
Vale of Glamorgan Local Development Plan Examination

Hearing Session 26a:
Miscellaneous Matters

Barratt David Wilson Homes and
Acorn Property Group and Village
Homes
Representor ID 150, 7340 and 7365

January 2017

**VALE OF GLAMORGAN LOCAL
DEVELOPMENT PLAN EXAMINATION**

**HEARING SESSION 26A:
MISCELLANEOUS MATTERS**

**BARRATT DAVID WILSON HOMES AND ACORN PROPERTY GROUP
AND VILLAGE HOMES**

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1.0 INTRODUCTION

- 1.1 This Hearing Session Paper has been prepared on behalf of Barratt David Wilson Homes and Acorn Property Group and Village Homes and seeks to address the key issues to be discussed at the forthcoming Vale of Glamorgan (VoG) Local Development Plan (LDP) Hearing Session 26a: Miscellaneous Matters and sets out an objection to the affordable housing provision under Matters Arising Changes 33 and 49 (MAC33 and MAC49).
- 1.2 This Hearing Session Paper is structured such that it follows the questions posed in the Matters and Issues Agenda and should be read in conjunction with the Representations by Barton Willmore on behalf of Barratt David Wilson Homes and Acorn Property Group and Village Homes to the Vale of Glamorgan Local Development Plan Matters Arising Changes Consultation in October 2016 and previous representations already submitted to the Vale of Glamorgan LDP.

2.0 MATTERS AND ISSUES AGENDA

2.1 As confirmed within Section 1.0 above, this Section is structured such that it follows the Matters and Issues Agenda for Hearing Session 26a: Miscellaneous Matters of the Vale of Glamorgan Local Development Plan Examination. Each agenda item is repeated within this Section in bold text, followed by the response from Barratt David Wilson Homes and Acorn Property Group and Village Homes in plain text below.

1. Welcome, Introduction and Procedural Matters

2.2 No comment.

2. Affordable Housing Provision

a. Is the approach to affordable housing reasonable in light of the available evidence, with particular regard to viability assumptions relating to: benchmark land values relative to available transactional data; contingency, site opening up costs, abnormals; and S.106 costs (with particular regard to the differences between the requirements that informed the evidence submitted at Hearing 6 and the requirements of the most up to date Planning Obligations SPG)?

2.3 No, the approach to affordable housing is unreasonable in light of the available evidence. We deal with the three strands of this question in turn below.

Benchmark land values relative to available transactional data

2.4 Firstly, it must be noted that paragraph 2.2.1 of Planning Policy Wales (Edition 9, November 2016) states that *"deliverability and financial viability are key considerations and costs such as infrastructure and affordable housing must be considered during preparation of the plan"*, with the accompanying footnote 8 stating that "Two useful sources of guidance on viability are the 'Viability Testing Local Plans' (the Harman Report) (2012) and the 'RICS Financial Viability in Planning Guidance (2012)." Both documents advocate using market evidence and transactional data in determining benchmark land values over and above a simple Current Use Value (CUV) with an uplift (i.e. 10 or 20 times agricultural land value) as land does not transact in the latter case. Perhaps the clearest definition is contained within paragraph 3.3.3 of the RICS guidance:

“When considering what Site Value to include, the relevant value should also be in accordance with the definition of viability for planning purposes in 2.1, which is defined as follows:

Site Value should equate to the market value subject to the following assumption; that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.”

2.5 Throughout the LDP Examination a range of transactional data has been provided to the Council and Figure 3 in the MAC Representations (October 2016) sets out a summary of transactional data that has been sourced from the Her Majesty's Land Registry website, demonstrating that the benchmark land value in the Vale of Glamorgan should be set at a minimum of £1 million.

2.6 Whilst it is acknowledged that transactional data needs to be subject to its own reality checks, it provides a far more robust evidence base as it demonstrates at what level land is transacting for, as opposed to an arbitrary uplift over and above CUV.

2.7 This was considered and accepted at an appeal at White House Farm, Stokesley (APP/G2713/A/12/217992) where the Inspector identified at paragraph 33 that:

“It was also suggested that the benchmark land value should be taken from the 2009 viability study carried out for development plan purposes. Since market conditions fluctuate over time, this would not be consistent with the RICS advice, which emphasises the need for site value to reflect the workings of the market”.

2.8 The RICS guidance also states, in amplifying the definition contained in paragraph 3.3.3 (as referred to in paragraph 2.4 above), that *“The purpose of the viability appraisal is, of course, to assess the extent of these obligations while also having regard to the prevailing property market”* (paragraph 3.3.4) and *“There must, however, be a ‘boundary’ placed on the effect on land, to reflect new policy or the burden of CIL charge, in terms of restricting any reduction so that it does not go below what land would willingly transact at in order to provide a competitive return to a willing landowner.”* (paragraph 3.3.6)

2.9 A further example of this approach within the Harman Report is on Page 29 which states that:

“The precise figure that should be used as an appropriate premium above current use value should be determined locally. But it is important that there is evidence that it represents a sufficient premium to persuade landowners to sell. This is in line with the reference in the NPPF to take account of a “competitive return” to a willing land owner, as this will be one that would lead to a market transaction, discounting abnormal purchases or cases where landowners are selling under distressed circumstances.”

