



Northumberland
County Council

Northumberland Local Plan
Publication Draft Plan (Regulation 19)

How Viability has Informed the Local Plan Technical Paper

December 2018

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1. Purpose

- 1.1 This paper explains in summary how the Northumberland Local Plan and CIL Viability Assessment has been used to inform the Local Plan and to verify that the Local Plan is viable.

2. Introduction

- 2.1 The Northumberland Local Plan and CIL Viability Assessment report (November 2018) is the output of an independent viability assessment process. The assessment looked to test the policies of the Local Plan as part of an iterative process, in order to ensure its viability and thus deliverability.
- 2.2 Previous viability evidence, developed in support of the former Northumberland Core Strategy was taken into account, along with a wide range of additional evidence, national policy and guidance and the views of stakeholders.
- 2.3 In summary, the viability assessment looked to test the appropriate quantum and mix of affordable housing; the appropriate levels of Section 106 policy requirements; and other policy provisions which could impact on scheme viability. In accordance with good practice, the assessment also appraised the viability of potential Community Infrastructure Levy (CIL) rates. Northumberland County Council is considering whether to adopt a CIL charge to provide funding for known infrastructure requirements¹.
- 2.4 The assessment looked at such requirements individually and collectively, and alongside other factors such as national policy requirements and market influences.

¹ See the Northumberland Infrastructure Delivery Plan

3. Methodology

- 3.1 The Local Plan and CIL Viability Assessment was undertaken in accordance with national policy and guidance. The final assessment was produced in view of changes to the National Planning Policy Framework (NPPF) implemented in 2018, and its associated revisions to Planning Practice Guidance on viability matters. It is based on a 'residual land value' methodology whereby the end value of development, after deducting costs, is compared to a Benchmark Land Value. This determines whether or not development is economically viable, and is likely to be delivered.
- 3.2 The assessments tested a range of site types considered to be representative of the types of development likely to come forward in Northumberland. This was supplemented by site specific viability testing of a sample of real sites.

4. Accounting for Viability - Residential Development

- 4.1 The Northumberland Local Plan and CIL Viability Assessment (November 2018) report (LPVA) should be referred to for the detailed methodology and findings. However, by way of an overview, for residential development the assessment found the majority of the site types to be viable. Once affordable housing provisions, CIL charges and other policy requirements were factored in, and increased, this put a downward pressure on the viability of the schemes.
- 4.2 Whilst in the main part, the 'base appraisals'² found development to be viable, the findings necessitated building in some 'flex' in policies to ensure an appropriate balance was struck between being aspirational and ensuring the plan was viable.

² The 'base appraisals' used a consistent set of assumptions on which to test site typologies. A number of sensitivity tests were then applied to the 'base appraisals' which sought to vary key assumptions.

4.3 Alongside considerations of other components of the Local Plan evidence base, and the findings of consultation and engagement, there were a number of revisions to the policy approach which had been set out in the Regulation 18 Plan. The following provides a summary of the revisions captured in the Regulation 19 Publication Draft Local Plan in order to achieve this balance.

- Revisions to Affordable Housing Targets - the testing showed that all typologies are capable of delivering some form of affordable housing. However, the proportion of affordable housing found to be viable varied according to housing values. Variable affordable housing targets were defined for four value bands: highest, high, medium and low;
- Revisions to Tenure Split - Values were shown to influence the viable affordable housing tenure split. Informed by the viability findings, evidence of affordable housing need and, in conformity with changes to NPPF, the required tenure split of affordable housing were varied according to value areas including 100% affordable ownership in low value areas;
- Removing Adaptability standards from policy - the Draft Regulation 18 Local Plan included a policy to seek a proportion of new housing to meet optional higher building regulation standards for adaptability and accessibility. Whilst it is considered that the Council should seek opportunities to secure such standards, the policy requirement was removed to ensure viability in the Regulation 19 Publication Draft Local Plan.

4.4 The following table provides a summary of the viability of each site typology tested in the Local Plan and CIL Viability Assessment with the policies of the Regulation 19 Publication Draft Local Plan applied. Similarly the LPVA report should be referred to, as it provides detailed discussion of assumptions and analysis of the findings. The table simply provides a high level overview for ease of reference.

