

Technical Note

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Quality Statement:	In preparing this Addendum, the authors have acted with objectivity, impartially, without interference and with reference to all appropriate available sources of information. No performance-related or contingent fees have been agreed, and there is no known conflict of interest in advising the client group about the viability of the proposed Gloucester City Plan.
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Gloucester City Plan Viability Evidence Base Addendum

Introduction

Porter Planning Economics Ltd (PPE) has been commissioned by Gloucester City Council (GCC) to provide a high-level city-wide economic viability assessment to provide robust evidence that cumulative planning policy requirements do not threaten the development viability of the Gloucester City Plan as a whole. This should be in accordance with the National Planning Policy Framework (NPPF).

The key planning policy relevant to this study is in two parts: the Joint Core Strategy (adopted December 2017) and the Pre-submission Gloucester City Plan 2011-2031 (September 2019 consultation version), herein referred to as the JCS and the Pre-submission GCP.

In assessing the Pre-Submission GCP, this study will inform policy decisions based on the policy aspirations of achieving sustainable development and the realities of economic viability. In doing so, the policies have been assessed to determine whether there is likely to be a cost implication over and above that required by the market to deliver the defined development.

This report is provided as an addendum to the previously published Viability Assessment, published in September 2019 to support the Pre-Submission GCP, with an update in the key values and costs of development within the City. The Addendum has been prepared in response to changes in the infrastructure ask from the County Council, primarily relating to education infrastructure. It sensitivity tests different scenarios to understand the viability implications of the County Council requirements and the headroom available to support infrastructure contributions. These scenarios have been provided by the City Council, with the offer to test any further scenario that Gloucestershire County Council considers appropriate.

This Addendum and the accompanying appraisals are for planning purposes only, and as such it complies with the National Framework (as documented by the NPPF and the PPG) in testing market viability. It should, therefore, be noted that **as per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition¹, the advice expressly given in the preparation for, or during negotiations or possible litigation does**

¹ RICS (January 2014) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided.

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not form part of a formal “Red Book” valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

Updating Viability Assumptions

Introduction

This section sets out only the assumptions that have changed since the September 2019 study report (hereon referred to as the ‘2019 report’). Therefore, all other assumptions not listed here remain identical to those assumptions that are discussed and tested in the 2019 report.

Sales Values

Appendix C of the 2019 report sets out the transaction data from Land Registry that was used in the report. This was then categorised, based on the heatmaps into low, medium and high areas. The values used in the 2019 report are summarised in **Table A.1**.

Table A.1 Residential sales value per sqm tested in the 2019 report

Value area	House	Flat
Low	£2,450	£2,200
Mid	£2,600	£2,550
High	£2,950	£3,100

The same value data has been updated within this addendum from the date of their transaction to the latest value (May 2020) using the latest index value available from the Land Registry House Price Index (HPI) for Gloucester. Overall, the HPI only identifies a modest increase in values since the 2019 report. The updated values tested within the addendum are shown in **Table A2**.

Table A2 Updated residential sales value per sqm tested in this Addendum

Value area	House	Flat
Low	£2,480	£2,200
Mid	£2,655	£2,570
High	£2,985	£3,120

Build Costs

The 2019 report tested residential build costs using average tender prices for new builds in the marketplace over a 15-year period from the Build Cost Information Service (BCIS), which is published by the Royal Institution of Chartered Surveyors (RICS). These figures are shown in **Table A3**.

Table A3 Tested build costs for Gloucester at Q1 2019 tender prices tested in the 2019 report

Build cost type	Cost per sqm	BCIS category
Flats / apartments	£1,398	Flats midpoint between 1-2 storey and 3-5 storey (median values)
Houses (medium house builder 4 to 49 units)	£1,235	Estate housing – Generally (median value)
Houses (large house builder 50+ units and above)	£1,092	Estate housing – Generally (lower quartile value)

Source: BCIS

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This data has been updated in this Addendum by rebasing to current values for the Gloucester area, which is 2nd Quarter 2020 prices (matching the updated sales period). The tested updated build costs are shown in **Table A4**.