- 2.10 Therefore there is clear evidence that transactional data should be used to determined benchmark land values.
- 2.11 However, there are further concerns about how unreasonable the approach to affordable housing is in the Council’s evidence base. The Council refers to other LDPs throughout Wales which have considered and accepted an uplift over and above current use value as a basis for deriving benchmark land value, citing examples at Caerphilly, RCT and Monmouthshire. Firstly, the development industry consistently did not support that approach in those LDP Examinations. Secondly, Caerphilly and RCT were amongst the first LDPs to be adopted in Wales and were not subject to as much scrutiny as the more recent LDPs. Thirdly, all of the above authorities have a failing housing land supply, with Caerphilly and RCT (at 1.5 years) amongst the worst in Wales and Monmouthshire at 4.1 years, therefore fundamental concerns remain over this methodology and the examples cited by VoG certainly do not endorse this approach, in fact quite the opposite.
- 2.12 Such an approach would result in land values of £450,000 to £750,000 per hectare in the VoG and it is considered highly unlikely that ‘willing’ landowners would accept such values when transactional data confirms that land values range from between £1 million and £2 million per hectare as set out in Figure 3 of the MAC Representations.
- 2.13 In terms of average house prices, paragraph 10 of Action Point 3 states that Cardiff is not a good comparable because the market and supply side are structured differently, despite the fact that average house prices in the VoG and Cardiff over the last 12 months are broadly similar, as set out in Figure 5 in the MAC Representations. The comparison between Cardiff and the VoG is therefore considered to be appropriate.
- 2.14 Since the Affordable Housing Hearing Session in January 2016 the Cardiff LDP has been adopted and the Peter Brett Associates LDP Economic Viability Report (September 2013) has been endorsed. The benchmark land values identified in that report are:
- Urban/Small sites - £2m per hectare (£800,000 per acre); and

- Fringe/Large sites - £1.5m per hectare (£607,288 per acre).
- 2.15 The Fringe/Large sites benchmark has subsequently been accepted by the Inspector at appeal at Land north and east of Lisvane (App Ref: APP/Z6815/A/14/2224216).
- 2.16 The above figures that have been accepted in Cardiff are broadly in accordance with the transactional data provided for the VoG and given that house prices are also similar this adds significant weight to basing the benchmark land value in the VoG on transactional data from the area.
- 2.17 Appendix A of Action Paper 3 contains a comparison of 3 bed terraced houses in the VoG and other authorities. However this approach contains a number of errors. Firstly, Barton Willmore has re-run the exercise in Appendix A and this is reproduced in Figure 7 of the MAC Representations. That demonstrates that the resulting equation differs from that contained in the Appendix A graph. It is not known why these figures differ but that is entirely the point – the analysis is not transparent and even this simple exercise of inputting two different datasets into a graph on Microsoft Excel results in different figures, and therefore different outcomes.
- 2.18 Secondly, the house price data included in the table in Appendix A of Action Point 3 differs from the data contained in Table 5 of Action Point 4.
- 2.19 The inconsistencies in the data and lack of rationale/justification renders the responses opaque and impossible to sufficiently scrutinise.
- 2.20 Finally on this matter, the Council's own transactional data confirms much higher land values have been achieved. Whilst it is stated that these transactions happened in a different policy context, the percentage of affordable housing in Barry remains at 30%, and at 30% affordable housing the residual land value set out in Table 1 of Action Point 8 in Barry West and Barry East are both less than the previous values achieved. In relation to the Rural South and Coast, the difference is considerable with the residual land value at 35% affordable housing being £900,000 (64%) less than what was previously achieved (£1.4 million).
- 2.21 Notwithstanding, the appraisals need to be re-run to account for the following:
- Development costs in line with practice elsewhere using BCIS as a basis with a 25% uplift for externals and abnormals;
 - Additional cost of £1,500 for Building Regulations Part L;

- Section 106 costs increased to a minimum of £19,534 per plot; and
- A benchmark land value that will stimulate market activity.

Contingency, site opening up costs and abnormals

2.22 In terms of abnormals, external works are not the same as site abnormals. External works are off plot works such as internal access roads and hard and soft landscaping. Therefore an allowance should be made for abnormals, which can include (but not limited to):

- Site Investigation/ Ground contamination/consolidation/demolition/asbestos disposal;
- Raft foundations in the event of land needing to be remediated/consolidated, a common requirement on sites in Wales;
- Capping layer of safe inert material if ground has been remediated;
- If gas pipes are present then gas membranes will be required;
- Drainage and onsite attenuation; and
- Land profiling and associated cut and fill costs, along with associated raft foundations costs.

