

# **NORTH EAST DERBYSHIRE LOCAL PLAN EXAMINATION**



## **STATEMENT OF NORTH EAST DERBYSHIRE DISTRICT COUNCIL**

**22 OCTOBER 2018**

### **MATTER 13**

**Plan Viability, Deliverability and Monitoring**

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## **Main Matter 13 – Plan Viability, Deliverability and Monitoring**

*Issue – Whether or not the plan would be viable and deliverable within the plan period and whether the arrangements for monitoring are robust*

### **Question 13.1**

**Would new employment, housing and other development be able to accommodate the plan’s policy requirements having regard to viability and is this supported by the evidence in the Viability Study (EB IV2a)?**

### **Council’s Response:**

13.1.1 The Whole Plan Viability Assessment (WPVA) (**EB-IV2a & b**) takes account of all the relevant costs and values of development proposed in the District. In addition, the assessment factors in the impact of all policy costs, including affordable housing (Policy LC2), accessible and adaptable housing (Policy LC4), infrastructure costs (Policies SDC11 & ID9), and allowance for s106 contributions (Policies ID1 & ID2). The viability results are set out in the WPVA (**EB-IV2a & b**) and are further summarised below.

13.1.2 The overall finding is that development is challenging. Much of the baseline analysis undertaken by BVA found development to be marginal or unviable on a number of the bases tested. The primary reason for this is that, whilst values are relatively low, (at least compared to the national picture) the cost base published by BCIS is comparatively high. On investigation, BVA have cause to doubt the robustness of the evidence from BCIS. First, they are aware that the recent “jump” in the localised cost allowance is based upon a tiny number of examples. Second, there is the straightforward fact that, if the published cost base were correct then development in the district would result in negative land values across large areas. The fact that development continues to go ahead, even at values *below* the lowest of the value points tested casts significant doubt upon the BCIS allowances in their published form.

13.1.3 For this reason, BVA undertook significant sensitivity testing at the Lower Quartile level, rather than the median which had informed the baseline. On this basis, the general pattern of viability results for housing as set out in Table 13.5 of the WPVA (**EB-IV2a**) indicates that practically all of the proposed development that has been assessed is viable and deliverable across the District and that many developments should be capable of supporting a somewhat reduced level of affordable housing. The fact that these findings are consistent with the observed pattern of development support BVA’s view that these “sensitivity” results are a better guide to the actual viability of development in the District

13.1.4 The only scenarios demonstrating negative viability are sites in the lower value areas of the District where no abnormal costs are assumed and land values are anticipated at the top end of the threshold land values. In reality, given the impact of the legacy of coal mining and other constraints on land

values it is considered that housing development is likely generally to be viable more often than not in these lower value areas.

- 13.1.5 However, the Council recognises the importance of paying particular attention to viability in delivering sustainable development and in assisting regeneration across all parts of the District. In this context, it should be noted that the Council has a good track record of working with developers in bringing forward sustainable developments through negotiation at the development management stage.
- 13.1.6 The provisions of the new NPPF (July 2018) reinforce the presumption that development should be demonstrably capable of sustaining the impact of the policies set out in the plan. This means that there is less support than previously for the adoption of “ambitious” policies with the expectation that almost all sites will need to undergo scheme specific viability analysis. With this in mind, the Council has acted to reduce the levels of affordable housing sought by policy relative to previous targets. In a further move to maximise flexibility, it has chosen not to move forward with the adoption of a Community Infrastructure Levy. Whilst there are many advantages to a CIL, and whilst it is the clear preference of central government that local authorities should adopt a CIL where possible, the drawback of the system is its relative inflexibility.
- 13.1.7 By rejecting the CIL route, the Council is seeking to maximise flexibility in order to respond to the obvious challenges observed in the local market.
- 13.1.8 Finally, the Council acknowledge that the WPVA was undertaken at a specific point in time and, as such, that both values and costs will continue to change. In particular, we are aware that, although the housing market nationally and locally is cooling or flat, the construction sector still faces considerable inflationary challenges. All other things being equal, these trends would weigh further on viability. However, all other things are not equal. Whilst it is the responsibility of local authorities to ensure that their policies do not overburden development at a delicate moment in the housing market cycle, it cannot be the case that the delivery of vital social infrastructure and affordable housing bear all of the burden of those changes. The other factor that needs to be taken into account.
- 13.1.9 It is the responsibility of developers to take both policy and market conditions fully into account when acquiring land.
- 13.1.10 Where site specific circumstances or market changes make the proposed policies unviable in a specific instance, the potential to submit scheme specific viability assessments remains open.
- 13.1.11 As such, the Council is confident that the limited number of sites in the low value areas which may have viability issues in the scenario where the full range of development costs is implemented, are still considered viable and deliverable.