Table A4 Tested build costs for Gloucester at Q2 2020 tender prices tested in this Addendum

Build cost type	Cost per sqm	BCIS category
Flats / apartments	£1,365	Flats midpoint between 1-2 storey and 3-5 storey (median values)
Houses (medium house builder 4 to 49 units)	£1,210	Estate housing – Generally (median value)
Houses (large house builder 50+ units and above)	£1,071	Estate housing – Generally (lower quartile value)

Source: BCIS

It should also be noted that these build costs are exclusive of external works, fees, contingencies, VAT and finance charges, plus other revenue costs, which are included at the same rates or cost as set out in the 2019 report.

Further to these the previously tested policy requirements are applied subject to changes in requirements, as discussed below.

Policy E8 Cotswold Beechwoods Special Area of Conservation

The 2019 report used an assumption of £1,000 per house and £500 per flat for Policy E8, which requires that major developments that have a net increase in dwellings must mitigate any adverse effects of increased recreational pressure on the Cotswold Beechwoods Special Area of Conservation (SAC). However, further clarity over such mitigation costs suggests that these costs are now expected to be slightly lower than were tested in the 2019 report. The City Council has identified that these costs are likely to be in the region of £500 per house and £250 per flat, which have been tested in this updated work.

S106 Contributions

The average s106 per unit has been identified from monitoring data for recent development agreements dating since 2015. Any contributions relating to affordable housing have been removed since they are being tested separately as a policy layer. Also, off-site strategic highway/transport contributions (for example relating to Kingsway) have been removed, given the nature of the site allocations in the GCP, which are significantly smaller in capacity and necessitate more minor interventions, as detailed in the GCP Transport Assessment. Lastly, one residential site² with a high s106 requirement specific to the re-provision of sports fields/facilities has been identified and excluded as an anomaly. After these adjustments, it is identified that the average s106 per unit for residential scheme agreements since 2015 was £3,232 per unit. This relates only to units where a s106 contribution was agreed, and this figure is slightly lower per unit when averaged across all permitted units over the same period.

This Addendum tests average s106 cost per unit at £3,250, which is a slight increase in the previously tested £2,500 per unit in the 2019 report.

The Adopted Community Infrastructure Levy

The 2019 report includes a levy of £45 per CIL liable sqm, as required by the Gloucester City Council CIL Charging schedule. For this update Addendum, the rate has been updated in line with the CIL regulations and therefore a £45.41 per CIL liable sqm of floorspace levy has been tested in this Addendum.

² 18/00306/FUL Civil Service Sports Ground.

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Viability Testing Results

Introduction

This section reviews the viability assessment findings of the updated cumulative burden of the Pre-submission GCP to identify and assess the risk of delivery on future housing development within the City.

Tested Scenarios

Each typology site has been subjected to a viability appraisal in terms of the achievability of complying with the Pre-submission GCP policies, for which there will be a viability impact, based on identifying whether sites are likely to be viable in complying with these policies.

The base case is a test at the following policy requirements (i.e. Policy Layer 6 in the 2019 report):

- 25% Affordable housing on sites of 11+ (mix of 75% affordable rented and 25% intermediate shared ownership)
- All other policies within the adopted JCS;
- an updated s106 contribution of £3,250 per unit;
- The updated impact of Policy H8: Cotswold Beechwoods Special Area of Conservation at £500 per house and £250 per flat;
- The updated adopted CIL rate of £45.41 psm;
- The impact of Policy H3 electric charging points;
- Policy A6, with 50% of open market development achieving M4(Cat 2) access standards and a further 4% of affordable units achieving M4(Cat 3).

Viability Results

The viability results at Policy layer 6 is shown in **Table A5**. The results are summarised by using a 'traffic light' system, as follows:

- Green colour means that the development is viable with financial headroom that could be used for further planning gain;
- Amber is marginal in that they fall within a 20% range (i.e., 10% above or below) around the benchmark land value;
- Red colour means that a viable position may not be reached if required to be policy compliant and all other assumptions such as land value remain unchanged; and
- A grey colour indicates the policy test to not be applicable to a typology.

