

Technical Statement

Technical Statement –
Affordable Housing & Viability

Land to the south of Chatburn
Old Road, Chatburn, BB7 4EP

Mr Ronald Jackson

Application Reference:
3/2022/0500

Prepared by Neil Tatton

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1.0 Background to Appeal

1.1 This Technical Statement is provided in support of the Appeal Statement prepared by Caroline Payne of Emery Planning and should be read alongside that document.

1.2 The appeal is made by Mr Ronald Jackson (“the Appellant”) in relation to land to the south of Chatburn Old Road, Chatburn (the “Appeal Site”).

1.3 The appeal is made against a refusal of Technical Details Consent (“TDC”) (reference: 3/2022/0500) by Ribble Valley Borough Council (“the Council”) for residential development of up to 9 dwellings (“the Development”) following the grant of Permission in Principle (“PiP”) (application reference: 3/2018/0582; appeal reference: APP/T2350/W/19/3223816).

1.4 The application for technical details consent was submitted to the Council on 18th May 2022. It was refused under delegated powers on 16th June 2023 for the following reasons:

1. *The proposal is considered to be in direct conflict of Key Statement H2 and H3 and Policy DMH1 of the Ribble Valley Core Strategy and Paragraph 64 of the National Planning Policy Framework by virtue of a failure to provide a policy compliant level of affordable housing provision (within a designated rural area as designated under Section 157 of the Housing Act 1985).*

Furthermore the proposal would fail to provide a suitable mix of housing that reflects local needs or result in the creation of a development with a well-integrated mix of homes of different types and tenures to support a range of household sizes, age-groups and community groups that would achieve or encourage a balanced, inclusive or cohesive sense of community, contrary to the aims and provisions of Paragraphs 8(b) and 130 (f) of the National Planning Policy Framework.

Even if a viability justification was accepted, the significant harm caused by the development in failing to provide any affordable housing or encourage a balanced/inclusive community, would outweigh any benefits to development. Therefore the proposal is considered to form an unsustainable development contrary to the overarching objective(s) of the development plan and National Planning Policy Framework.

2. *The proposal is considered to be in direct conflict with Policy DMG1 of the Ribble Valley Core Strategy insofar that the outlook of Plot 7 will result in significant elevated overlooking of the private garden area of number 26 Crow Trees Brow, being of significant detriment to the sense of privacy and residential amenities enjoyed by current/future occupiers or the affected dwelling.*

- 1.5 This statement will consider whether each of the three separate paragraphs that form the first reason for refusal are justified.

Qualifications and Experience

- 1.6 I am Neil Tatton, a residential development specialist with 30 years' experience in residential development and affordable housing provision.
- 1.7 I hold a BA Honours degree in Urban Studies from the University of Sheffield.
- 1.8 I have held positions in both housing associations and housebuilders involving the acquisition of land and delivery of new build housing, both affordable, and for market sale.
- 1.9 Since 2006 I have practiced as a consultant dealing exclusively with matters pertaining to planning and affordable housing. I am the owner and a Director of Resolve106 Affordable Housing Consultancy which I founded in 2013.
- 1.10 I have acted extensively for developers in the disposal of affordable housing to Registered Providers across the North West (including Ribble Valley) and am therefore extremely familiar with the aspirations of Registered Providers to acquire dwellings in locations where there is an identified shortfall of affordable housing.
- 1.11 The evidence which I have prepared and provide in this Statement is true, and I confirm that the opinions expressed are my true opinions.

2.0 The Role of Viability in Decision Making

- 2.1 Section 38(6) of the Planning and Compulsory Purchase Act 2004 requires that planning applications should be determined in accordance with the plan unless material considerations indicate otherwise.
- 2.2 Material considerations may include situations where Local Plan policies were produced prior to publication of the National Planning Policy Framework ("NPPF") or where subsequent changes have been made to the NPPF and these have yet to be reflected in an update to a Local Plan.
- 2.3 The NPPF was originally published on 27th March 2012, with subsequent revisions made on 28th July 2018, 19th February 2019, 20th July 2021, and 5th September 2023. The contents of the revised NPPF are material considerations which must be taken into account by decision makers from the date of its publication.
- 2.4 The NPPF advises that existing policies should not be considered out-of-date simply because they were adopted or made prior to the publication of the most recent update of the Framework. However, due weight should be given to them, according to their degree of consistency with the Framework (the closer the policies in the plan to the policies in the Framework, the greater the weight that may be given).

- 2.5 The development plan for Ribble Valley comprises the Ribble Valley Core Strategy 2008 - 2028 ("RVCS") adopted on 16th December 2014.
- 2.6 Key Statement H3 comprises the affordable housing policy within the RVCS. The second paragraph of the policy sets a threshold for development comprising 10 dwellings or more (or sites of 0.5 hectares or more) within Clitheroe and Longridge to provide 30% affordable housing.
- 2.7 In all other locations in the borough, on developments of 5 or more dwellings (or sites of 0.2 hectares or more irrespective of the number of dwellings) the policy states that the council will require 30% affordable units on the site.
- 2.8 The third paragraph of the policy states that:

"The Council will use open book viability assessments, provided at the developer's cost, within its consideration of affordable housing provision particularly where thresholds¹ are not being met."

Therefore, it is acknowledged that viability may be a material consideration in the determination of planning applications where a developer is of the view that provision of 30% affordable housing is not viable. By inference, a lower proportion of affordable housing

¹ 'Threshold' is a term that is usually applied to the number of dwellings within a development at which provision of affordable housing is triggered by a policy, and 'Target' to the proportion of affordable housing that will be sought. In Key Statement H3 the context applied to 'Threshold' appears to relate to the 'Target' level of affordable housing provision.

provision (or even nil affordable housing provision) may be acceptable depending on the circumstances of the application.

2.9 How a decision maker should approach viability in the context of the NPPF was outlined succinctly by inspector D M Young in connection with an application for residential development at Balderstone, Nottinghamshire (Appeal Ref:APP/B3030/W/20/3260970).

2.10 In paragraph 31 of the appeal decision the inspector opines that the following salient principles apply to consideration of a Viability Assessment ("VA"):

- *The need for flexibility, taking account of an agreed VA, is central to the Council's approach,*
- *The level of affordable housing and developer contributions a development can sustain without becoming economically unviable will be informed by a VA,*
- *Contributions should be based upon a careful assessment of impact and need rather than a slavish adherence to formulas,*
- *Viability is not a trump card, nonetheless, it is capable of being a significant material consideration and the weight to be applied to a VA is a matter for the decision maker,*
- *There is no lower threshold for affordable housing or financial contributions beyond which a development will be refused,*
- *Similarly, advice in the SPDs applies to all residential development irrespective of scale,*
- *Development proposals should not be subject to planning obligations that would prevent otherwise acceptable development coming forward, and*

- *Policies SP6, DM3 and CP1 as well as the accompanying SPDs all countenance reduced obligations in circumstances where the viability of the scheme is in question.*

(Emphases Added)

2.11 With regard to the final bullet point policy CP1 refers to the LPA's affordable housing policy, whereas policies SP6 and DM3 are concerned with contributions toward physical and social infrastructure provision. In the context of the RVCS therefore 'H3' may be substituted for 'CP1'. As no other S106 contributions were sought consideration of Key Statement DM1 'Planning Obligations' (other than in relation to affordable housing provision) is not required. Neither are there any adopted SPD's in Ribble Valley.

2.12 In the following section of this statement consideration will be given as to how the key principles as outlined above were applied by the Council in determination of the application for TDC.

3.0 The Viability of the Appeal Proposals

- 3.1 The application for TDC was submitted without any information in respect of proposed affordable housing provision.
- 3.2 The reasons for this were twofold. Firstly, the Appellant was unaware of the discrepancy between the PiP regime in relation to development which does not comprise major development, and paragraph 64 of NPPF which although stating that affordable housing should not be sought from developments that do not comprise major development nonetheless permits a lower threshold of 5 units or fewer within 'designated rural areas'.
- 3.3 Chatburn is within a designated rural area and as identified in paragraph 2.7 Key Statement H3 of the RVCS seeks affordable housing provision from developments comprising 5 or more dwellings.
- 3.4 For all development above the stated thresholds Key Statement 3 seeks provision of 30% affordable housing. As the application for TDC was for 9 dwellings (the maximum permitted by the PiP) this would equate to a requirement to provide 3 affordable dwellings (rounded up from 2.7 dwellings).
- 3.5 It was requested by the Council that engagement take place with Registered Providers to establish their requirements in terms of affordable housing provision on-site.

3.6 However, it is increasingly difficult to interest Registered Providers in acquiring affordable housing on-sites where the number of affordable dwellings involved is less than 10, and in many cases a higher minimum requirement applies. This results from concerns regarding economies of scale both in long term management and during the development process.

3.7 This notwithstanding, engagement took place with the following Registered Providers:

- Great Places
- Onward
- Mosscafe St.Vincent's
- Progress Housing
- Jigsaw Homes

As expected, all of these organisations confirmed that they would not be interested in acquiring 3 affordable dwellings.

3.8 Responses from these organisations were provided to the Council. It is evident that the Council accepted that on-site affordable housing via a Registered Provider was not possible as an email of 12th October 2022 requested that consideration now be given to incorporation of three on-site affordable dwellings to be sold as Discounted Market Sales Housing at a discount of 40% to Open Market Value, equivalent to a maximum sales price of £188,000 (after discount).

3.9 The Council considered £188,000 to represent the maximum sale price that would be affordable to local households and having regard

to the average sale price in the area of £312,000 a 40% discount was considered necessary. It is noted that a sale price of £188,000 is in excess of the asking price for some market sale dwellings in Chatburn.

- 3.10 Delivery of dwellings at this price would have required an amendment to the submitted TDC proposals. It was estimated that at prevailing market values a maximum dwelling size of 98m² would be feasible. After application of a 40% discount these would sell for £187,000 (full market value £311,667). It was assumed that these would comprise dwellings with 3 bedrooms.
- 3.11 This brings us back to second reason why affordable housing provision was not incorporated into the TDC application from the outset, namely that the Appellant had an innate understanding that such provision would not be viable.
- 3.12 This arises from the fact that the TDC proposals represent the most viable option for the site having regard to the specific constraints involved. These were set out in the Financial Viability Assessment ("FVA") submitted in support of the TDC application and dated 15th December 2022 (Appendix 1.0).
- 3.13 In summary, there are significant fixed development costs involved in the provision site infrastructure and services. These are exacerbated by the previous use of the site for mineral extraction and which was not restored following the cessation of quarrying activities. Therefore, there are significant fixed costs involved which will be incurred irrespective of the form of development proposed.

- 3.14 It therefore follows that the form of development proposed must be one that maximises the value of the site. However, as the scope of development is limited to 9 dwellings, it is what form those dwellings should take that needs to be considered, rather than how many dwellings should be provided in total.
- 3.15 Within these constraints, all things being equal the larger the dwelling to be provided the greater the development value that will be generated. However, there is a law of diminishing returns at play i.e. the larger a dwelling becomes the less a purchaser is willing to pay for each successive square metre of accommodation provided. Furthermore, in the context of new build estate housing there is often a price ceiling above which purchasers will make comparison with more individualistic dwellings in rural locations, which often come with significant landholdings included.
- 3.16 Therefore, the form of development which generates the greatest value in relation to the scope of development provided was reflected in the TDC proposals for 9 detached dwellings.
- 3.17 Irrespective of the form of development proposed additional abnormal costs will be encountered owing to the ground conditions and topography of the site.
- 3.18 In respect of topography, the requirement for provision of retaining walls across the site results in the provision of split level dwellings, often involving provision of additional habitable floor space below ground level. As costs would be incurred irrespective of whether this additional space was provided to habitable standards the marginal

expenditure involved adds to the sales appeal of the dwellings but the value added broadly equates with the costs incurred.

- 3.19 A similar relationship applies in respect of providing habitable accommodation within roofspaces. Therefore, the proposed dwellings do appear to be particularly large, but the arrangement proposed is one that maximises the development value relative to the costs involved, and in doing so generates the maximum contribution toward fixed site development costs.
- 3.20 As the FVA indicates, incorporation of smaller affordable dwellings to be sold at 60% of market value firstly reduces the net sellable area of accommodation by 18%, and secondly reduces the overall gross development value by 22%.
- 3.21 When faced with the fixed site development costs the incorporation of affordable housing reduces the development value to a level whereby the contribution net of plot construction costs is unable to cover the fixed site development costs thereby rendering the appeal proposals unviable.
- 3.22 That incorporation of affordable housing would not be viable was acknowledged and accepted by consultants CPV Viability Ltd who were appointed by the Council to review the submitted FVA. A copy of their report and appraisal model output (both dated 23rd January 2023) comprise appendices 2.0 and 3.0 respectively.
- 3.23 However, CPV continued to opine that the viability issues identified were a consequence of the form of development proposed and then suggested that the TDC proposals did not optimise development of

the site. Instead they suggested an alternative form of development based on provision of 18 smaller dwellings.