- 13.1.12 Given the relationship of low rents with high development costs the results of the commercial development appraisals were less favourable. Table 10.6 of the WPVA (**EB-IV2a**) sets out the residual land values arising from commercial development appraisals. The assessment found that all of the employment schemes i.e. B1/B2/B8 uses tested failed to achieve the commercial land values as set out in the Valuation Added Services report (Appendix 4, **EB-IV2b**), and produced negative residual land values.
- 13.1.13 The Council recognises the importance of supporting the delivery of employment development in order to grow the local economy. As such, the plan does not seek to impose any infrastructure or other policy requirements which would have a cost impact on employment development beyond what is required to mitigate the impact of development and make it acceptable in planning terms.
- 13.1.14 The sole instance of a commercial use which generated a positive residual land value in the viability testing was in relation to retail development. Hence, the evidence suggests new retail development albeit based upon a construction cost base associated with a retail warehouse is viable as demonstrated by the WPVA (**EB-IV2a & b**).

## **13.2 How would 'significant under delivery' of employment and housing land be defined in the monitoring table in chapter 10 of the plan?**

### **Council's Response:**

- 13.2.1 The NPPF 2018 defines 'significant under delivery', as where delivery has fallen below 95% of the local planning authority's requirement over the previous three years. (Page 21, Paragraph 75.) Although the North East Derbyshire Local Plan is being taken forward in conformity with the NPPF 2012, it is of the Council's opinion that the way the emerging NPPF 2018 defines the term 'significant under delivery', is an acceptable definition for the NED Local Plan to use, in terms of it acting as a review trigger for the Council's Housing supply and delivery.
- 13.2.2 With regard to employment provision there is no such prescription on delivery within the 2018 NPPF. In addition, as the evidence in the Employment Land Review Update (**EB-EMP2**) demonstrates, employment land provision incorporates estimated losses and has an element of flexibility built in, related to past take-up.
- 13.2.3 Furthermore, the delivery of employment land is likely to be far more variable than housing land. As can be seen in Table 4.1 in the Employment Land Completions in **EB-EMP2**, there are significant peaks and troughs of employment land delivery in North East Derbyshire, which is typical of small rural authorities. Delivery rates can be distorted by, for example, large warehouses coming forward in any one year. For example in 2013/14, 3.92 ha of employment land was delivered, but the 5 years before this just 1.17

ha came forward in total. Similarly in 2016/17, 3.3ha was delivered compared to just 0.19 ha over the preceding 2 years.

13.2.4 The net increase in land provision is also subject to highly variable levels of losses, which are often difficult to foresee and distort overall delivery rates to an extent that does not happen with housing delivery in North East Derbyshire.

13.2.5 Therefore NEDDC consider that it would be appropriate to define 'significant under-delivery' of B-Class land as being little or no land developed over a consecutive three-year period. This is particularly pertinent in view of a likely review of the Plan within 5 years of adoption.

### **13.3 Does the plan have sufficient flexibility to respond to changing circumstances? Should there be a policy or statement requiring an early review of the plan?**

#### **Council's Response:**

13.3.1 The Council considers that the Publication Draft Plan does include sufficient flexibility to respond to changing circumstances during the plan period.

13.3.2 There is flexibility in the housing land supply in that the overall amount of housing land includes an additional buffer to allow for the non-delivery of allocated sites. This is covered in more detail in the council's response to Main Matter 11.

13.3.3 In order to allow some flexibility of provision for employment land a modest additional land buffer was applied as a contingency so that supply is not too tightly defined. Such flexibility was seen to be sensible given the uncertainties in the forecasting process and the scope for delays in developing employment space. In addition, the Publication Draft Plan sets out a provision which gives greater flexibility than that estimated in the ELRU (**EB-EMP2**). In reaching this figure the Plan makes an allowance for restructuring and losses, such as the loss of B-class uses to deliver the requirements of other (non-B-class) employment uses. Policy WC3 allows for this on certain sites, fulfilling the recommendations of the ELRU (**EB-EMP2**).

13.3.4 Examples of other areas of flexibility are Policy LC2: Affordable Housing which has flexibility in that if there are viability issues there is scope to vary the level of affordable housing. In addition, Policy LC4: Type and Mix of Housing which is flexible in terms of the mix of housing having regard to viability and market considerations.

13.3.5 The Council does not think it is necessary to include a policy or statement within the Local Plan requiring an early review. The Council considers that the Plan is robust and is based upon an up to date and proportionate evidence base, with sufficient flexibility built in to enable it to respond to changing circumstances. In any case the provisions of the 2018 NPPF requires Local Planning Authorities to review policies in in local plans to assess whether they need updating at least once every five years, and should then be updated as necessary. These reviews should be completed no later than five years from the adoption date of a plan, and should take into account changing circumstances affecting the area, or any relevant changes in national policy. Relevant strategic policies will need updating at least once every five years if their applicable local housing need figure has changed significantly; and they are likely to require earlier review if local housing need is expected to change significantly in the near future (Para 33, NPPF, 2018).