The results in **Table A5** show that under current market conditions within Gloucester City typologies of different sizes and land types in the mid and higher value ward areas are comfortably able to meet the full policy requirements of the JCS and Pre-submission GCP at the full cumulative policy layer 6. The exceptions to this are the mid-sized brownfield sites within the lower value areas.

Table A5 also lists the latest version of the proposed site allocation and their combined dwelling capacities³ against each tested typology. The results in **Table A5** show that given where delivery is being planned, most allocated sites (69%), which account for 69% of the allocated site capacity, are expected to be viable at the full

³ There are some changes to the site reference numbers and capacities that were reported in the Local Plan Viability Assessment Report (September 2019).

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Pre-submission GCP policy position. **Table A5** also shows that all most all the windfall sites would be viable at fully policy.

On this basis, the City Council should have confidence that the full Pre-submission GCP policy position remains deliverable among the bulk of sites likely to come forward within the City during the next five years and beyond. The exception to this may be some sites within the lower value areas where viability may remain a problem, and therefore some flexibility within planning policies may be considered appropriate for some sites within the lower value banded areas to help secure delivery.

Table A5 Viability at full policy layer 6

ID	Typology	Policy layer 6	Site allocation ⁴	Allocated units
1	4 Houses Brownfield High		Windfall	-
2	4 Houses Greenfield High		Windfall	-
3	4 Houses Brownfield Low		Windfall	-
4	4 Houses Greenfield Low		Windfall	-
5	9 Houses Brownfield High		SA19, Windfall	10
6	9 Houses Greenfield High		SA01, Windfall	10
7	9 Houses Brownfield Low		Windfall	-
8	9 Houses Greenfield Low		Windfall	-
9	20 Houses Brownfield High		Windfall	-
10	20 Houses Greenfield Mid		SA12, Windfall	30
11	20 Houses Brownfield Low		Windfall	-
12	20 Houses Greenfield Low		SA15	30
13	30 Houses Brownfield High		Windfall	-
14	30 Houses Brownfield Low		Windfall	-
15	30 Flats Brownfield High		SA03, SA10, SA16, SA21	90
16	30 Mixed Brownfield Mid		SA02, SA18	50
17	30 Mixed Brownfield Low		SA13	20
18	50 Houses Greenfield Mid		SA14	30
19	50 Flats Brownfield High		SA09	50
20	80 Houses Brownfield Mid		Windfall	-
21	100 Mixed Brownfield Low		Windfall	-
22	150 Flats Brownfield High		SA08	156
23	200 Mixed Brownfield Mid		SA11	300
24	200 Mixed Brownfield Low		SA05	200

Sensitivity test 1 - Alternative rates of affordable housing

The City Council has requested that the typologies are also sensitivity tested against a range of affordable housing options at the full policy layer (i.e. policy layer 6). Rather than the proposed 25% affordable housing rate (on 11+ units) that has been tested as part of the policy layer 6 test, the typologies have been reappraised at policy layer 6 alongside the following range:

- 15% affordable housing
- 20% affordable housing

⁴ Ditto

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- 25% affordable housing (Pre-submission GCP policy position)
- 30% affordable housing
- 35% affordable housing

The results of the testing are shown in **Table A6**.

Table A6 Viability at different affordable housing rates

ID	Typology	Policy layer 6 (15% AH)	Policy layer 6 (20% AH)	Policy layer 6 (25% AH)	Policy layer 6 (30% AH)	Policy layer 6 (35% AH)
1	4 Houses Brownfield High					
2	4 Houses Greenfield High					
3	4 Houses Brownfield Low					
4	4 Houses Greenfield Low					
5	9 Houses Brownfield High					
6	9 Houses Greenfield High					
7	9 Houses Brownfield Low					
8	9 Houses Greenfield Low					
9	20 Houses Brownfield High					
10	20 Houses Greenfield Mid					
11	20 Houses Brownfield Low					
12	20 Houses Greenfield Low					
13	30 Houses Brownfield High					
14	30 Houses Brownfield Low					
15	30 Flats Brownfield High					
16	30 Mixed Brownfield Mid					
17	30 Mixed Brownfield Low					
18	50 Houses Greenfield Mid					
19	50 Flats Brownfield High					
20	80 Houses Brownfield Mid					
21	100 Mixed Brownfield Low					
22	150 Flats Brownfield High					
23	200 Mixed Brownfield Mid					
24	200 Mixed Brownfield Low					