3.24 Such a proposal however would fall outside the scope of development permitted by the PIP. As explained in the opinion from counsel dated 13 February 2023 (enclosed with the appeal documentation), the suggestion of an 18 unit scheme falls outside the remit of the parameters set by the Permission in Principle and cannot be considered as part of the appeal proposals.

3.25 In response to the report from CPV a letter was provided to the Council via email on 10th February 2022 (Appendix 4.0). This advised that even subject to application of the amended cost and revenue assumptions advocated by CPV that there was no alternative scheme of development permissible within the confines of the PIP regime that would be able to support the provision of affordable housing.

3.26 The Council responded via email on the same day and stated that;

"The authority will therefore proceed to determination of the application with a recommendation for refusal on the basis the applicant is not willing to explore 'down-sizing' or redesigning a number of the units, thereby reducing construction/other costs to accommodate the provision of affordable housing on site."

This represents a fundamental misunderstanding of the viability position. As referred to, it is the incidence of significant fixed site infrastructure costs which dictate a form of development capable of generating sufficient value to offset these costs, whilst at the same

time covering the anticipated plot construction costs (both 'normal' and 'abnormal' costs) and still generating a positive rate of developer return.

- 3.27 The third paragraph of Key Statement H3 follows confirmation of the affordable housing threshold for sites of 10 dwellings or more in Clitheroe and Longridge and states that;

"The Council will use open book viability assessments, provided at the developer's cost, within its consideration of affordable housing provision particularly where thresholds are not being met."

This acknowledges that viability may be a material consideration in the determination of planning applications where a developer is of the view that provision of 30% affordable housing is not viable. By inference, a lower proportion of affordable housing provision (or even zero affordable housing provision) may be acceptable depending on the circumstances of the application.

- 3.28 However, the fifth paragraph of Key Statement H3 which follows the confirmation of an affordable housing threshold for sites of 5 dwellings or more outside of Clitheroe and Longridge states that;

"The Council will only consider a reduction in this level of provision, to a minimum of 20% only where supporting evidence, including a viability appraisal fully justifies a lower level of provision to the council's satisfaction."

The placement of this paragraph implies that the viability of applications located outside of Clitheroe and Longridge will be treated differently and refused permission if they are unable to deliver a minimum of 20% affordable housing provision.

3.29 Notwithstanding consideration of the unfathomable logic behind a differentiation in policy according to site size it is clear that such an approach would be contrary to paragraph 34 of the NPPF, the final sentence of which states that *'policies should not undermine the delivery of the plan'*.

3.30 This brings us back to consideration of the appeal decision referred to in paragraph 2.10 (Appendix 5.0), and in particular the fifth and seventh bullet points which confirm that;

- *There is no lower threshold for affordable housing or financial contributions beyond which a development will be refused,*

And

- *Development proposals should not be subject to planning obligations that would prevent otherwise acceptable development coming forward,*

It would also be somewhat at odds with paragraph 60 of NPPF which expresses the Government's objective of *'significantly boosting the supply of homes'* if applications that were otherwise acceptable in planning terms but which had demonstrated that they could not viably support provision of affordable housing were to be refused.

- 3.31 The submitted FVA was considered by the Councils appointed viability consultants who similarly concluded that provision of affordable housing would not be viable. Their response however was to propose an alternative form of development which they considered would be viable but that would fall outside the remit of the parameters set by the PiP consent. This therefore cannot be considered as part of the appeal proposals.
- 3.32 In conclusion it is considered that the inability of the appeal proposals to support provision of affordable housing does not constitute a valid reason for refusal.

4.0 The Need for Affordable Housing in Ribble Valley

- 4.1 The affordable housing targets within policy H3 of the RVCS were informed by a Strategic Housing Market Assessment prepared by the Council and published in December 2008 ("SHMA08").
- 4.2 The SHMA08 estimated a requirement for 264 affordable dwellings annually in Ribble Valley assuming that the backlog need for affordable housing was to be eradicated within 5 years.
- 4.3 However, this approach is contrary to Planning Practice Guidance in respect of estimating the housing needs of different groups which states that the net need for affordable housing should be converted into '*an annual flow based on the plan period*'.²
- 4.4 The RVCS covers the period 2008 to 2028. Therefore the estimate of backlog housing need should have been converted to an annual flow over a 20 year period. On this basis the annual affordable housing requirement in Ribble Valley would equate to 138 dwellings.
- 4.5 In order to inform a new Local Plan for Ribble Valley³ covering the period 2021 to 2038 consultants Turley prepared a Strategic Housing and Economic Needs Assessment ("SHENA") which was published in April 2020. The estimates of affordable housing need in the SHENA cover the period 2018 – 2033 (14 years).

² Paragraph: 008 Reference ID: 67-008-20190722

³ Subject to Regulation 18 consultation between 26th May and 7th July 2022.

- 4.6 The SHENA estimated an annual affordable housing requirement of 88 dwellings over the study period.
- 4.7 In terms of the estimation of backlog housing need the SHENA analysed the Councils Housing Register (Table 6.1). Having established that 66 applicants were considered to have a low priority for rehousing, the remaining 802 households were considered to be in 'reasonable need' of affordable housing in Ribble Valley.
- 4.8 However, a 'reasonable need' for affordable housing does not equate to a household as having a statutorily defined 'reasonable preference' for rehousing. S.166A(3) Housing Act 1996 (as inserted by s.147(4) Localism Act 2011) requires that a local authority's allocation scheme must give reasonable preference to applicants who fall into the following categories:
- People who are homeless within the meaning given in Part VII of the Act, regardless of whether there is a statutory duty to house them;
 - Owed a duty by any local housing authority or are occupying accommodation secured by any such authority under the Act;
 - People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions;
 - People who need to move on medical or welfare grounds, including grounds relating to a disability;
 - People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others).

4.9 Households on the housing register categorised as having a reasonable preference for rehousing therefore represent households with an objectively assessed need for affordable housing which is only considered capable of being addressed through rehousing in suitable accommodation.

4.10 Since 2018/19 however in their statutory returns to Government⁴ Ribble Valley have recorded no households as being in a reasonable preference category.

4.11 The table below plots the number of households on the housing register, those in a reasonable preference category, and annual affordable housing completions.

Table 1.0 – Waiting List Data & Affordable Housing Completions – 2007/08 – 2021/22

Year	Housing Register	Reasonable Preference	Affordable Housing Completions
2007/08	982	726	0
2008/09	840	613	12
2009/10	739	525	40
2010/11	735	440	49
2011/12	995	592	65
2012/13	918	695	65
2013/14	1107	834	50
2014/15	957	718	45
2015/16	956	269	90
2016/17	956	269	104
2017/18	956	269	70
2018/19	1032	0	111
2019/20	863	0	94
2020/21	964	0	121
2021/22	905	0	161

⁴ Local Authority Housing Data – Housing Strategy Statistical Appendix

- 4.12 The analysis identifies that the increase in affordable housing completions (to which the Council typically enjoys nomination rights) has eliminated the number of households on the housing register in a reasonable preference category.
- 4.13 There is no suggestion that the need for additional affordable housing in Ribble Valley has been entirely eliminated. However, the reduction in the estimated annual affordable dwelling requirement from 264 in the SHMA08 (138 if methodology is applied correctly) to 88 in the SHENA, coupled with the elimination of households in a reasonable preference category does suggest that affordable housing is perhaps a matter that attracts reduced weight than previously in consideration of the overall planning balance.
- 4.14 The need for affordable housing is estimated on a borough wide basis, and the need within individual settlements is likely to vary. However, all developments which comprise affordable housing (whether delivered via S106 agreement or otherwise) contribute to meeting borough wide needs (even if priority is afforded first to local households).
- 4.15 Since the Decision Notice was issued members of the Ribble Valley Planning and Development Committee at their meeting of 21st September 2023 resolved to grant planning approval (subject to the completion of a S106 agreement) for the development of 37 affordable dwellings at Crow Trees Farm, Chatburn (3/2022/0966).
- 4.16 It is considered that this development would make a significant contribution toward meeting the need for affordable housing amongst the residents of Chatburn, although the committee report

did not make any reference to the number of households in Chatburn considered to be in need of affordable housing.

- 4.17 In relation to the appeal proposals it is acknowledged that the development is in conflict with policy H3 of the RVCS as it is unable to support provision of 30% affordable housing. However, as has been demonstrated (and accepted by the Councils advisors) such provision would not be financially viable.
- 4.18 The Decision Notice refers to the absence of affordable housing provision causing significant harm, and considers that this harm is not outweighed by the benefits of the development.
- 4.19 Inverting this logic, it is to be taken to mean that the inability of the appeal proposals to support provision of affordable housing represents the absence of an expected benefit that would weigh against the perceived harm caused by development in consideration of the planning balance.
- 4.20 Reverting to the Decision Notice referred to in paragraph 2.10, and the third bullet point in particular which confirms that;

- *Contributions should be based upon a careful assessment of impact and need rather than a slavish adherence to formulas,*

It is evident that a 'careful assessment of need' would have regard to the revised estimates of affordable housing need in Ribble Valley, the apparent elimination of households in a reasonable preference category, and the supply that will be delivered locally through development of the Crow Trees Farm site.

4.21 Therefore, it is considered that the harm arising from the absence of affordable housing provision within the appeal proposals is greatly diminished and should not attract significant weight.

5.0 The Meaning of 'Balanced and Inclusive' Communities

5.1 The second paragraph of the Decision Notice states that the appeal proposals;

"would fail to provide a suitable mix of housing that reflects local needs or result in the creation of a development with a well-integrated mix of homes of different types and tenures to support a range of household sizes, age-groups and community groups that would achieve or encourage a balanced, inclusive or cohesive sense of community, contrary to the aims and provisions of Paragraphs 8(b) and 130 (f) of the National Planning Policy Framework."

5.2 In paragraph 8(b) of the NPPF the social objective of sustainable development is outlined as follows:

b) a social objective – *to support strong, vibrant and healthy communities, by ensuring that a sufficient number and range of homes can be provided to meet the needs of present and future generations; and by fostering well-designed, beautiful and safe places, with accessible services and open spaces that reflect current and future needs and support communities' health, social and cultural well-being;*

Therefore there is no reference to 'balanced', 'inclusive', or 'cohesive' communities within this paragraph of the NPPF.

- 5.3 Paragraph 130(f) of the NPPF must be considered within the context of the chapter within which it is located in relation to 'Achieving well-designed places';

f) create places that are safe, inclusive and accessible and which promote health and well-being, with a high standard of amenity for existing and future users; and where crime and disorder, and the fear of crime, do not undermine the quality of life or community cohesion and resilience.

The scope of this paragraph in relation to 'inclusivity' is clearly not intended to apply to issues concerning dwelling mix or provision of affordable housing but rather the use of places in general by members of the public. Therefore, this does not constitute a reasonable ground for refusal.

- 5.4 The third paragraph of the Decision Notice states in respect of the appeal proposals;

"Even if a viability justification was accepted, the significant harm caused by the development in failing to provide any affordable housing or encourage a balanced/inclusive community, would outweigh any benefits to development. Therefore the proposal is considered to form an unsustainable development contrary to the overarching objective(s) of the development plan and National Planning Policy Framework."

Here, a combined term of 'balanced/inclusive' is used which implies these terms may be applied interchangeably.

- 5.5 The only reference to 'balanced communities' within NPPF is contained within Paragraph 63 which states:

"Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

- a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
 - b) the agreed approach contributes to the objective of creating mixed and **balanced communities**."*
- (Emphasis added*

- 5.6 The NPPF therefore establishes that there may be instances where either off-site affordable housing provision or a financial contribution in lieu may be acceptable, provided that the agreed approach contributes to the objective of creating mixed and balanced communities. It is a matter of conjecture as to whether the objective of creating mixed and balanced communities should be applied to the settlement within which an application site is located, or relate to the whole of a LPA's administrative area.

- 5.7 However, what is clear is that the meaning of 'communities' refers to something greater than the red edge boundary of a development site, as in instances where parts a) and b) of the paragraph 63 are engaged this will result in the application site itself containing no affordable housing.

- 5.8 That this is the case was confirmed in an appeal decision by inspector Keith Manning in connection with an application to

discharge an affordable housing condition on a site at Oxenholme Road, Kendal (Appeal Ref: APP/M0933/W/17/3171775) (Appendix 6.0).

5.9 In the first sentence of paragraph 11 the inspector opined that:

"There is nothing to suggest that the concept of mixed inclusive communities in the Framework is somehow synonymous with individual housing estates, discretely considered."

Therefore, an 'inclusive community' must be measured against a benchmark applied at some greater geographic scale than a red edge site boundary.

5.10 As was identified at paragraph 4.15, members of the Ribble Valley Planning and Development Committee have resolved to grant planning approval for the development of 37 affordable dwellings at Crow Trees Farm in Chatburn. Therefore, if both this site and the appeal site were to be brought forward for development they would together contribute to the objective of creating a mixed and balanced community *within Chatburn*.

5.11 It is also noted that whilst paragraph 2 of the Decision Notice is critical of the appeal proposals failing to provide a '*well-integrated mix of homes of different types and tenures to support a range of household sizes, age-groups and community groups*' the same accusation could be levelled at the Crow Trees Farm site, which once developed would comprise solely of affordable housing. By inference this would be occupied by households in need of affordable housing whose needs are not met by the market.

