted that higher sums had been secured per dwelling on some of the larger sites, which indicated that there was a need to reflect this by varying the allowance made for larger and smaller sites. This approach is considered to be appropriate given the likelihood that larger sites will have greater on-site and off-site infrastructure requirements due to their scale.</p> <p>Consideration was also given to likely additional contributions resulting from new policy requirements within the LDP, including the policy requirement in connection with Language Action Plans in respect of the Welsh language, which may involve contributions. However, this requirement only generally applies to developments of more than 10 in areas identified as Welsh language strongholds.</p> <p>DVS has tested larger sites at higher S106 levels of £5,000 per dwelling and they remain viable. The exact amounts secured and delivered through section 106 agreements under the LDP will be monitored and viability reviews triggered if the contributions made are found to be higher or lower than reality.</p> <p>No allowance has been made for section 106 contributions for sites of less than 10 units as LDP policy requirements relating to potential contributions do not generally apply to sites of this scale.</p>
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## APPENDIX 2 Review of the cost implications of the proposed LDP policy requirements

This review of planning policy requirements and their likely cost implications is based on proposed LDP policies as per the *Composite Plan – Deposit PLUS Further Focussed Changes October 2016* (LDP42). This review clarifies how any cost implications identified applies to developments, the likely nature of the costs involved, and also how the cost has been accounted for within the updated Viability Assessment (2016) carried out by the DVS.

<b>LDP proposed policy</b>	<b>Does the policy have a cost implication?</b>	<b>Application (to all development, specific types of development or specific sites).</b>	<b>Time defined?</b>	<b>Nature of costs</b>	<b>How is the cost accounted for within the Viability Assessment?</b>
<i>SP1 Housing Growth</i>	No	N/A	N/A	N/A	N/A
<i>SP2 Employment Growth</i>	No	N/A	N/A	N/A	N/A
<i>SP3 Affordable Housing Target</i>	Yes.	All housing developments are expected to contribute towards meeting the affordable housing target, however the detailed application of the affordable housing requirements of the plan is explained under policy	No.	By requiring affordable housing contributions to be made by housing developments, lower house price values will be gained for affordable housing than open-market houses, which impacts on the Gross Development Value of	The scope for requiring affordable housing whilst maintaining development viability has been tested within the Viability Assessment.

		H4.		a scheme.	
<i>SP4 Retail Growth</i>	No	N/A	N/A	N/A	N/A
<i>SP5 Settlement Hierarchy</i>	No.	All Developments	N/A	N/A	N/A
<i>SP6 Distribution of Growth across the Settlement Hierarchy</i>	No.	All developments	N/A	N/A	N/A
<i>SP7 Safeguarding of Strategic Resources and Assets</i>	Yes.	Site specific depending on whether the proposal would impact on these assets.	No.	This policy would generally prevent development that has an adverse impact on the identified assets. Where development affecting these assets is found to be acceptable in principle, this may be subject to mitigation measures and appropriate design solutions.	These are site specific costs and therefore are not directly captured within the viability appraisal.

<i>DM1 Planning Obligations</i>	Yes.	In theory, this policy is applicable to all development, however in practice planning obligations are required to be relevant, necessary and reasonably related to the proposed development. Affordable housing obligations will be applicable to developments of 5 or more dwellings. Other requirements in relation to open space and Welsh language will only be applicable to developments of 10 dwellings or more.	No.	Planning obligation costs will be in the form of on and/or off-site contributions towards various matters, including infrastructure and utility requirements, affordable housing, community facilities, and other matters as explained in the policy. Such could be in the form of provision, improvement, financial contributions and mitigation measures.	The costs associated with planning obligations (not relating to affordable housing) are accounted for within the section 106 allowance adopted in the Viability Assessment.
<i>DM2 The Natural Environment</i>	Yes.	Application would depend on the specific characteristics of the site and impact on features of the natural environment.	No.	Costs would be site specific and may take the form of enhancement, compensation and mitigation measures. Other technical costs associated with survey requirements.	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under professional fees.
<i>DM2A Public Open Space</i>	Yes.	Development on areas of open space.	No.	Where the loss of open space is found to be justified, there may be costs involved to ensure alternative provision can be made for open space. There may also be technical costs involved in evidencing that the loss is	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under

				justified.	professional fees.
<i>DM3 Landscape</i>	Yes.	Application will depend on the landscape impact of the specific development.	No.	Where applicable, there may be costs for mitigation and enhancement measures, implementation of landscaping schemes, and technical costs in connection with landscape impact assessment requirements.	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under professional fees.
<i>DM4 Development and Flood Risk</i>	Yes.	This policy prevents highly vulnerable development within tidal or fluvial floodplains, which includes residential development. Assessment may be required in other areas of high flood risk.	No.	Design costs and alleviation measures where appropriate. Technical costs associated with assessment.	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under professional fees.
<i>DM5 Flood Prevention Measures and Land Drainage</i>	Yes.	A. Applicable to all development susceptible to floodrisk and adjacent to watercourses, culverts.  B. The requirement relating to sustainable Urban Drainage Systems applies to all development.	No.	A. Potential costs involved in implementing floodrisk improvement measures, restoration and enhancement of floodplains, de-culverting, watercourse buffer maintenance, water management, attenuation measures.  B. Costs involved in the implementation of SUDS.	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under professional fees.