This shows that a reduction in affordable housing (or other measures) may encourage further housing delivery for the few allocated sites in the low values areas and mid-sized flatted sites within the medium value area. However, as noted earlier that only about 31% of allocated site housing units are deemed unviable at the full policy level including 25% affordable housing, then the impact is not likely to achieve much more in terms of overall housing numbers but the reduced policy position could have a substantial reduction in the delivery of affordable housing numbers to meet local need.

Alternatively, the results in **Table A6** also show that an increase in affordable housing may help secure the delivery of affordable housing numbers to meet a local need without compromising the delivery of housing numbers. This reflects the surplus headroom within the viable sites, particularly for housing schemes and sites within the medium and high value areas. However, increasing affordable housing proportions may need to be traded off against an increase in s106 to secure other obligations, such as contributions towards education, which is considered next.

Sensitivity test 2 - Range of S106 amounts

The typologies are also sensitivity tested against a range of s106 requirements at full policy layer 6. The typologies have been reappraised at policy layer 6 with incremental increases of around £2,500 in the s106 cost per unit up to a maximum of £20,000 per unit. The latter being the maximum that may reflect the County

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Council's requirement for education at a headline figure of approximately £17,500 per unit, plus an additional £2,500 for other mitigations relating to the sites.

The results of the testing shown in **Table A7**, suggest that the impact of increasing s106 would be possible to up to about £7,500 per unit. Given where delivery is being planned, then based on the identified site allocations and unit numbers in **Table A5**, the results in **Table A7** show that the minority of allocated sites (31%) that account for 39% of the allocated site capacity are expected to remain viable. With the addition of the marginally viable sites, then most allocated sites (69%), which account for 69% of the allocated site capacity, can meet the full Pre-submission GCP policy position requirements with s106 at £7,500 per unit.

At the £10,000+ per unit s106, more sites within the low value areas and some of the flatted schemes within the high value areas would be at the margin of viability or become unviable. This potentially would impact on the soundness of the Local Plan to deliver its policy requirements in full.

Table A7 Viability at different s106 requirements in terms of s106 cost per unit

ID	Typology	Policy layer 6 (£3,250 per unit)	Policy layer 6 (£5,000 per unit)	Policy layer 6 (£7,500 per unit)	Policy layer 6 (£10,000 per unit)	Policy layer 6 (£12,500 per unit)	Policy layer 6 (£15,000 per unit)	Policy layer 6 (£17,500 unit)	Policy layer 6 (£20,000 per unit)
1	4 Houses Brownfield High	Green	Green	Green	Green	Green	Green	Green	Green
2	4 Houses Greenfield High	Green	Green	Green	Green	Green	Green	Green	Green
3	4 Houses Brownfield Low	Green	Yellow	Red	Red	Red	Red	Red	Red
4	4 Houses Greenfield Low	Green	Green	Green	Green	Green	Green	Green	Green
5	9 Houses Brownfield High	Green	Green	Green	Green	Green	Green	Green	Green
6	9 Houses Greenfield High	Green	Green	Green	Green	Green	Green	Green	Green
7	9 Houses Brownfield Low	Green	Yellow	Red	Red	Red	Red	Red	Red
8	9 Houses Greenfield Low	Green	Green	Green	Green	Green	Green	Green	Green
9	20 Houses Brownfield High	Green	Green	Green	Green	Green	Green	Green	Green
10	20 Houses Greenfield Mid	Green	Green	Green	Green	Green	Green	Green	Green
11	20 Houses Brownfield Low	Green	Yellow	Red	Red	Red	Red	Red	Red
12	20 Houses Greenfield Low	Green	Green	Green	Green	Green	Green	Green	Green
13	30 Houses Brownfield High	Green	Green	Green	Green	Green	Green	Green	Green
14	30 Houses Brownfield Low	Green	Yellow	Red	Red	Red	Red	Red	Red
15	30 Flats Brownfield High	Green	Yellow	Red	Red	Red	Red	Red	Red
16	30 Mixed Brownfield Mid	Green	Green	Green	Green	Green	Green	Green	Green
17	30 Mixed Brownfield Low	Green	Yellow	Red	Red	Red	Red	Red	Red
18	50 Houses Greenfield Mid	Green	Green	Green	Green	Green	Green	Green	Green
19	50 Flats Brownfield High	Green	Yellow	Red	Red	Red	Red	Red	Red
20	80 Houses Brownfield Mid	Green	Green	Green	Green	Green	Green	Green	Green
21	100 Mixed Brownfield Low	Green	Yellow	Red	Red	Red	Red	Red	Red
22	150 Flats Brownfield High	Green	Yellow	Red	Red	Red	Red	Red	Red
23	200 Mixed Brownfield Mid	Green	Green	Green	Green	Green	Green	Green	Green
24	200 Mixed Brownfield Low	Green	Yellow	Red	Red	Red	Red	Red	Red