- 5.12 It would be reasonable to assume that such households would have lower incomes than average for Chatburn, and also potentially Ribble Valley overall. Therefore this development would evidently not represent a mixed and balanced community.
- 5.13 However, as has been established, the metric of a mixed and balanced community should not be applied at the level of individual housing estates, which is presumably how the Council justified its decision in this case. For balance therefore the same considerations should have been applied in the determination of the appeal proposals.
- 5.14 In conclusion it is not considered that the reasons for refusal which suggest that the appeal proposals do not contribute to the creation of an inclusive, balanced or cohesive community have any merit and should be disregarded.

APPENDICES

1.0 - Resolve106 – Financial Viability Assessment – 15/12/2022

re **106**
AFFORDABLE HOUSING CONSULTANCY





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AFFORDABLE HOUSING CONSULTANCY

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1.0 Introduction and Background

- 1.1 We act as expert consultants in matters pertaining to planning, affordable housing, and development economics on behalf of Mr Ronald Jackson ('the applicant').
- 1.2 This report has been prepared to assess the viability of providing requested financial contributions toward planning obligations in connection with the proposed residential development of land to the south of Chatburn Old Road, Chatburn ('the application site').
- 1.3 The site is located in the administrative area of Ribble Valley Borough Council ('the Council') and extends to 0.98 hectares (2.42 acres) in total. The land, whilst not previously developed has been subject to historic minerals extraction. This extraction was undertaken prior to such operations requiring a scheme of restoration to be implemented following cessation of extraction activities as a requirement of planning approval. Consequently, ground conditions are exceptionally challenging.
- 1.4 The report accompanies an application for Technical Details Consent (3/2022/0500) for residential development of up to 9 dwellings following Permission in Principle application 3/2018/0582 and appeal APP/T2350/W/19/3223816. ('the application proposals').
- 1.5 The 'Permission in Principle' route to obtain planning permission is split into two stages, 'Permission in Principle' ("PIP"), and 'Technical Details Consent' ("TDC"). Planning Obligations cannot be secured at the PIP stage. However, planning obligations may be sought at TDC stage if the statutory tests regarding their use are met. Therefore, a grant of TDC may be made subject to the terms of a S106 agreement.
- 1.6 The use of PIP is limited to residential development that does not comprise 'Major Development' which limits the scope of development to a maximum of

9 dwellings. PIP was introduced specifically to enable smaller developers to access the land market without incurring significant up front costs in establishing the principle of residential development.

- 1.7 Similarly, paragraph 64 of the National Planning Policy Framework requires that provision of affordable housing should not be sought for residential developments that are not major developments, again providing support to smaller developers. However, the exception to this in relation to sites within Designated Rural Areas, where policies may set out a lower threshold of 5 units or fewer.
- 1.8 Chatburn is within a Designated Rural Area and therefore an application for TDC comprising 9 dwellings falls within the scope of development for which affordable housing may be sought. This appears to represent an anomaly not foreseen by those responsible for drafting the relevant legislation in respect of PIP.
- 1.9 The purpose of this report therefore is to establish whether the application proposals can viably support the provision of affordable housing on-site without prejudicing the potential for the site to be brought forward for development.
- 1.10 Section two of this report examines the prevailing planning framework with regard to economic viability in planning. Consideration is given to government policy and guidance and its emphasis that the affordable housing requirements sought by planning policies must be deliverable.
- 1.11 Examination is also undertaken in respect of both the adopted planning policy position of the Council with regard to affordable housing, and the evidence base in respect of viability that underpins this.
- 1.12 Section three sets out the methodology and assumptions used in the financial viability modelling process. The rationale behind the inputs used are fully explained and where possible comparison is made with the assumptions used

in the viability assessment which informed the Local Plan, in accordance with the requirements of national policy and guidance.

- 1.13 Section four considers the results of the financial viability modelling exercise. Based on the appraisal modelling undertaken it considers that it is not economically viable for the application proposals to support the provision of any affordable housing on site. The estimated development value of the application proposals is insufficient to support the forecast development costs (including significant below ground abnormal costs) and generate an acceptable level of developer return before any modelling is undertaken incorporating provision of affordable housing.
- 1.14 This is verified by the results of a further viability modeling exercise incorporating 3 affordable dwellings (30%) based on a notional plot substitution exercise to facilitate provision of smaller dwellings for sale at a Discounted Market Price of £187,000 which would be loss making.
- 1.15 Section five concludes that if TDC is granted without any requirement for affordable housing provision then there is a prospect that the site could still be brought forward for development, contributing an additional 9 dwellings to the Councils housing land supply position. If provision of affordable housing were to be insisted upon however then owing to the marginal nature of identified viability constraints affecting the application site this is likely to prejudice the planned development being brought forward.
- 1.16 This viability report is provided on a confidential basis to the Council. It is therefore requested that the report should not be disclosed to any third parties (other than any consultants as may be instructed by the Council to review this report) under the *Freedom of Information Act 2000* (sections 41 and 43(2)) or under the *Environmental Information Regulations*. However, in accordance with the provisions of the NPPF a separate executive summary is provided which can be made publicly available.

2.0 Overview and Policy Context

2.1 National Policy and Guidance

2.1.1 The National Planning Policy Framework ("NPPF") was originally published on 27th March 2012, with subsequent revisions made on 28th July 2018, 19th February 2019, and 20th July 2021. The contents of the revised NPPF are material considerations which must be taken into account by decision makers.

2.1.2 Paragraph 173 of the original NPPF required Local Planning Authorities to have regard to viability in both plan making and decision taking:

"Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing landowner and willing developer to enable the development to be deliverable." (Emphasis added).

2.1.3 The wording of the original NPPF was unequivocal in stating that the cost of planning obligations and policy burdens should still allow competitive returns to willing landowners and developers taking account of the 'normal' costs of development and mitigation. Thus, any policy requirement such as in relation to planning obligations, if established at the margins of viability

assuming 'normal' costs of development and mitigation would still require relaxation in circumstances where 'abnormal' costs were present.

- 2.1.4 Paragraph 47 of the original NPPF required LPA's to identify and update annually a supply of specific deliverable sites to provide a five-year supply of housing against their housing requirements (plus a buffer of 5%, increased to 20% where there is a record of persistent under delivery). The footnote to the paragraph stated that:

"To be considered deliverable, sites should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable."

(Emphasis added)

- 2.1.5 Paragraph 49 of the original NPPF stated that:

"Relevant policies for the supply of housing should not be considered up-to-date if the local planning authority cannot demonstrate a five-year supply of deliverable sites."

In this regard the five-year supply identified must have been capable of meeting the full objectively assessed needs for market and affordable housing in the housing market area.

- 2.1.6 Paragraph 34 of the current NPPF states in respect of 'Development Contributions':

"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green

and digital infrastructure). Such policies should not undermine the deliverability of the plan.

(Emphasis Added)

- 2.1.7 In respect of the consideration of viability in connection with individual planning applications Paragraph 58 of the current NPPF states:

"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."

(Emphasis Added)

- 2.1.8 Paragraph 57 of NPPF sets out the tests for the use of planning obligations in accordance with Section 122(2) of the Community Infrastructure Levy Regulations 2010. It states that they must only be sought where they are:

- a) necessary to make the development acceptable in planning terms;
- b) directly related to the development; and
- c) fairly and reasonably related in scale and kind to the development.

2.1.9 Detailed consideration of the contents of Planning Practice Guidance ("PPG") as referred to in paragraph 58 of the NPPF with regard to consideration of appropriate viability inputs will be deferred until the following section where consideration will be given to each of the appraisal inputs which have been applied in the modelling. However, it is worthwhile pointing out that paragraph 008 of the viability guidance states:

"Where a viability assessment is submitted to accompany a planning application, the executive summary should refer back to the viability assessment that informed the plan and summarise what has changed since then. It should also set out the proposed developer contributions and how this compares with policy requirements."

2.1.10 Consideration of the circumstances that may justify submission of a viability assessment at the planning application stage are outlined in paragraph 007 of PPG which asks 'Should viability be assessed in decision making? In response it advises that:

'Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.'

2.1.11 Paragraph 018¹ of PPG advises that:

¹ [https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/424243/PPG018-019-2017.pdf](#)

"For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies."

As will be clear from the wording, these assumptions are only intended to apply in respect of *plan making*. The paragraph continues to state that:

"Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development."

This implies that use of alternative rates of developer return may be appropriate when undertaking decision making based on consideration of detailed scheme proposals.

2.1.12 In a stable economic environment the expectation of national policy and guidance is that if local policy requirements fully reflect the expectations of landowners at plan making stage, then the need for individual viability appraisals at planning application stage should be considerably diminished i.e., *'only if there has been a change in site circumstances since the plan was brought into force'*. However, owing to the long gestation period of Local Plans it would have taken some time before the policy objectives of all plans were informed by a viability study which confirms to the requirements of national policy and guidance as implemented from July 2018 onwards. Until this is the case it is necessary to consider on an individual basis whether individual viability assessments are consistent with the objectives and approach of current policy and guidance.

2.1.13 Paragraphs 006, 011, and 018 of PPG all advise that *'Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan'*. There is an undeniable logic to

this approach as if purchasers were able to acquire land without regard to any local policy requirements in the expectation that these could be removed through a viability negotiation exercise then clearly local policy would have no 'teeth'.

2.1.14 However, it follows that such a stipulation is only relevant in consideration of Local Plan policies which have been informed by an assessment of viability reflective of the changes to national policy and guidance introduced in July 2018 onwards, were established having regard to landowners' expectations, and have been subject to independent examination and inspector deliberation.

2.1.15 Paragraph 62 of the revised NPPF requires Local Planning Authorities to consider the size, type and tenure of housing needed for different groups in the community as part of their overall housing requirement;

"(including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes)".

2.1.16 Where a need for affordable housing is identified paragraph 63 states that planning policies should specify the type of affordable housing that is required, with an expectation that this should be met in-site unless:

a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and

b) the agreed approach contributes to the objective of creating mixed and balanced communities.

2.1.17 Paragraph 64 requires that provision of affordable housing should not be sought for residential developments that are not major developments², other than in Designated Rural Areas (where policies may set out a lower threshold of 5 units or fewer).

2.1.18 The Glossary in Annex 2 of the revised NPPF provides definitions in respect of the type of affordable housing a local planning authority may seek to deliver:

***Affordable housing:** housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:*

*a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).*

*b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these*

² For housing development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more.

sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

- c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

- d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.*

2.2 Local Policy Position

- 2.2.1** The Ribble Valley Core Strategy ("RVCS") was adopted on 16th December 2014. The RVCS sets out the strategic planning policy framework to guide development in the borough up to 2028. It also includes development management policies to assist in the determination of individual planning applications.

- 2.2.2 Key Statement H3 comprises the affordable housing policy within the RVCS. The policy text starts by defining affordable housing and then states:

"Within the settlement boundaries of Clitheroe and Longridge, on housing developments of 10 units or more dwellings (or sites of 0.5 hectares or more, irrespective of the number of dwellings) an element of affordable, local needs housing will be required on all schemes.

The Council will seek affordable housing provision at 30% of units on the site. The Council will use open book viability assessments, provided at the developer's cost, within its consideration of affordable housing provision particularly where thresholds are not being met.

In all other locations in the borough, on developments of 5 or more dwellings (or sites of 0.2 hectares or more irrespective of the number of dwellings) the council will require 30% affordable units on the site.

The Council will only consider a reduction in this level of provision, to a minimum of 20% only where supporting evidence, including a viability appraisal fully justifies a lower level of provision to the council's satisfaction."

- 2.2.3 In relation to the application proposals the site is not located within the settlement boundaries of Clitheroe or Longridge and therefore a requirement for 30% affordable housing is triggered by developments which comprise 5 dwellings or more.
- 2.2.4 In respect of sites within Clitheroe and Longridge it is clear that viability may be a material consideration to be taken into account where justified by provision of an open book viability assessment, which potentially may reduce the affordable housing requirement to zero. Such provisions are clearly consistent with the content of paragraph 34 of the NPPF.

2.2.5 For sites outside of Clitheroe and Longridge however the policy text suggests that whilst submission of a viability appraisal may similarly be a material consideration to be taken into account the proportion of affordable housing may not be reduced below 20%. It is considered that in this respect the RVCS has been superseded by subsequent amendments to the NPPF which take precedent, and therefore the provisions of paragraph 34 apply, meaning that even for sites outside of Clitheroe and Longridge planning permission may be granted for a development comprising zero affordable housing provision providing justification can be provided on viability grounds.

2.2.6 The final paragraph of the policy text states that:

"Developers will be expected to provide affordable housing on site as part of the proposed development unless Ribble Valley Borough Council and the developer both agree that it is preferable to make a financial or other contribution towards the delivery of affordable housing on another site."

Therefore, it may be considered that whilst there is a presumption in favour of affordable housing being provided on site a financial contribution towards off-site provision may be acceptable if an applicant and the Council agree that it is appropriate in the circumstances. Any financial contribution agreed would clearly have to meet the tests for viability as set out elsewhere in the policy.