				Technical assessments where de-culverting proposed, maintenance strategies, SUDS.	
<i>DM6 Dark Skies and External Lighting</i>	Yes.	Developments that involve lighting schemes. Particularly relevant to proposals in areas adjoining the Brecon Beacons National Park as a Dark Sky Reserve.	No.	Design and mitigation costs, costs of appropriate lighting. Technical costs involved in lighting appraisals and protected species assessments.	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under professional fees.
<i>DM7 Mineral Safeguarding</i>	No.	N/A	N/A	N/A	N/A
<i>DM8 Existing Mineral Workings</i>	Yes.	Developments within the buffer zone around mineral working sites.	No.	This policy is generally prohibitive towards residential development within buffer zones. There will be costs for mitigation measures where developments within the buffer zone are found to be appropriate.	Mitigation costs would be site specific and therefore are not directly captured within the viability appraisal.
<i>DM9 Contaminated and Unstable Land</i>	Yes.	Applicable to developments on contaminated or unstable land.	No.	Costs involved in remediation. Technical costs involved in risk assessment, monitoring, validation.	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under professional fees.

DM11 <i>Protection of Existing Community Facilities and Services</i>	No direct costs. This policy is aimed at protecting community facilities and services.	N/A	N/A	N/A	N/A
DM14 Welsh Language Strongholds	Yes.	Only applies to proposals for 10 or more dwellings within the settlements listed in the policy as being within the identified Welsh Language Strongholds.	No.	Costs associated with funding mitigation measures, such as phasing, affordable housing, bilingual signage, support and funding for language lessons, language initiatives, local cultural events, provision of places in Welsh medium schools. Also the cost of producing a Language Action Plan.	The costs associated with planning obligations, which includes Welsh Language mitigation measures, are accounted for within the section 106 allowance adopted in the Viability Assessment.
DM15 Design and Resources	Yes.	This policy applies to all development. Whilst some of the requirements will generally apply to all development, the application of certain requirements will depend on the relevance to the proposed development. For instance, criteria 3 and 4 will only apply where historic areas or	No.	Costs involved in achieving appropriate design solutions in relation to the different requirements of this policy in relation to the historic environment, amenity, open space, highways, parking, transport, utilities, energy efficient measures, renewable energy, water conservation, waste management and renewable heat.	The build costs and external costs assumed within the Viability Assessment capture the general costs that would be associated with some of these design aspects. However, some of these design requirements will be site specific.

		features are affected by a proposal, open space requirements will only apply to sites of 10 or more units, and the requirement to investigate renewable heat systems only applies to schemes over a certain heat demand density (which it is understood is only likely to be required in connection with large high density schemes).		Technical costs involved in appraisals, assessments, statements, and plans.	Technical costs are generally covered under professional fees.
DM15A Air Quality Management	Yes	In terms of housing development, this will only apply to development proposals where they are likely to create or exacerbate air pollution problems, and in particular within the identified air quality management area. Other requirements are more relevant to agricultural development.	No.	This policy is generally prohibitive towards developments that may lead to or contribute towards air pollution problems. However, where it is found acceptable, there may be costs involved in mitigation measures. Also technical costs involved in air quality impact assessments.	These are site specific costs and therefore are not directly captured within the viability appraisal. Technical costs are generally covered under professional fees.
DM17 Protection of Existing Employment	No.	N/A	N/A	N/A	N/A

Sites					
E1 Employment Proposals on Allocated Employment Sites	No.	N/A	N/A	N/A	N/A
E2 Employment Proposals on Non-allocated Employment Sites	No.	N/A	N/A	N/A	N/A
E3 Employment Proposals on Allocated Mixed Use Employment Sites	No.	N/A	N/A	N/A	N/A
E4 Bronllys Health Park	No.	N/A	N/A	N/A	N/A
T1 Transport Infrastructure	No.	N/A	N/A	N/A	N/A