Sensitivity test 3 – Affordable Housing Mix

The Council's Local Housing Needs Assessment (LHNA) 2020 has updated the evidence base on housing needs within the City, with the evidence base identifying a local need of more than half of rented units being for Social rented tenures. The LHNA recommends changing the affordable housing mix from 75% Affordable rented and 25% Shared ownership/intermediate to the following tenures:

- 40% Social rented;
- 26% Affordable rented; and
- 34% Shared ownership/intermediate.

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With the proposed 25% affordable housing rate (on 11+ units) that has been tested as part of the policy layer 6 test, the typologies have been reappraised based on the identified LHNA housing mix. The testing has been carried out at different levels of s106 from the base case of £3,250 per unit to the identified limit of £7,500 per unit (as identified in the previous sensitivity test). The results are shown in **Table A8**.

This shows that the impact of changing tenures does not impact on the base case £3,250 per unit s106 contribution, since it is unlikely to change the viability substantially enough to affect the delivery of allocated sites within the Pre-submission GCP. The same is true with s106 at £5,000 per unit. But with s106 at £7,500 per unit, then the medium and large flatted brownfield sites in high value area would no longer be viable, which, combined with the unviable sites in the low value area, may undermine the delivery of the Local Plan at the full policy level.

Table A8 Viability at affordable housing tenure mix based on the LHNA at a total of 25% Affordable housing

ID	Typology	Policy layer 6 (£3,250 per unit)	Policy layer 6 (£5,000 per unit)	Policy layer 6 (£7,500 per unit)
1	4 Houses Brownfield High	Green	Green	Green
2	4 Houses Greenfield High	Green	Green	Green
3	4 Houses Brownfield Low	Green	Yellow	Red
4	4 Houses Greenfield Low	Green	Green	Green
5	9 Houses Brownfield High	Green	Green	Green
6	9 Houses Greenfield High	Green	Green	Green
7	9 Houses Brownfield Low	Green	Yellow	Red
8	9 Houses Greenfield Low	Green	Green	Green
9	20 Houses Brownfield High	Green	Green	Green
10	20 Houses Greenfield Mid	Green	Yellow	Red
11	20 Houses Brownfield Low	Red	Red	Red
12	20 Houses Greenfield Low	Red	Red	Red
13	30 Houses Brownfield High	Green	Green	Green
14	30 Houses Brownfield Low	Red	Red	Red
15	30 Flats Brownfield High	Green	Yellow	Red
16	30 Mixed Brownfield Mid	Red	Red	Red
17	30 Mixed Brownfield Low	Red	Red	Red
18	50 Houses Greenfield Mid	Green	Green	Green
19	50 Flats Brownfield High	Green	Yellow	Red
20	80 Houses Brownfield Mid	Green	Green	Green
21	100 Mixed Brownfield Low	Red	Red	Red
22	150 Flats Brownfield High	Green	Yellow	Red
23	200 Mixed Brownfield Mid	Green	Green	Green
24	200 Mixed Brownfield Low	Red	Red	Red

End