Viability Evidence Base

2.2.7 The policies of the RVCS were informed by the 'Core Strategy Viability Study' ("CSVs") produced by consultants HDH Development and Planning which was published in August 2013. This clearly predates the 2018 changes to NPPF and PPG and therefore it is questionable whether this is capable of being considered a 'NPPF compliant' viability study.

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2.2.8 However, in the absence of any other viability study which has been prepared to inform the development of planning policy in Ribble Valley the assumptions used in the viability assessment which comprises the core of this report have regard to the assumptions used in, and findings of the CSVS to the extent that these are relevant in the context of the application proposals in the context of paragraph 58 of the NPPF.

3.0 Viability Appraisal and Assumptions

- 3.1 It is evident that the NPPF stresses the importance of ensuring the viability and deliverability of Local Plan objectives.
- 3.2 When preparing a viability submission in connection with an individual planning application the NPPF and PPG now require that this should refer back to the original viability study that underpinned the Local Plan. As identified in the previous section, the CSVS which informed the preparation of the RVCS is not capable of being considered a NPPF compliant viability study as it predates the 2018 changes to NPPF and PPG.
- 3.3 If it is clear that the development proposals for the application site would not be viable having regard to the assumptions of the CSVS then this demonstrates that a site typology of this nature did not form part of the Local Plan viability assessment process. Consequently, the expectation in paragraph 57 of NPPF that development should be viable where up-to-date policies have set out the contributions expected does not apply, the applicant is by default justified in seeking a viability assessment at the application stage, and significant weight should be afforded to the assessment by the decision maker.

Viability Assessment Model

- 3.4 The economic viability of the application site has been appraised using ARGUS Developer, a leading real estate development pro forma and management software solution that is widely used in property development and investment analysis.
- 3.5 The assessment which has been undertaken seeks to determine the maximum proportion of affordable housing that can be supported based on the estimated

development value of the scheme, less estimated development costs, whilst ensuring that an acceptable level of developer return can be generated.

Dwelling Mix and Estimated Market Values

- 3.6 The application proposals comprise the development of 9 no. detached houses, each with 5 bedrooms plus a range of ancillary accommodation sought by purchasers such as studies, games rooms and garaging.
- 3.7 The estimated market values have been established having regard to the price achieved for the sales of 10no. dwellings on the adjacent development known as 'Hare Hill Croft' which was also developed by the applicants. The price achieved for each plot has been indexed from the date of sale in line with movements in the Land Registry House Price Index for Ribbles Valley up to August 2022. The results of this exercise are set out in Table 1 below:

Table 1 – Hare Hill Croft, Chatburn – Indexed Sales Revenues

PLOT Ref.	Sales Value	Sq Ft	Sq.m	Sale Date	Index at Sale	Index Aug 22	% Change	Indexed Value	£/Sq.ft	£/Sq.m
PLOT 1	615,000.00	3,035	282	Nov-18	110.1	146.61	133%	818,939	270	2181
PLOT 2	595,000.00	3,035	282	Nov-20	108.54	146.61	135%	803,694	265	2110
PLOT 3	780,000.00	3,417	317	Jan-19	109.2	146.61	134%	1,047,214	307	2457
PLOT 4	645,000.00	3,035	282	Feb-20	109.47	146.61	134%	863,830	285	2286
PLOT 5	610,000.00	3,035	282	Sep-28	109.92	146.61	133%	813,611	270	2163
PLOT 6	1,000,000.00	4,000	372	Mar-17	104.29	146.61	141%	1,405,792	351	2691
PLOT 7	775,000.00	3,335	310	Dec-19	107.91	146.61	136%	1,152,840	346	2501
PLOT 8	485,000.00	2,357	219	Jul-18	108.83	146.61	135%	658,755	279	2233
PLOT 9	525,000.00	2,357	219	Apr-19	107.99	146.61	136%	712,763	302	2398
PLOT 10	495,000.00	2,357	219	Dec-18	109.8	146.61	134%	690,947	293	2283
	6,034,000.00	27,606	2,565					8,177,527	296	3,189

- 3.8 On this basis the average selling price achieved indexed forward to August 2022 equates to £296/sq.ft (£3,189/m²).
- 3.9 These adjusted values have then been applied to the dwellings that comprise the application proposals, albeit subject to one very significant amendment which relates to the location of habitable accommodation by reference to the number of storeys within the dwelling.

- 3.10 With regard to the adjoining development at Hare Hill Croft we are advised that all dwellings are of a 'traditional' layout, incorporating living accommodation on the ground and first floors only.
- 3.11 In relation to the application proposals the housetypes feature both 'rooms within the roof' (second storey) and/or basement accommodation, in part determined as a response to the challenging topography on-site.
- 3.12 It is accepted wisdom that the value of accommodation on storeys other than the ground and first floors is not valued as highly, the standard practice being to 'halve back' the comparable price per floor area applied to the rest of the dwelling.
- 3.13 Therefore, in connection with the application proposals the comparable value of £295/sq.ft (£3,189/m²) drawn from Hare Hill Croft has been applied to the ground and first floor accommodation only, and the rate for basement and second floor areas halved back to £147.50/sq.ft (£1,594.50/m²).
- 3.14 This has required the price of each of the 9 dwellings which comprise the application proposals to be calculated separately based on analysis of the floor areas of the submitted housetype drawings as set out below:

Plot 1	£3,189/m²	£1,594.50/m²	Revenue
Ground Floor	204		£650,556
First Floor	168		£535,752
Second Floor		64	£102,048
Total (446m²)			£1,288,356

Plot 2	£3,189/m²	£1,594.50/m²	Revenue
Lower Ground		26	£41,457
Ground Floor	185		£589,965
Upper Ground	34		£108,426
First Floor	123		£392,247
Second Floor		59	£94,076
Total (485m²)			£1,226,171

Plots 3 & 6	£3,189/m²	£1,594.50/m²	Revenue
Ground Floor	145		£462,405
First Floor	100		£318,900
Second Floor		40	£63,780
Total (285m²)			£845,085

Plots 4 & 5	£3,189/m²	£1,594.50/m²	Revenue
Ground Floor	173		£551,697
First Floor	132		£420,948
Second Floor		52	£82,914
Total (357m²)			£1,055,559

Plot 7	£3,189/m ²	£1,594.50/m ²	Revenue
Basement		80	£127,560
Ground Floor	181		£577,209
First Floor	134		£427,326
Second Floor		52	£82,914
Total (485m²)			£1,215,009

Plot 8	£3,189/m ²	£1,594.50/m ²	Revenue
Basement		80	£127,560
Ground Floor	170		£542,130
First Floor	133		£424,137
Second Floor		52	£82,914
Total (435m²)			£1,176,741

Plot 9	£3,189/m ²	£1,594.50/m ²	Revenue
Ground Floor	204		£650,556
First Floor	168		£535,752
Second Floor		64	£102,048
Total (436m²)			£1,288,356

3.15 The overall estimated development value on this basis is £9,995,921. It is noted that 7 of the 9 proposed dwellings have forecast sale values in excess of £1m, and the applicants caution that above this price level purchasers in Ribble Valley are generally seeking isolated dwellings (potentially with an attached landholding) rather than 'estate' houses. Consequently, it is considered that there is a high level of sales risk associated with the application proposals.

Development Costs

3.16 Paragraph 12 of PPG asks, 'How should costs be defined for the purpose of viability assessment?'

'Assessment of costs should be based on evidence which is reflective of local market conditions. As far as possible, costs should be identified at the plan making stage. Plan makers should identify where costs are unknown and identify where further viability assessment may support a planning application.'

Costs include:

- *build costs based on appropriate data, for example that of the Building Cost Information Service*
- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*



- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

- 3.17 Base dwelling construction costs have been informed by benchmarking against a cost plan prepared by a consultant Quantity Surveyor in relation to the cost of constructing the undeveloped 'Plot 11' at the adjacent Hare Hill Croft site (3/2021/1153) which is directly accessed from 'Old Road'. CGI images and floorplan layouts in relation to this plot are reproduced in Appendix 1.0.
- 3.18 The estimated construction cost for this dwelling (which is similar in specification and materials to the 9 dwellings within the application proposals) equates to £2,067/m², albeit that this sum was calculated in March 2022 and so is likely to have increased in the intervening period once account of build cost inflation has been incorporated. Nonetheless, for the purposes of this appraisal the historic cost estimate has been applied.
- 3.19 Comparison has also been made with the BCIS costs for similar development typologies (rebased to Ribble Valley). The BCIS cost data is reproduced at Appendix 2.0.
- 3.20 The estimated costs of £2,067/m² fall midway between Median BCIS costs for 'Estate Housing Detached' (Category: 810.11) of £1,680/m² and those for "One-off housing detached (3 units or less)" (Category 820.1) of £2,402/m². It is noted that median BCIS costs are used in the CSVS.
- 3.21 The estimated costs are therefore considered appropriate given the bespoke nature of the application proposals which will be built to suit the requirements of individual purchasers rather than the mass construction approach which typically characterises schemes of estate development.

External Works Costs

- 3.22 Both the QS cost estimate and BCIS data relate to the cost of construction in relation to dwelling structures and associated plot works, and exclude the cost of wider site infrastructure which must be accounted for separately.
- 3.23 The CSVS applies an allowance of 10% in respect of 'standard' site external works such as roads and sewers on small sites, increasing to an allowance of 20% in relation to larger 'strategic sites'.
- 3.24 Applied to the application proposals this would suggest an allowance of £786,000 on the basis it is categorised as a small site.
- 3.25 A bespoke cost plan has been prepared for construction of the proposed access road and footways, inclusive of allowances for street lighting, highway drainage and landscaping based on the highway details prepared in support of the planning application. This equates to a sum of £233,787 (Appendix 3.0).
- 3.26 In respect of foul and surface water drainage estimated costs equate to £385,290. This includes the need for on-site surface water attenuation (below ground storage) and the costs associated with crossing third party land (and involving construction of a hydrobrake) in order to facilitate access to a drainage connection point in Crow Trees Road.
- 3.27 Combined Road and Sewer costs total £619,077 (inclusive of a number of elements that would usually be considered to constitute 'abnormal' costs) which equates to circa 8% of the estimated plot construction costs and therefore falls within the allowance of 10% for such works assumed in the CSVS in relation to small sites.

'Abnormal' Site Development Costs

- 3.28 As identified in paragraph 1.3, whilst the site is not categorised as having been previously developed, it nevertheless exhibits particularly challenging ground conditions arising from its unrestored legacy use for mineral extraction.
- 3.29 This has left the site with very uneven topography which necessitates it being reprofiled in order to create a suitable development platform on which to implement the application proposals.
- 3.30 Put simply, areas which were subject to previous mineral extraction need to be backfilled with surplus material which has previously been extracted and deposited elsewhere on the site. Such material will require validation and testing to ensure it is suitable for re-use and will need to be placed and compacted to the necessary engineering specification. Details of the calculations underpinning the site reprofiling costs are reproduced at Appendix 4.0.
- 3.31 In addition, we are advised that there is a spine of bedrock that crosses the site which requires breaking out to a maximum depth of 6 metres in order to facilitate installation of the drainage pipework. Such works require significant intervention to ensure due regard is had to the Health and Safety of operatives involved in this process.
- 3.32 In addition, in order to achieve the desired plot levels requires construction of retaining walls.
- 3.33 The estimated costs associated with these activities are:
- Earthworks (Site Reprofiling) - £345,000
 - Breaking out of Bedrock (Extra over Cost) - £300,000
 - Retaining Walls - £350,415

- 3.34 It is also the applicants intention to construct the application proposals to achieve the highest possible environmental standards. It should be noted that the environmental performance of a dwelling is a factor which is increasing in importance to discerning buyers of the type who are likely to be interested in purchasing a dwelling on this site.
- 3.35 Therefore, it is intended to maximise the use of photovoltaic solar panels for the purposes of domestic electricity consumption, including their configuration to support the direct charging of electric vehicles through suitable enabled charging points. Installation of this equipment generates an additional estimated cost of £43,200.

Timing of Development and Occupancy

- 3.36 Reflecting the nature of development envisaged an allowance of 36 months has been applied to the construction and sale of the dwellings proposed.

Contingency Allowance

- 3.37 The CSVS utilises a contingency allowance of 5% in respect of sites which have been previously developed, and 2.5% in respect of greenfield sites. As identified in paragraph 1.3 whilst the site is not categorised as having been previously developed, the ground conditions encountered are similarly challenging.
- 3.38 Given that specific allowances are incorporated for estimated abnormal costs arising from these ground conditions elsewhere in this report no contingency allowance has been incorporated in order to avoid the potential for double counting of below ground development risk.

Professional Fees

- 3.39 The CSVS applies an allowance for professional fees of 10% of construction costs. In connection with the appraisal a lower allowance of 5% of construction

costs has been used reflecting the balance of the scope of works required of consultants relative to the overall cost of construction.

Development Finance

- 3.40 A development interest rate of 7% has been utilised which is consistent with the assumptions used in the CSVS.