T1A Safeguarding of Disused Transport Infrastructure	No	N/A	N/A	N/A	N/A
T2 Newtown By-pass	No	N/A	N/A	N/A	N/A
H1 Housing Development Proposals	No	N/A			
H1A Housing Sites	No	N/A	N/A	N/A	N/A
H2 Housing Delivery	Yes.	Requirement for housing mix to reflect local housing need applies to all residential development. Appropriate phasing may also be applicable to certain developments.  Requirement for development briefs in connection with large or mixed developments, or sensitively located	No.	Achieving an appropriate mix and phasing may affect the costs, values and financing of development.  Technical costs in preparing a development brief.	Appropriate mixes and phasing are taken into account in the Viability Assessment.  Technical costs are generally covered under professional fees.

		developments.			
H3 Housing Density	Yes.	Requirement for development to be of an appropriate density and to accord with the guide ranges.	No.	Achieving an appropriate density may affect costs and values of a development by either limiting the number of housing that can be provided on a site or by requiring a higher density development with smaller house types.	Appropriate densities are taken into account in the Viability Assessment.
H4 Affordable Housing Contributions	Yes.	A contribution towards affordable housing will be required from open market housing development of 5 or more dwelling units or 0.25 ha. Target contributions will vary by sub-market area are as follows:  Central Powys 30%  Severn Valley 20%  Rural North 10%  South West/ Ystradgynlais 0%.	No.	The term 'contribution' is defined as either a financial contribution ('commuted sum') or on-site provision and the contribution negotiated may come in a variety of forms, although the range of units types and sizes must reflect local housing needs.	Affordable housing contributions and costs associated with affordable housing provision are accounted for and their viability across sub-market areas is tested within the Viability Assessment.
H5 Affordable Housing Exception	No.	N/A	N/A	N/A	N/A

Sites					
H7 Rural Affordable Homes	No.	N/A	N/A	N/A	N/A
H8 Affordable Housing Eligibility	No.	N/A	N/A	N/A	N/A
H9 Householder Development	No.	N/A	N/A	N/A	N/A
H11 Renovation of Abandoned Dwellings	Yes.	Applicable only to proposals for the renovation of abandoned dwellings.	No.	Design costs.	Site specific and therefore not accounted for within the viability assessment.
H12 Replacement Dwellings	Yes.	Applicable only to proposals for replacement dwellings.	No.	Design costs.	Site specific and therefore not accounted for within the viability assessment.
H13 Gypsy and Traveller Sites and Caravans	No.	N/A	N/A	N/A	N/A
R1 New Retail Development	No.	N/A	N/A	N/A	N/A

R1A Retail Allocations	No	N/A	N/A	N/A	N/A
R2 Development Within Town Centre Areas	No.	N/A	N/A	N/A	N/A
R3 Large Out-of-Centre Retail Developments	No.	N/A	N/A	N/A	N/A
R4 Neighbourhood and Village Shops and Services	No.	N/A	N/A	N/A	N/A
TD1 Tourism Development	No.	N/A	N/A	N/A	N/A
TD2 Alternative Uses of Existing Tourism Development	No.	N/A	N/A	N/A	N/A
TD3 Montgomery	No.	N/A	N/A	N/A	N/A

Canal and Associated Development					
W1 Waste	No.	N/A	N/A	N/A	N/A
RE1 Renewable Energy	No.	N/A	N/A	N/A	N/A
M1 Existing Mineral Sites	No.	N/A	N/A	N/A	N/A
M2 New Mineral Sites	No.	N/A	N/A	N/A	N/A
M3 Borrow Pits	No.	N/A	N/A	N/A	N/A
C1 Community Facilities and Indoor Recreation	No.	N/A	N/A	N/A	N/A
MD1 Development Proposals by the MOD	No.	N/A	N/A	N/A	N/A

## APPENDIX 3

### BENCHMARK LAND VALUES APPLIED IN OTHER LDP VIABILITY ASSESSMENTS

Other LDP Viability Assessments	Benchmark land value applied	Status of LDP
Ceredigion Study concerning the economic viability of providing affordable housing (August 2010, and updated October 2010 and July 2011)	Between £300,000 per ha (for greenfield) to £500,000 per ha (for town)	Adopted 2013
Gwynedd and Anglesey Affordable Housing Viability Study (update October 2014)	£250,000 per hectare	Submitted for examination.
Vale of Glamorgan Affordable Housing Viability Study (update August 2014)	<p>£300,000 per ha</p> <p>Also referred to lower expectations in lower value areas such as the Barry.</p> <p>NOTED: Action Points for the Council include re-running viability appraisals, amending the benchmark land values used in the viability report to reflect realistic values in light of the available evidence, and to consider the potential for assuming different land values for the different spatial areas.</p>	Examination postponed following hearings to allow for action points and matters arising changes to be considered.
Cardiff LDP Viability Testing Report (updated 2014)	<p>Brownfield: £1,500,000 per net Ha</p> <p>Greenfield: £1,200,000 per net Ha</p> <p>Large Brownfield: £1,200,000 per net Ha</p> <p>Large Greenfield: £1,000,000 per net Ha</p>	Adopted January 2016.
Caerphilly Affordable Housing Viability	Between £125,000 per ha and	Adopted 2010.