Table 1 Overview of viability according to Viability Assessment

Typology	Dwellings	Housing Market Value Band							
		Highest greenfield	High greenfield	Medium greenfield	Low greenfield	Highest brownfield	High brownfield	Medium brownfield	Low brownfield
Site type 1	1 dwelling	Green	Green	Red	Red	Green	Green	Green	Red
Site type 2	2 dwellings	n/a	n/a	n/a	n/a	Green	Green	Red	Red
Site type 3	6 dwellings	n/a	n/a	n/a	n/a	Green	Green	Red	Red
Site type 4	15 dwellings	Green	Green	Red	Green	Green	Green	Green	Green
Site type 5	50 dwellings	Green	Green	Green	Green	Green	Green	Green	Green
Site type 6	100 dwellings	Green	Green	Green	Green	Green	Green	Green	Green
Site type 7	40 dwellings – sheltered flats	Green	Green	Red	Red	Green	Green	Red	Red

4.5 It can be seen that the majority of site types have been demonstrated to be viable across the County’s varying housing market value bands. There are a limited number of specific typologies, notably in low value areas, where development may be unviable. However, it is necessary to take a holistic view.

- 4.6 Site types 1, 2 and 3 represent small schemes of 1, 2 and 6 dwellings respectively. In the low and occasionally medium value areas, the viability assessment evidence suggests the schemes may not be viable. Minor scale residential developments make up an important component of the County's housing supply, therefore the findings were considered further. As commented on in the viability work, there are a number of factors to indicate that the viability findings for these small-scale developments may be misleading. In practice, single dwellings are often custom or self-built by individuals or families. They do not have the same motives for development, i.e. they are building a house to live in rather than having the objective of making a profit. For this reason, some of the assumptions applied in the viability testing will not be applicable, e.g. profit and marketing costs.
- 4.7 A further consideration is that for these minor scale schemes, including those developed by small housebuilders, the properties are often bespoke and likely to have higher end values than the assumed average values. Removing these costs and increasing values would have a significant bearing on viability and represent the difference between being unviable and being viable.
- 4.8 It is also important to note that records of housing completions provide evidence to demonstrate small-scale developments are viable as they are consistently being completed in Northumberland. In the year 2017-2018 in the south east of the County where values are typically low and the landscape is principally urban, therefore with more limited opportunities for single or small-scale developments, there were 10 completions of 1 dwelling schemes, 4 completions of 2 dwelling schemes and 11 completions of 6 dwelling schemes.
- 4.9 Site type 4 representing a scheme of 15 dwellings is shown to be unviable in the base appraisal in medium value areas. However, this moves to marginally viable with relatively minor adjustments in assumptions, such as reduced build costs.
- 4.10 Site type 7 for 40 sheltered housing flats is comfortably viable in high and highest value areas and can support a CIL charge. However, such developments are not viable in medium and low value areas. This type of development is likely to represent such a small fraction of development that the findings are not considered to be significant to the viability of the plan as a whole. Further consideration could be appropriate on a individual scheme basis at application stage.

- 4.11 The resulting overall picture of viability is a positive one, demonstrating that development is on the whole viable. Moreover in many instances there is sufficient 'headroom' or surplus in the viability equation to allow for the introduction of a CIL.
- 4.12 These findings are further corroborated by testing of real sites as presented in the Local Plan and CIL Viability Assessment (November 2018).

5. Accounting for Viability - Commercial Development

- 5.1 The Northumberland Local Plan and CIL Viability Assessment (November 2018) report should be referred to for the detailed methodology and findings. However by way of an overview, for commercial development, the assessment found the majority of the commercial development types to be unviable. The only typologies which return a viable position are the retail warehouse and discount supermarket typologies, which have been shown to also be able to support a CIL charge.

Table 2 Overview of viability according to Viability Assessment

A1 Large supermarket	Green
A1 small supermarket	Green
A1 mini supermarket	Red
A1 retail warehouse	Red
A1-A5 small retail / service	Red
B1a town centre offices	Red
B1a out of town office	Red
B2 industrial	Red
B1c light industrial	Red
B8 storage	Red
C1 hotel	Red
D2 Leisure	Red

- 5.2 The findings are not unexpected and are not considered to suggest the Local Plan is unviable. Importantly, the findings need to be considered alongside Local Plan evidence of employment land and premises demand. Furthermore, as detailed in the viability evidence there are a number of market influences which are likely to change over time.
- 5.3 It is also appropriate to consider that the appraisals are based on commercial development being brought forward on a speculative basis, e.g. a new office development for rent. In the current market conditions this can be regarded as a 'worst case' from a viability perspective, as the perceived risks associated with developing commercial schemes speculatively means a developer would require an inflated profit, which has a negative effect on viability. As discussed in the viability evidence, in reality there are other options available for commercial scheme delivery, including pre-let schemes and owner-occupier development. In each case, the profit would either be reduced or, in the case of owner-occupier development, removed. This would have a positive financial impact to the extent where commercial schemes can be shown to be viable.

6. Conclusions

- 6.1 The Council is satisfied based on the Local Plan Viability Assessment and other evidence that the cumulative impact of policies will not put implementation of the Local Plan at risk, and should facilitate development. The Northumberland Local Plan therefore provides a viable and deliverable strategy.



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