Sales Marketing and Legal Fees

- 3.41 The CSVS utilises an allowance in respect of sales, marketing and legal fees equivalent to 3.5% of the estimated development revenue. Use of such an allowance is considered disproportionate in relation to the estimated values associated with the application proposals. Therefore, the following fixed costs allowances have been applied instead:

- Marketing Costs - £45,000 (£5,000 per unit)
- Legal Fees on Sales - £6,750 (£750 per unit)
- Legal Fees – Estate Set Up – £3,000 (Fixed Cost)

Planning Obligations

- 3.42 As the application proposals do not constitute 'major development' it has been assumed that no planning obligations (or financial contributions toward planning obligations) will be sought by the Council.

Consideration of Benchmark Land Value

- 3.43 It is usual when undertaking an assessment of this nature to determine a Benchmark Land Value ("BLV") for use in the appraisal modelling process.

- 3.44 As the CSVS precedes the July 2018 amendments to NPPF and PPG there is no precedent to draw on regarding the process used to determine BLV's in Ribble Valley.
- 3.45 With regard to the contents of the PPG paragraph 013³ asks 'How should land value be defined for the purpose of viability assessment?'

"To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process."

- 3.46 Given the current status of the site it is difficult to attribute an EUV to it therefore, the establishment of a BLV would comprise almost all 'premium', again the CSVS providing no guidance in this respect with regard to the expectation of landowners in Ribble Valley.
- 3.47 Consequently, for the purposes of the appraisal it is not considered feasible to estimate an EUV which can be applied as a Benchmark Land Value, with or without consideration of the extent of any premium which should be applied.

³ Paragraph: 013 Reference ID: 10-G13-20180724

- 3.48 Therefore, no allowance in respect of BLV has been input. This should not be interpreted as an indication that the site has no value whatsoever, but simply that it is too difficult to determine in accordance with the provisions of paragraph 013 of PPG and consequently the BLV foregone must be considered in the context of the overall developer return generated from the application proposals.
- 3.49 The results of the viability modelling exercise in terms of the level of developer return generated in connection with the application proposals are considered in Section 4.0 of this report.

4.0 Results of Viability Modelling

- 4.1 The results of the viability modelling undertaken in relation to the application proposals are reproduced in appendix 5.0.
- 4.2 The estimated gross development value is £9,995,921 against estimated development costs of £9,485,718 which results in a developer return of £510,203 (5.1% of GDV).
- 4.3 In consideration of what constitutes an acceptable rate of developer return Paragraph 018⁴ of PPG advises that:

"For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies."

As will be clear from the wording, these assumptions are only intended to apply in respect of *plan making*, which implies that use of alternative rates of developer return may be appropriate when undertaking decision making based on consideration of detailed scheme proposals.

- 4.4 Furthermore, the paragraph continues to state that:

"Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types."

(Emphasis Added)

⁴ Paragraph 018 Reference ID: 10015-20130000

- 4.5 The CSVS assumed that the required rate of developer return for residential development should be assessed at 20% of GDV, and therefore was at the upper end of the range subsequently suggested by paragraph 018 of PPG.
- 4.6 However, given that the proposed development does generate a positive return it is considered that the project should be classified as being 'marginally viable' and that there is still a reasonable prospect of the development being brought forward in the absence of a requirement for affordable housing being sought (which would eliminate any developer return from the project).
- 4.7 To test this proposition a further appraisal has been run incorporating three affordable dwellings substituting plots 3, 4 and 6 (representing the lowest value housetypes) with smaller detached dwellings.
- 4.8 Consultation with Registered Providers indicated that they would be unwilling to acquire just three affordable dwellings and therefore the tenure of affordable housing provision modelled for appraisal purposes comprises Discount Market Sale at 60% of full market value up to the maximum price of £187,000 permitted by the Council.
- 4.9 On this basis the full value permissible before application of a 40% discount would be £311,667. Using the revenue of £3,189/m² (£296/sq.ft) derived from analysis of the adjacent development this would indicate a maximum dwelling size of 98m² (which would likely comprise a three bedroom dwelling).
- 4.10 The revised modelling undertaken applies the same base construction cost of £2,067/m² and other allowances, including external works/abnormal cost estimates remain the same, as these represent fixed cost items which cannot be varied in response to the scope of development proposed.

re. 106

AFFORDABLE HOUSING CONSULTANCY

- 4.11 The results of the revised appraisal modelling are reproduced at Appendix 6.0 and indicate that if a requirement for affordable housing provision was to be incorporated the application proposals would make a loss of £279,138.
- 4.12 As such, the additional appraisal modelling undertaken indicates that the application proposals would be unable to support the provision of affordable housing.

5.0 Summary and Conclusions

5.1 The NPPF considers that where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. The weight to be given to a viability assessment is a matter for the decision maker, but the onus rests with an applicant to demonstrate whether a viability assessment is justified at the application stage.

5.2 PPG outlines the circumstances in which a viability assessment may be justified of which the following is considered relevant in relation to the application proposals:

- The proposed development is on an unallocated site of a wholly different type to those used in the viability assessment that informed the plan (based on our review of the methodology and assumptions employed in the CSVS).

In this regard we reiterate the fact that the site, whilst not being characterised as previously developed land, has extremely challenging ground conditions which impose significant fixed costs on the application proposals and hence constrain its ability to support provision of affordable housing.

5.3 The NPPF requires that all viability assessments, including those undertaken at the plan making stage should reflect the recommended approach in planning practice guidance, use standardised inputs, and be made publicly available.

5.4 Paragraph 008 of PPG advises that where a viability assessment is submitted to accompany a planning application it should refer back to the viability assessment that informed the plan *'and summarise what has changed since then'*. However, it has been identified that the CSVS was published prior to the July 2018 revisions to NPF and PPG and.

- 5.5 The purpose of the appraisal modelling undertaken has been to establish the value of the application proposals following which estimated costs can be deducted to determine whether there is any surplus available from which to support the provision of financial contributions toward the planning obligations requested, and after allowance has been made for the required rate of developer return.
- 5.6 The modelling undertaken indicates that the application proposals would fail to generate a rate of developer return in line with industry expectations for a development of this nature, before regard is had to the potential provision of affordable housing on site, and on the basis of no allowance being applied in respect of BLV.
- 5.7 However, the appraisal output does indicate that the application proposals would generate a positive return and therefore it is considered that the project should be classified as being 'marginally viable' on the basis that the development could still potentially be brought forward in the absence of affordable housing provision being sought (which in contrast would render the project completely unviable).
- 5.8 It is therefore requested that TDC is granted without any requirement for affordable housing provision on the basis that this would maximise the prospects of the site being brought forward for development and contributing an additional 9 high quality family dwellings to the housing land supply position in Ribble Valley.
- 5.9 If provision of affordable housing were to be insisted upon however then owing to the identified viability constraints affecting the application site this would prejudice entirely the planned development being brought forward.

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APPENDICES

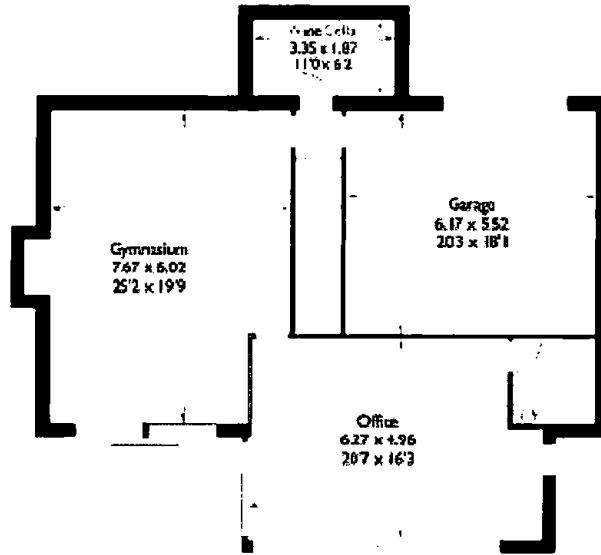
1.0 Property Details – Benchmark House (Cost Plan)

re

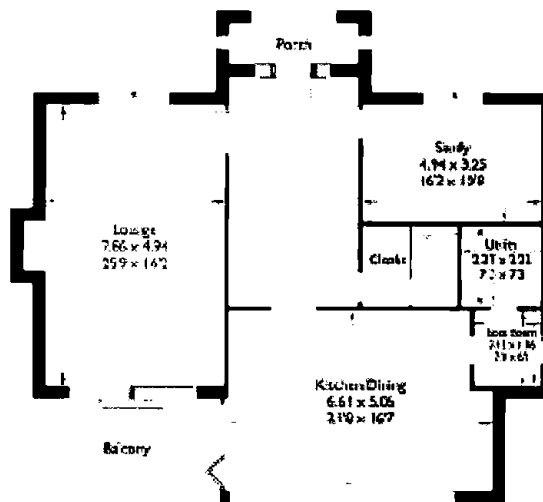
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Lower Ground Floor

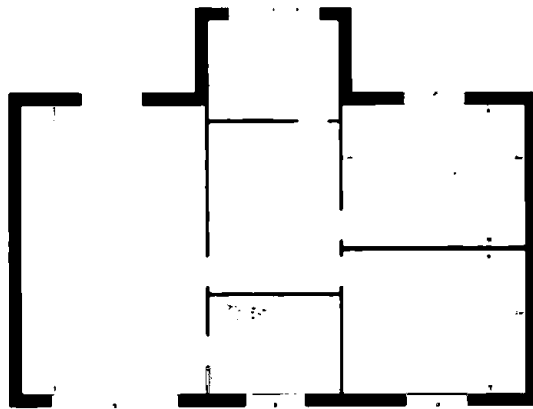


Ground Floor

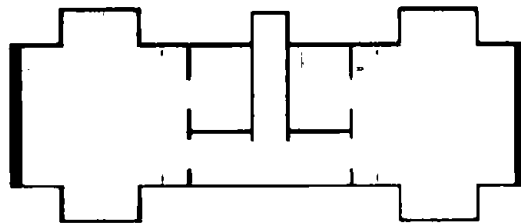
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First Floor



Second Floor

2.0 BCIS Construction Cost Data

re

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BCIS

3.0 Cost Estimate - Highway Construction Works

re **106**
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BUDGET SUMMARY

Dated: 4th November 2022

2

11/11/22

Kerbings & Edgings

Kerbs;

Hard Landscaping

Boundary Treatments

Soft Landscaping

Streetlighting

1

45.00

re

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Road Drainage

1

233,787.46

4.0 Cost Estimate - Site Reprofilng

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Group	Cut/Material Volume	Fill/Void Volume	Balance Volume	Cut/Material Area	Fill/Void Area	total Area	Group Depth
buildings	2105	616	1389	1955	811	2766	0.500
	1000					10080	
roads	1646	86	1760	2095	239	2334	0.500
						15181	

4905

978

1137

1142

these piles to be confirmed by ronald from plan attached

net material off site 8047

material from poor area of site 2000 (note there is fill as well)

cut in good area 7345 (note there is fill as well)

estimate of ground level

state reader

report **106**
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5.0 Appraisal Output – 100% Market Housing

re

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Land Adjacent Hare Hill Croft, Chatburn
Financial Viability Assessment
100% Market Housing Development

Development Pro Forma
Resolve106
December 15, 2022

re

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6.0 – Appraisal Output – 30% Affordable Housing

re

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Land Adjacent Hare Hill Croft, Chatburn
Financial Viability Assessment
30% Affordable Housing

Development Pro Forma
Resolve106
December 15, 2022

re

106

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PROJECT PRO FORMA

RESOLVE106

TOTAL COSTS

PROFIT

12,791,100

re: **106**
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PROJECT PRO FORMA

Land Adjacent Hare Hill Croft, Chatburn
Financial Viability Assessment
30% Affordable Housing

RESOLVE106

2.0 CPV – Viability Report – 23/01/2023



Independent Viability Experts

FAO Mr Stephen Kilmartin
Principal Planning & Urban Design Officer
Ribble Valley Borough Council

David Newham MRICS
Director
CP Viability Ltd

Sent by email only

Our ref: DN-0781
Your ref: 3/2022/0500
Date: 23rd January 2023

Dear Mr Kilmartin

PROPERTY ADDRESS: Land at Chatburn Old Road Chatburn Lancashire BB7 4EP
INSTRUCTING BODY: Ribble Valley Borough Council
APPLICANT: Mr Ronald Jackson

Further to your instruction dated 19th December 2022, we are pleased to report as follows.

“Technical Details Consent for residential development of up to 9 dwellings following Permission in Principle application 3/2018/0582 and appeal APP/T2350/W/19/3223816”

- 1.6. This envisages the construction of 9 x 5 bed residential dwellings. Resolve 106 (“R106”), acting on behalf of the applicant have undertaken a viability assessment of the site dated 15th December 2022 incorporating the following dwelling mix:

Type	Beds	Units	Sq m	Total sq m
Plot 1 and 9	5	2	436	872
Plot 2	5	1	427	427
Plot 3, 4 and 6 (AH)	5	3	98	294
Plot 5	5	1	357	357
Plot 7	5	1	447	447
Plot 8	5	1	435	435
Total				2,832

2. Scope of Assessment and General Assumptions

- 2.1. R106’s “Affordable Housing Viability Assessment” dated 15th December 2022 examines 2 scenarios. Based on this modelling R106 conclude that “If provision of affordable housing were to be insisted upon ... this would prejudice entirely the planned development being brought forward”.
- 2.2. We have been instructed to provide an independent viability assessment of the scheme, with a view to advising the Council as to the appropriate level of planning policies contributions that the scheme can viably deliver.