Study (October 2015)	£300,000 per ha.  Between £200,000 and £280,000 per gross hectare depending on the market area, applied in earlier study for adopted LDP.	Replacement LDP withdrawn 2016.
Carmarthenshire County Council Affordable Housing Viability Study (Update May 2013)	£250,000 per hectare	Adopted 2014
Denbighshire Affordable Housing Viability Study (2009)	£250,000 upwards.	Adopted 2013
Newport Affordable Housing Viability Report (March 2012)	£500,000 per hectare	Adopted 2015
Neath Port Talbot Affordable Housing Viability Study (August 2012)	£408,000 per ha to £672,000 per ha varied by area.  £188,000 per ha to £266,500 per ha for industrial.  Residual values also assessed against the existing use value +30% as a benchmark.	Adopted 2016
Rhondda Cynon Taf Affordable Housing Viability Study (2009)	£150,000 to £550,000 per hectare.  £350,000 per hectare average.	Adopted 2011
Conwy Affordable Housing Viability Study (2011)	£600,000 per hectare.	Adopted 2013.
Pembrokeshire Affordable Housing Viability Assessment (2010)	£400,000 per hectare.	Adopted 2013.
Wrexham and Flintshire Affordable Housing and Community Infrastructure	£300,000 per hectare.	LDP in

Levy and Development Viability Assessment (2014)		preparation.
Monmouthshire CIL Viability Assessment (2014)	£250,000 per hectare for greenfield.  £600,000 per hectare for brownfield.	Adopted 2014.
Torfaen Affordable Housing Viability Study (updated 2013)	£700k per ha in lower value areas to £1.2m per ha in higher value areas	Adopted 2013.
Swansea Affordable Housing Viability Assessment (2013 and updated May 2016)	Between £490,000 per hectare and £790,000 per hectare.	LDP in preparation.
Shropshire Viability Study (2013)	£490,000 per ha  £885,000 per ha  £1,300,000 per ha  Varied by area.  Highest in rural south, middle in the range for rural north, lowest in Shrewsbury north.	Adopted Core Strategy 2011 and SAMDev 2015.
Herefordshire Viability Study	£600,000 per hectare	Adopted October 2015.

## APPENDIX 4

### LIST OF CURRENT PLANNING HOUSING APPLICATIONS FOR HOUSING IN THE SOUTH-WEST SUB-MARKET AREA

Reference number	Valid Date	Site location	Proposed development	Decision Status	Community Council
<a href="#">P/2016/0123</a>	04/07/2016	Land off Brecon Road Penrhos Ystradgynlais	Erection of a dwellinghouse on site of former cottage and all associated works (revised proposal)	Pending	Ystradgynlais
<a href="#">P/2016/0488</a>	03/05/2016	47 Commercial Street Ystradgynlais	Change of use of premises to a dwelling	Pending	Ystradgynlais
<a href="#">P/2016/0123</a>	04/07/2016	Land off Brecon Road Penrhos	Erection of a dwellinghouse on site of former cottage and all associated works (revised proposal)	Pending	Ystradgynlais
<a href="#">NMA/2016/0010</a>	03/02/2016	Plot 1 & 2 Land Rear of 16 Station Road Ystradgynlais	Application for non-material amendments to planning application P/2014/0090 in respect of alterations to drawings	Pending	Ystradgynlais
<a href="#">P/2016/0047</a>	15/02/2016	Land at Former Cynlais School Playing Field Ystradgynlais	Residential development, formation of vehicular access road and all associated works (outline)	Pending	Ystradgynlais
<a href="#">P/2015/0622</a>	06/07/2015	Land adjacent to Wharf Cottage Gurnos Road Ystradgynlais	Full: Erection of a dwellinghouse with integral garage and all associated works	Pending	Ystradgynlais
<a href="#">P/2016/0613</a>	01/06/2016	Land opposite 2 Tanygraig Cottages Caerlan Abercrave	Erection of a dwellinghouse and formation of vehicular access	Pending	Ystradgynlais
<a href="#">P/2016/0386</a>	17/05/2016	Development Rear of Glandwr House Heol Cwmtwrch Lower Cwmtwrch	Outline planning permission for a one bed dwelling with all matters reserved	Pending	Ystradgynlais

**Appendix 5 A map of the sub-market areas, as amended (2016).**