- 2.3. In accordance with the RICS Financial viability in planning: conduct and reporting 1st Edition May 2019 ("RICS Conduct Guidance") we can confirm that in completing this instruction CP Viability Ltd have acted with objectivity, impartiality, without interference and with reference to all appropriate available sources of information.
- 2.4. In accordance with the RICS Conduct Guidance we can confirm that prior to accepting this instruction we undertook a conflict of interest check. It is stressed that as an organisation we only provide independent viability reviews upon the instruction of Local Authorities and therefore can guarantee that we have not provided viability advice on behalf of the applicant for this scheme. Within this context and we are unaware of any conflict of interest that prevents CP Viability from undertaking this instruction. If, at a later date, a conflict is identified we will notify all parties to discuss how this should be managed.
- 2.5. In accordance with the RICS Conduct Guidance we can confirm that the fee agreed to undertake this review is a fixed rate (covering the elements set out in our fee quote / terms of engagement) and is not performance related or a contingent fee.
- 2.6. In accordance with the RICS Conduct Guidance we can confirm that CP Viability Ltd is not currently providing ongoing advice to Ribble Valley Borough Council in area-wide financial viability assessments to help formulate policy.
- 2.7. As stated within the RICS Conduct Guidance it is now a mandatory requirement to provide sensitivity analysis of the viability results. This is to demonstrate to the applicant and decision maker the impact that changes to inputs have on the viability outcome and also to help the assessor reach an informed conclusion. We have subsequently undertaken sensitivity testing as part of this review.
- 2.8. We have assessed the viability of the scheme as at 23rd January 2023.



- 2.9. We have relied on the information provided to us by the instructing body and the applicant and in particular information publicly available through the Council's planning portal website.
- 2.10. We have not met either of the Instructing Body or the applicant and subsequently have not partaken in any negotiations regarding the scheme.
- 2.11. In accordance with the RICS "Assessing viability in planning under the National Planning Policy Framework 2019 for England (Guidance Note 1st Edition, March 2021), our appraisal assumes a hypothetical landowner and a hypothetical developer. The intention of a viability assessment is therefore to identify the approach a 'typical' or 'average' developer / landowner would take to delivering the site for development. A viability assessment does not therefore seek to reflect the specific circumstances of any particular body (whether landowner or developer).
- 2.12. We have also adhered to the requirements of the Planning Practice Guidance: Viability, first published in July 2018 and updated since.
- 2.13. In undertaking our appraisals, we have utilised the ARGUS Developer toolkit. This is an industry approved cash-flow model, designed specifically for residual appraisals. This report reflects the independent views of CP Viability, based on the research undertaken, the evidence identified and the experience of the analysing surveyor.



Gross Development Cost (Outgoings)

Type	Notes	Total
Plot construction	£2,067 per sq m (2,832sq m GIA)	£5,853,744
External works costs	10.58% of build costs	£619,077
Abnormals	£428,900 per net acre	£1,038,615
Professional fees	5.77% of build costs	£373,412
Sales & marketing	0.46% of GDV	£33,000
Sales legal fees	£750 per market dwelling	£4,500
Sales to RP	£750 per RP unit	£2,250
Finance	7% debit interest	£165,732
Land value		£0
Total		£8,090,330

- 3.3. Based on R106's appraisal, the scheme makes a financial loss of -£279,138 (even if the land value is set at zero). R106 subsequently conclude that 'It is requested that planning permission be granted without a requirement for affordable housing provision in order to maximise the possibility of the application proposals being brought forward'.



4. CP Viability's appraisal

Gross Development Value (Revenue)

4.1. We have based our assessment of value on the mix of dwellings set out above in para

1.6. R106's adopted market values are as follows:

- 5 bed detached 357 sq m £1,055,559 (£2,957 per sq m)
- 5 bed detached 427 sq m £1,226,171 (£2,872 per sq m)
- 5 bed detached 435 sq m £1,176,741 (£2,705 per sq m)
- 5 bed detached 436 sq m £1,288,356 (£2,955 per sq m)
- 5 bed detached 447 sq m £1,215,009 (£2,718 per sq m)

4.2. To support their adopted values R106 refer to the 10 dwellings sold on the adjacent Hare Hill Croft scheme (also developed by the applicant). The values given are as follows:

Plot	Size (sq m)	Sales Date	Price	Price £ psm
1	282	Nov-18	£615,000	£2,181
2	282	Nov-20	£595,000	£2,110
3	317	Jun-19	£780,000	£2,457
4	282	Feb-20	£645,000	£2,288
5	282	Sep-18	£600,000	£2,163
6	372	Mar-17	£1,000,000	£2,691
7	310	Dec-19	£775,000	£2,501
8	219	Jan-19	£489,000	£2,233
9	219	Apr-19	£525,000	£2,398
10	219	Dec-18	£495,000	£2,261

- 4.3. Please note, we have reviewed the Land Registry and can confirm that the above figures are correct.
- 4.4. R106 then seek to apply different inflation rates to the sales values achieved, in order to establish a market value as at August 2022. To do this, R106 refer to the UK House Price Index, adjusted for Ribble Valley. This shows a current day average value of £3,185 per sq m.
- 4.5. In terms of size, the most comparable is Plot 6 (a 5 bed detached 2.5 storey dwelling, with a lower ground floor), which extends to 372 sq m and sold for £1million in Mar 2017. R106 subsequently index this using the UK House Price Index rate and suggest that house prices have increased by 41% since Mar 2017. This equates to a current value of £1,405,792. However, there appears to be an error in R106's Table 1 (para 3.7) which shows the indexed current value for this dwelling (as well as the other plots). The table shows a rate per sq ft of £351, however the corresponding rate per sq m is stated to be £2,691. This is erroneous and instead at £1,405,792 for a house of 372 sq m this is equivalent to £3,779 per sq m.
- 4.6. We concur with R106 that the most relevant comparable evidence is the neighbouring scheme, albeit accepting that these sales took place a few years ago. In this regard, we concur with R106's approach to establishing an appropriate indexed figure in today's market.
- 4.7. However, as indicated above, the indexed rate per sq m for the most relevant comparable (plot 6 at the Hare Hill Croft scheme) is £3,779 per sq m, not £2,691 per sq m as shown in R106's table. In this context, R106's adopted values, which range from £2,705 to £2,955 per sq m (and shown an average of £2,857 per sq m), appear low.

4.8. For illustrative purposes, if an average rate of say £3,500 per sq m were to be applied to the majority of the dwellings at the subject scheme would have corresponding values at around £1.5 million. If an average rate of £3,250 per was applied the average value adjusts to in the region of £1.4million.

4.9. To establish whether this is realistic, we have subsequently reviewed the wider market, within 5 miles of the subject site identifying sales that have taken place within the last 5 years, to establish whether there is a clear market for dwellings of this size at the circa £1.4million to £1.5million level.

4.10. We note that only 4 houses have sold for in excess of £1.4million. We would comment on each as follows:

- **Waddington Old Hall: substantial Grade II Listed manor house of 941 sq m. Not a direct comparable to the subject scheme and therefore disregarded.**
- **Winkley Hall: substantial 7 bed house of 988 sq m plus 6 acres of land. Not a direct comparable to the subject scheme and therefore disregarded.**
- **Stoops Lane Farm: substantial 5 bed detached house, plus an additional detached guest cottage and 17 acres of land. Not a direct comparable to the subject scheme and therefore disregarded.**
- **41 Clitheroe Rd, Whalley: substantial 5 bed house of 578 sq m in large grounds. Significantly larger than the dwellings proposed at the subject scheme. Not a direct comparable to the subject scheme and therefore disregarded.**

4.11. None of the houses that sold for in excess of £1.4million therefore provide a direct comparable to the subject scheme (all being significantly larger).



4.12. In terms of dwellings that have sold for between £1million and £1.4million during the last 2 years, we note the following:

- 3 Brookes Close, Whalley: modern detached of 307 sq m. Sold for £1,225,000 in Jan 2022 (£3,990 per sq m).
- Moorside, Moorside Lane, Wiswell: detached of 339 sq m in a circa 1 acre plot. Sold for £1,185,000 in Mar 2021 (£3,496 per sq m).
- Long Acre, Whalley Rd, Pendleton: detached of 402 sq m. Sold for £1,168,960 in Aug 2021 (£2,908 per sq m).
- Lynwood, Pendleton Rd, Wiswell: detached of 329 sq m. Sold for £1,125,000 in Dec 2021 (£3,419 per sq m).
- 150 Wheatley Lane Road, Barrowford: appears to have a commercial use and is set in around 5 acres of grounds. Not deemed to be comparable and therefore excluded.
- Middlebanks Farm, Holden: detached of 344 sq m. Set in just under 5 acres. Sold for £1,075,000 (£3,125 per sq m) in Mar 2021.

4.13. In addition, we also note that "Plot 11", an addition to the Hare Hill Croft scheme (discussed below further in the 'Build costs' section of this report), is currently being marketed for sale. This is a 5 bed detached (3.5 storey) with lower ground floor, extending to 469 sq m. The property has yet to be built. This has been marketed for sale since May 2022 at an asking price of £1,100,000 (£2,345 per sq m), on the basis that the developer would build out the dwelling.

4.14. As shown above, there are examples where a higher rates per sq m has been achieved than allowed for by R106 in their appraisal. The 3 Brookes Close example, in particular, suggests there may be a premium uplift for a new build.

- 4.15. However, there are only a small number of sales recorded in recent years in excess of £1million within the wider locality. This suggests a fairly small local market for housing at this level. In the case of the subject property, a number of sales in excess of £1million would need to be achieved (and more than has been achieved in the area within the last couple of years). Whilst this does not mean that this level can be achieved, it does suggest that purchasers will be limited, which in turn impacts on price achievable.
- 4.16. Furthermore, at the current time we would also stress that the market is experiencing a high level of uncertainty and volatility. Over recent weeks the residential market has experienced a significant adjustment, which appears to have been accelerated by the government's 'mini-budget' announcement on 23rd Sept 2022. The Bank of England base rate has recently been increased to 3.5%, compared to 0.5% at the start of 2022. The knock-on effect of this and the government's announcement is that mortgage providers have significantly increased the cost of mortgage products, with rates pushing out towards 5% (compared to sub 2.5% as at Jan 22). The sharp increase in monthly repayments, combined with the ongoing cost of living / energy crisis, has created a greater pressure on affordability.
- 4.17. By way of an example as to the impact this has on affordability, for a sale price of £1,200,000, with a 40% deposit this would mean a mortgage of £720,000. In the summer 2022 mortgages were available at around 2.5%. Assuming a 25 year mortgage period, this equates to a monthly repayment of £3,257. As at the time of writing, mortgages have increased to around 5%. On the same criteria this would mean a mortgage repayment of £4,257 per calendar month. Furthermore, additional rises in interest rates are expected in the coming weeks in an attempt to temper inflation. If mortgage rates increase to say 7%, the monthly repayment would be £4,694. This level of increase in mortgage costs will significantly impact on purchaser affordability, which in turn will reduce demand. The 'knock-on' effect is a reduction in property prices.

- 4.18. In light of these market conditions, and whilst these are nothing but early predictions, some commentators are predicting that values could fall by 5% to 15% in 2023, albeit compared to the 'peak' that appears to have been around August / September 2022 before the Government's mini-budget.
- 4.19. From a valuation perspective, there is subsequently significant uncertainty as to how values will perform going forward. Current signs are that values will start to fall (as asking prices are reduced to try and drive sales). This has yet to manifest itself through clear transactional data, although we are noticing asking prices being reduced across the marketplace.
- 4.20. Within this context, it is likely that the number of purchaser's able to afford the upper end of the local market (i.e. houses in excess of £1million) has been reduced in recent weeks and this pool of buyers will continue to shrink if interest rates continue to rise. This means that values at the subject scheme are likely to be constrained.
- 4.21. However, there are some local examples which suggest a value 'tone' of £1.2million to £1.3million at the subject scheme, even given the current market uncertainty. Having considered this, and taking a fairly bullish approach, we have uplifted the values in our appraisal to an average rate of £3,000 per sq m.

Build costs

- 4.22. In their appraisal, R106 adopt the following:

Plot construction	-	£2,067 per sq m
Externals	-	£619,077 (10.58% of above)
Abnormals	-	£1,038,615



4.23. To arrive at the plot construction costs, R106 refer to a cost plan “...prepared by a cost consultant Quantity Surveyor in relation to the cost of constructing the undeveloped ‘Plot 11’ at the adjacent Hare Hill Croft site...” In Appendix 1 to their report, some brief plans are provided which show a 4 storey building, including a basement / lower ground floor, ground floor, first floor and second floor in the roof void.

4.24. No further detail is provided of the quantity surveyors costings of the unit ‘Plot 11’, other than R106 stating that the total cost equated to £2,067 per sq m and were prepared in March 2022. R106 ultimately apply this construction rate to the subject scheme, noting that it falls “...midway between Median BCIS costs for ‘Estate Housing Detached’ (Category: 810.11) of £1,680 per sq m and those for “One-off” housing detached (3 units or less)’ (Category 820.1) of £2,402 per sq m”

4.25. We would comment on this as follows:

- As no further detail of the quantity surveyors costings have provided we are unable to interrogate the figures. It is therefore unclear as to whether this is a ‘like for like’ comparison is being made.
- As indicated above, it is clear that ‘Plot 11’ included a lower ground floor / basement. We therefore anticipate that the costings included break out works and retaining walls (i.e. the rate of £2,067 per sq m included these works). These costs are already allowed for elsewhere in R106’s appraisal of the subject scheme, therefore by using the £2,067 per sq m in their appraisal we anticipate that there is ‘double-counting’. However, as no further detail of the costings has been provided we are unable to confirm this.

- The 'one-off' detached rates of the BCIS referred to by R106 are not relevant to the subject site as this is a scheme of 9 dwellings and therefore falls within the estate housing category.
 - Having reviewed the plans, we note that Plots 1, 2, 3, 4, 5, 6 and 9 are all 2.5 storey dwellings (i.e. ground and first floor plus additional space in the roof). Only Plots 7 and 8 include a large lower ground floor / basement. We do not therefore agree that Plot 11 provides a 'like for like' comparison to the majority of the plots.
- 4.26. Having considered the above, we cannot accept the costings referred to by R106. Instead, we have referred to the Build Cost Information Service ("BCIS") database, which is regularly used for determining construction costs. We note that the Ribble Valley sample size is relatively small in the BCIS data and consequently we have reverted to the wider Lancashire data (based on a sample of 196). In terms of which rate to apply, given the high value nature of the scheme we consider it appropriate to apply the upper quartile rate. We have applied the 3 storey upper quartile rate, which is currently £1,700 per sq m for all the plots (on the basis that the additional works associated with the breaking out works and retaining walls for Plots 7 and 8 are allowed for elsewhere).
- 4.27. With respect to externals, R106's allowance of £619,077 is equivalent to 14.35% of the adjusted plot costs. This is considered to be broadly in line with expectations and is therefore accepted in our appraisal.
- 4.28. In addition, as per the viability guidance, we have included a separate contingency. We consider a 3% allowance to be sufficient to cover this.
- 4.29. With regard to what we consider to be abnormal costs (or 'non-typical' costs necessary for this scheme), R106 have allowed for the following:

Earthworks	345,000
E/O Breaking out of bedrock	300,000
Retaining walls	350,415
EV Charging & PV Panels	43,200

4.30. The above costs total £1,038,615 (£428,900 per gross acre).

4.31. The above items are considered to be legitimate abnormal costs. In terms of the rates applied, we would stress that we are not qualified quantity surveyors and therefore can only provide a high-level view of these costs based on our experience of undertaking viability assessments.

4.32. It is our understanding that earthworks and extra / over works associated with the "breaking out of bedrock" have already been undertaken as part of the neighbouring site works. It is therefore unclear as to whether these works as put forward are over and above the works undertaken to date or whether there is an element of double-counting between the neighbouring site and the subject scheme. As we are not quantity surveyors, we are unable to confirm this at this stage. Please note, if, at a later date, it is found to be the latter and savings are found then this could impact on our conclusions.

4.33. That said, to some degree the impact of abnormal / site specific infrastructure costs can be offset in the land price (at least when determining viability). The recent publication of the Planning Practice Guidance ('PPG') on viability makes it clear that abnormal costs must be factored into the assessment of land value (with the implication being the higher the abnormal costs the greater the downward pressure on land value).

- 4.34. In short, changes in abnormal / infrastructure costs are of course significant, however when assessing viability, they should be balanced against land value (which can serve to dampen the effect of abnormal costs on the overall viability outcome).
- 4.35. Within this context and having considered all schemes we are aware of where similar abnormal / infrastructure costs have been included, we have accepted the costs set out by the applicant in relation to the items included, albeit we have looked to appropriately reflect these costs within the assessment of the benchmark land value.

Professional fees

- 4.36. The figure adopted in PDC's appraisal is £373,412, equivalent to 7.57% of our adjusted plot construction and external costs.
- 4.37. Based on other similar scale schemes we have appraised across the wider locality we consider this to be reasonable and have adopted the same in our appraisal.

S106 / Other Council Policy Requirements

- 4.38. We understand the Council has a requirement for 3 onsite affordable dwellings.

Sales and Marketing / Legal costs

- 4.39. R106 adopt 0.46% of market dwelling revenue for sales and marketing. A further allowance of £750 per market dwelling is made for sales legal costs.



4.40. Based on other schemes we have appraised across the wider locality, if anything, this is considered to be below expectations for a scheme of this nature. To cover the agent fee and marketing (as well as the cost associated with a show home) we consider 2% on the revenue to be an appropriate allowance. We have accepted the legal costs of £750 per dwelling.

Finance

4.41. R106 have proposed an allowance for debit interest charges at 7%. However, in light of recent interest rates rises this is deemed to be below expectations. We have adjusted this to 7.5% in our appraisal.

4.42. To calculate the finance, we have inputted our appraisal data into ARGUS Developer, an industry approved discounted cash flow model.

Developer's profit

4.43. The Planning Practice Guidance ("PPG") on viability shows that profit is a reflection of risk and is subject to adjustment to take into account site specific circumstances. The PPG suggests that developer profit should fall within a range of 15% to 20% on revenue, unless firm evidence suggests otherwise (whilst this is within the context of the Local Plan viability testing the recent viability consultation process suggested that this was a reasonable range to apply to decision making viability assessments).

- 4.44. Our own experience is that larger, volume housebuilders typically seek profit margins towards 20% on revenue (although we find that some 'flex' is sometimes considered to be acceptable). For smaller developers, we tend to see profits towards the lower end of the range identified by the PPG. This is typically explained by volume housebuilders having higher central overheads compared to smaller developers.
- 4.45. Adopting a bullish approach, we consider a developer profit equivalent to 15% on revenue to be reasonable for the purposes of the viability testing.

Benchmark land value

- 4.46. The Benchmark Land Value ("BLV") attempts to identify the minimum price that a hypothetical landowner would accept in the prevalent market conditions to release the land for development. Whilst a relatively straight forward concept in reality this is open to interpretation and is generally one of the most debated elements of a viability appraisal. It is also often confused with market value, however the guidance stresses that this is a distinct concept and therefore is different to market value assessments.
- 4.47. The standard approach is to run an initial appraisal based on all of the above fixed inputs to arrive at a site value for the site. In accordance with the RICS guidance, this residual site value can then be compared to the "benchmark land value" (which is the minimum price that a hypothetical landowner would accept and a hypothetical developer would pay for the scheme to be delivered). If the residual site value is above this "benchmark" then the scheme is viable. If the residual site value falls below this figure then the scheme is deemed to be unviable.



4.48. Viability assessors are provided some guidance through the National Planning Policy Framework ('NPPF') and Planning Practice Guidance ('PPG'), as published on 24th July 2018 (and updated in May/September 2019). This provides a more up to date guide to undertaking viability assessments and can be regarded as superseding certain elements of the above 2012 documents. One area which the PPG deals with is in relation to assessing BLV, stating the following:

4.48.1. To define and value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land.

4.48.2. The EUUV should disregard any hope value.

4.48.3. Benchmark land value should reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.

4.48.4. Benchmark land value should be informed by market evidence including current uses, costs and values wherever possible.

4.48.5. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including affordable housing. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

- 4.48.6. Under no circumstances will the price paid for land be a relevant justification for failing to accord with the relevant policies in the plan.
- 4.48.7. Alternative Use Value of the land may be informative in establishing benchmark land value. However, these should be limited to those uses which have an existing implementable permission for that use. Valuation based on AUV includes the premium to the landowner.
- 4.49. In other words, the Council should not subsidise (through a loss of planning policy contributions) any overbid made when acquiring the site. Any overbid (or indeed underbid) for a site should therefore be disregarded when considering the BLV. As part of the process of reviewing viability it is down to the assessor to determine whether a price paid is an appropriate figure (or not) to use as a BLV.
- 4.50. For their appraisal, R106 adopt a nil sum. However, for the purposes of the viability modelling it is necessary to make some level of allowance for the land, as it has an underlying value in the market place.
- 4.51. In terms of approach, as per the guidance, it is necessary to first establish the existing use value of the land and then apply a suitable premium uplift.
- 4.52. For the subject site, we anticipate an amenity / 'scrub' land value of £15,000 per acre. This would give an existing use value of £36,300.
- 4.53. In terms of the premium uplift, there are appeal decisions (albeit for larger scale sites than the subject property) which suggest an uplift range of 10 to 15 times the existing use value, dependent on the level of associated abnormal costs (i.e. the higher the abnormal costs the premium uplift and vice versa). For the subject site, given the level of abnormal costs, we consider a circa 10 times multiplier to be reasonable here.

4.54. Taking into account the above, we are of the view that a benchmark land value of £350,000 is reasonable for the purposes of the viability testing.

5. Appraisal results and conclusion>

5.1. We have initially run a full policy compliant scheme (3 onsite affordable dwellings). However, this returns a negative residual land value and is therefore deemed to be unviable. We have subsequently re-tested the scheme on the basis of 9 market value dwellings (i.e. nil affordable housing). Please see attached our appraisal. This returns a residual land value of (minus) -£350,451. Again, as this is a negative sum (and below the benchmark land value of £350,000) this is deemed to be unviable. The scheme is therefore shown to be technically unviable even before any affordable housing / planning policies are factored in.

5.2. As per the RICS requirements we have also run sensitivity testing, considering the impact that stepped increases and decreases on sales values and construction costs (at 2.5% intervals) would have on the viability outcome:

Construction: Rate /m ²	Sales: Rate /m ²				
	-5.000%	-2.500%	0.000%	+2.500%	+5.000%
2 850.00 /m ²	£434,530	£272,874	£111,218	(£49,546)	(£208,343)
1 615.00 /m ²	15.000%	15.000%	15.000%	15.000%	15.000%
1 657.50 /m ²	£554,146	£392,490	£230,834	£69,178	(£90,842)
1 700.00 /m ²	15.000%	15.000%	15.000%	15.000%	15.000%
1 742.50 /m ²	£673,763	£512,107	£350,451	£188,795	£27,139
1 785.00 /m ²	15.000%	15.000%	15.000%	15.000%	15.000%
	£793,379	£631,723	£470,067	£308,411	£146,755
	15.000%	15.000%	15.000%	15.000%	15.000%
	£912,995	£751,339	£589,683	£428,027	£266,371
	15.000%	15.000%	15.000%	15.000%	15.000%



- 5.3. Please note, a positive residual land value is shown as a negative figure in the above table. For example, if construction costs were to fall by 5% and sales values increase by 5% the resultant residual land value would be £208,343. However, as this is still below the benchmark land value of £350,000 the scheme would still be technically unviable even in that scenario.
- 5.4. In summary, and despite having taken a bullish approach to both the sales values and construction costs, the scheme is still deemed to be unviable even before any planning policies are factored in. The scheme can only therefore be delivered if planning policy requirements are removed and a developer is willing to complete the scheme at a level of developer profit significantly below that recommended in the guidance.
- 5.5. However, we would comment that a key reason why the scheme is returning an unviable outcome is, in our view, due to the nature of the design (being high value houses with high corresponding construction costs). It may be the case that a higher density scheme with more typical house types and sizes (i.e. the inclusions of 2/2.5 storey semi-detached housing and smaller detached dwellings of 2/2.5 storeys of sub 200 sq m that do not required lower ground floor construction) would return a viable outcome with affordable housing / planning policies applied. In other words, if the scheme was re-designed to provide a higher number of smaller dwellings, then the viability outcome may be different.
- 5.6. By way of illustration:
- The subject site extends to 0.98 Ha. Assuming a circa 60% gross to net ratio (which is cautious) this would leave say 0.6 Ha net developable. We typically expect, even for a small scheme, a density of 30 dwellings per net Ha. Applied to an area of 0.6 Ha this equates to 18 dwellings (i.e. double the amount currently proposed).

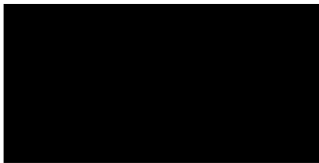


- In terms of capacity, typically we see schemes at around 3,000 sq m per net Ha. For a net developable area of 0.6 Ha this therefore equates to 1,800 sq m. This is an average 100 sq m per dwelling based on 18 units.
- As a mix, for this location, it is reasonable to assume roughly 50/50 between semi-detached and detached. Assuming say 10 semi-detached dwellings (as the semi-s have to be an even number), at an average of 80 sq m per dwelling this would mean a total of 800 sq m. This would leave 1,000 sq m to be split between 8 detached dwellings (125 sq m per dwelling).
- Having reviewed new build transactions in postcode area 'BB7' we note a number of sales in Barrow during 2022 which support an average value of around £3,400 per sq m for the detached and £3,200 for the semi-detached dwellings of these sizes. Applied to the example scheme of 18 dwellings are described above this would give a total gross development value of £5.96million.
- The typical EPC D10 cost for 2 storey housing is currently £1,335 per sq m. Applying a 12.5% allowance for externals and 3% for contingency gives a total cost of £2,784,476. For professional fees 7% is deemed reasonable (£189,236), plus 2% for disposal costs and £750 per unit for legals (£130,500). Assuming finance at £350,000, profit at 15% on revenue (£877,500) and a land value of £350,000, this would give a total development cost of £4.65million. This would leave a surplus of circa £1.3million to be distributed between abnormal costs (dependent on what was required) and planning policies.

5.7. This suggest that the current planning application, as proposed, does not optimize the site, which impacts on the viability of the scheme.

5.8. Our conclusions remain valid for 6 months beyond the date of this report. If the implementation of the scheme is delayed beyond this timeframe then market conditions may have changed sufficiently for our conclusions on viability to be adjusted. Under this scenario we would strongly recommend the scheme is re-appraised.

Yours sincerely



Director
CP Viability Ltd



3.0 CPV Appraisal Output – 23/01/2023

Land south of Chatburn Rd, Chatburn
3/2022/0500
Viability appraisal
DN-0781

Development Appraisal
Prepared by David Newham MRICS Director
CP Viability Ltd
23 January 2023

APPRAISAL SUMMARY**CP VIABILITY LTD**

Land south of Chatburn Rd, Chatburn
3/2022/0500
Viability appraisal

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	m ²	Sales Rate m ²	Unit Price	Gross Sales
Market Value	9	2,832.00	3,000.00	944,000	8,496,000

NET REALISATION

8,496,000

OUTLAY**ACQUISITION COSTS**

Residualised Price (Negative Land)			350,451		350,451
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CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost	
Market Value	2,832.00	1,700.00	4,814,400	4,814,400
Contingency		3.00%	163,004	
Earthworks			345,000	
D/O Breaking out of bedrock			300,000	
Retaining walls			350,415	
EV Charging & PV Panels			43,200	
Externals			618,077	
				1,820,696

PROFESSIONAL FEES

Professional fees			373,412		373,412
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DISPOSAL FEES

Marketing		2.00%	166,820		
Sales Legal Fee	9.00 Unit	750.00 / Unit	6,750		173,570

TOTAL COSTS BEFORE FINANCE

6,834,728

FINANCE

Debit Rate 7.500% Credit Rate 0.000% (Nominal)					
Land			24,716		
Construction			282,237		
Other			129,352		
Total Finance Cost					393,872

TOTAL COSTS

7,221,600

PROFIT

1,274,400

Performance Measures

Profit on Cost%
Profit on GDV%

IRR% (without Interest)

4.0 Letter to RVBC – 09/02/2023



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Stephen Kilmartin
Principal Planning Officer
Ribble Valley Borough Council
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M20 1HX

9th February 2023

Dear Stephen

Re: Viability of Affordable Housing Provision – Land to the South of Chatburn Old Road, Chatburn – Application for Technical Details Consent (3/2022/0500)

We write further to receipt of a copy of the report prepared by consultants CPV in respect of the above dated 23rd January 2023.

CPV were instructed by the Council to review the contents of a Financial Viability Assessment ("FVA") produced by Resolve106 and dated 15th December 2022.

We are conscious that owing to workload constraints etc. instructing officers may not always get the opportunity to review in full the content of FVA's submitted by applicants and instead obtain their understanding of the viability position in relation to application proposals based on the opinions of the consultants instructed to review the applicants FVA submission.

It is therefore important to ensure that the appointed consultant has properly acquainted themselves with the facts in relation to the development proposed by an individual planning application in order that they may report accurately on the content of a submitted FVA to their clients.

Unfortunately, in this instance, it is not considered that CPV have acquitted themselves in accordance with the brief which should have been given to them.

Application Context

Firstly, CPV appear to have given little regard to the fact that the application is for Technical Details Consent ("TDC") on a site for which benefits from

Permission in Principle ("PiP") for residential development. In accordance with the terms of the PiP regime development cannot exceed 9 dwellings. Therefore, their consideration of viability must relate to consideration of the application proposals.

In short, they must deal with the application that is before them, rather than speculate as to whether some alternative scheme of development (which would fall outside the parameters of the PiP regime) would potentially be more viable.

At paragraph 1.3 they suggest that:

'The site is currently formed of a gravelled area leading from Chatburn Old Road round behind Hare Hill Croft into a larger grassed area with tree and hedgerow boundaries.'

As we indicated in our FVA the site has been subject to historic (and unrestored) mineral extraction activities.

Our clients have advised that:

'The site is formed of high carboniferous limestone and lies next door to four active quarries (Lane End, Horrocksford, Backfield, and Belmont) which as demonstrated at public inquiry are a Strategic Mineral Resource used in the production of cement for the construction industry. There is little, if any, soil cover across the site.'

At paragraph 3.1 CPV state that our submitted FVA demonstrates a residual land value of £510,203. This is incorrect to the extent that our viability model was based on a land value of zero, and the output (of £510,203) relates to the developers residual profit.

This is an important distinction as it indicates how, by taking consideration of historic land costs out of the equation, our clients may be able to bring forward a development of 9 market dwellings, in spite of the current marginal viability of this proposal.

Sales Revenue

In paragraph 4.5 observe an error in respect of calculating an indexed sale price for plot 6. They correctly identify that the indexed sale price of £351/m² does not equate to £2,691/m², but is instead £3,783/m². However, calculation of the



average indexed price at August 2022 values of £3,189/m² is correct, so this error in relation to the reporting of plot 6 is of no consequence overall.

At paragraph 4.7 CPV concur with the comments in our FVA that the adjacent development (Hare Hill Croft) is the most appropriate to use for comparison purposes and reiterate that the price for Plot 6 equates to £3,779/m² after application of House Price Inflation ("HPI") i.e. this is a hypothetical figure that is not based on recorded transactional data.

Since both our FVA and CPV's response were produced the Land Registry have recorded the resale of Plot 3 by the first purchasers. Originally sold for £780,000 in June 2019, this resold for £865,000 in September 2022. This represents an uplift of only 11%, which falls considerably short of the 34% uplift generated by way of application of HPI and equates to £2,725/m².

Within the same paragraph CPV continue to report that the £/m² revenues used in our FVA average £2,857/m² which they consider to be low, but fail to explain how individual plot prices were derived from a base value of £3,189/m² subject to adjustment in respect of accommodation below ground level or within roofspaces.

Our FVA set out the methodology employed to derive individual plot prices at paragraph 3.14. When benchmarked against the £2,725/m² recorded for the resale of plot 3 these figures are considered reflective of the immediate comparable evidence.

Having concluded that there are no directly comparable properties within the Chatburn area (notwithstanding the resale of Plot 3 above) CPV then consider whether any comparable properties within the wider Ribble Valley area. They cite a new build dwelling at 3 Brookes Close in Whalley as selling for £1,225,000, equivalent of £3,990/m², in January 2022.

Whilst examination of the dwelling in question confirms it is comparable in design and layout to the application proposals there is no consideration given by CPV as to whether the general level of pricing in Whalley is consistent with that for Chatburn.

We would comment that Whalley is a higher service centre with a greater range of amenities than Chatburn, including a railway station, and as such this is likely to support a higher level of pricing which needs to be taken into account in consideration of comparable prices for similar dwelling types.

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However, these observations notwithstanding CPV consider that a revenue of £3,000/m² is a reasonable position to take with regard to current market conditions. This compares with the average revenue of £2,857/m² used in our FVA.

Dwelling Sizes

Despite our FVA specifying the dwelling sizes which comprise the application proposals on a plot by plot basis (including breakdown by individual floor levels) CPV base their appraisal on a Gross Internal Area ("GIA") for 9 dwellings of 2,832m². This is despite the GIA of the application proposals totalling 3,465m². The reason for this discrepancy is not explained by CPV.

Therefore, the entirety of their viability assessment is flawed as their development assumptions are not based on the reality of the application proposals as submitted.

Development Costs

At paragraph 4.25 CPV reject use of the scheme specific build cost estimate prepared by a consultant Quantity Surveyor employed in our FVA even though these have been derived from analysis of the completed dwellings at Hare Hill Croft which are similar in terms of size, design, external materials, and specification.

Instead CPV apply BCIS Upper Quartile construction costs, rebased to Lancashire, rather than Ribble Valley, justifying this on the basis of there being an insufficient sample size of projects in Ribble Valley. However, it is evident that construction costs for Ribble valley are higher than average costs for Lancashire overall.

The precise costs used are Upper Quartile BCIS costs for Estate development – 3 Storey Houses at £1,700/m² (£1,768/m² rebased to Ribble Valley). This clearly includes 3 storey housetypes of all typologies, i.e. is not limited to detached houses which comprise the application proposals. For comparison, the upper quartile construction costs for detached houses are £1,965/m² (£2,064/m² rebased to Ribble Valley). In this context the QS derived plot construction costs of £2,067/m² appear an entirely reasonable figures to use in the preparation of a FVA for this site.

It is also noted that CPV consider that the application proposals should be considered as 'estate development', presumably as a result of the typology proposed, even though by way of comparison with Hare Hill Croft it is noted that this development of 10 dwellings took almost 4 years to complete.

At paragraph 3.2 of our FVA we observed that the calculated QS construction costs sat midway between BCIS median construction costs for 'Estate Development' and those for 'One-off' housing detached (3 units or less)' in each case rebased to the Ribble Valley. It was considered appropriate to highlight this given the bespoke nature of the application proposals which will be built to suit the requirements of individual purchasers rather than the mass construction approach which typically characterises schemes of estate development.

Having regard to the limited market for dwellings priced at circa £1m as acknowledged by CPV we would expect them to understand that development of the application proposals is likely to take a similar length of time to Hare Hill Croft, and as such the economies of scale related to 'estate development' will largely be absent.

At paragraph 4.22 CPV express an opinion that the cost allowance for 'breaking out of bedrock' may represent double counting on the presumption that such works were already undertaken in connection with the development of Hare Hill Gardens.

This is most definitely not the case. Each development is independent of the other, and as the application site is at a lower level than Hare Hill Gardens an entirely separate (and more expensive) system of drainage infrastructure is required, which is reflected in the estimated abnormal costs.

External Works and Abnormal Cost Items

It is reassuring to note that CPV accept the incidence of costs in relation to external works and abnormal costs as these represent fixed cost items which cannot be varied in response to the scope of development proposed and therefore form the crux of the viability case under consideration.

It is the opinion of CPV in relation to the substance of the application for TDC which is considered to represent a departure from our understanding of the brief they were given in connection with their instruction.

Benchmark Land Value

It is interesting to note that in their opinion CPV consider the Benchmark Land Value ("BLV") to be £350,000, this representing the minimum value at which it is expected that a reasonable landowner would release land for development.

However, as has been noted, owing to historical land ownership associated with this site the BLV and developer return are effectively one and the same. This explains why freed of the obligation to pay for site purchase costs, together with a cautious approach to phasing of development, where each dwelling is built to order, rather than speculative sales risk being incurred our clients may be able to bring forward a development of 9 market dwellings, in spite of the current marginal viability of this proposal.

Conclusions

CPV acknowledge that the conclusions of our FVA were correct in indicating that the application proposals (if amended to include 3 smaller affordable dwellings for sale at a maximum price of £187,000) would not be viable.

Furthermore, we have retested the viability of this position using the amended cost and revenue assumptions advocated by CPV and conclude that there is no alternative scheme of development permissible within the confines of the PIP regime that could support the provision of affordable housing. We trust that CPV would confirm the same if requested to undertake similar analysis.

This is simply the reality of the situation having regard to the unavoidable fixed cost expenditure which will be incurred in the development of this site.

Our FVA therefore has responded to the request made by the Council that a reduction in affordable housing provision would only be permitted if supported by a viability submission, such submission being subject to third party verification at the applicants expense.

CPV confirm the conclusions of our FVA. However, they then overreach the terms of their instruction by suggesting that it is the scope of the application proposals that are at fault, and an alternative scheme of development should be proposed (outside the parameters of the PIP regime) that in their opinion would be able to support the provision of affordable housing.



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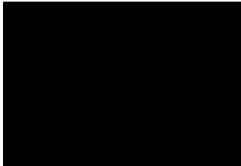
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This is simply not a matter before them, and their consideration should be limited to the scope of the application for TDC which they have been provided details of.

Whilst they have clearly deviated from their brief in this regard this does not alter the substance of their conclusions with regard to the contents of our submitted FVA that provision of affordable housing was not viable.

Therefore, having fulfilled the request made by the Council that a reduction in the affordable housing requirement would only be accepted if justified through provision of viability evidence it is kindly requested that the application for TDC is approved without any requirement for affordable housing provision.

Yours Sincerely



Director