2.23 In the findings of the District Valuer Services (DVS), who were appointed to undertake an independent viability review of the Financial Viability Report that was submitted for planning application 13/02000/DCO for the residential development at Churchlands, Lisvane, the DVS acknowledged that abnormal costs and site opening costs had a significant impact on the viability of development and as such included them within the overall calculations and conclusions.

2.24 Further, the aforementioned Peter Brett Viability Report confirms in paragraph 4.2.12 that "Opening up costs are treated as an add-on to the adopted benchmark land value.....Generally, opening up costs vary between £500k and £800k/ha increasing as schemes get bigger...". The Peter Brett benchmarks referred to in paragraph 2.14 above take these into account therefore it is clearly evident that opening up costs should be included in viability testing.

2.25 To aid the Examination process the following figures are proposed, which are based upon recent experience of one of the three consortium members:

- Sites up to 200 homes - £5,000 per home;
- Sites between 200 and 500 homes - £10,000 per home; and
- Sites over 500 homes - £14,000 per home.

2.26 Finally, the Peter Brett Viability Report also addresses contingency in paragraph 4.2.33, allowing for 5% for contingency. Barratt David Wilson Homes, Acorn Property Group and Village Homes firstly wish to point out that the Peter Brett report acknowledges that contingency should be factored in to viability testing and, secondly, they consider that the 5% included in the Peter Brett Report is an appropriate allowance. It is therefore contended that abnormals, opening up costs and contingency should be factored into viability testing, in accordance with the now endorsed Peter Brett Viability Report.

Section 106 costs

2.27 In terms Section 106 costs, as previously stated an allowance of £10,000 per plot has been costed within the appraisals. This is fundamentally flawed given the formulae set out in the emerging Draft Planning Obligations SPG (2015) which equates to £19,163 per plot.

2.28 The Council charges a fee for progressing and monitoring planning obligations, which equates to at least £380 per plot, bringing the planning obligations to £19,543 per plot. Public open space provision (including setting up and operating management companies), public art contributions and biodiversity requirements then need to be added to the above resulting in a likely total planning obligations equating to over £20,000 per plot, more than double the amount allowed for in the Council's appraisals.

2.29 The appraisals, and by extension the whole approach to calculating viability, is not based upon a robust and credible evidence base on this point alone.

b. Is the Plan sufficiently explicit that negotiation on a site by site basis will be acceptable in instances where it can be satisfactorily demonstrated that the affordable housing requirements adversely affect development viability?

2.30 No. Policy MG4 states that *"The provision of affordable housing will be negotiated on a site-by-site basis taking into account the evidenced viability of the development"*. It does not expressly and clearly state that should viability evidence demonstrate that affordable housing requirements adversely affect the viability of a development, then in that instance affordable housing requirements will be reduced in accordance with the findings of the viability exercise.

- 2.31 The text in paragraph 6.XX (in between paragraphs 6.25 and 6.26) suggests that a reduced affordable housing provision may be acceptable but this is in the supporting text and policy is policy. Therefore the policy itself needs to be unambiguous.
- 2.32 Further, this insert in paragraph 6.XX appears only to refer to sites outside settlement boundaries, and therefore within the Rural Vale of Glamorgan and as such subject to the higher 40% affordable housing threshold, i.e. it is not explicit that viability evidence can reduce affordable housing provision in the 30% or 35% areas or in the 40% areas outside the Rural Vale.
- 2.33 Finally, and linked to the above point on ambiguity, the reference in paragraph 6.XX in relation to sites adjoining or close to Barry, Llantwit Major, Rhoose and St Athan being subject to 40% affordable housing as a starting point is unreasonable. Notwithstanding the previously raised wider concerns regarding the affordable housing thresholds, it has been accepted by the VoG that 'lower' affordable housing provision of 30% and 35% is acceptable in the above settlements, for reasons of viability.
- 2.34 Land values will not suddenly increase so much when you step over an arbitrary line in an LDP to the extent that an additional 5% or 10% affordable housing will be justified or viable. There is simply no evidence to support this stance. Consequently, developments adjacent to the settlement boundaries of the above four settlements should attract the same affordable housing starting point as the settlements themselves.

c. Is Policy MG4 sufficiently clear regarding the requirement for on-site provision of affordable housing, with specific reference to the changes proposed through MAC49 (Policy wording and paragraph 6.31)?

- 2.35 No. Paragraph 6.31 explains that off-site contributions in lieu of on-site provision on developments of fewer than 10 dwellings are acceptable, citing the reason that in such developments the requirements will often equate to less than whole dwellings. This is simply not the case. With an affordable housing requirement of 30%, 35% or 40%, developments of 4 dwellings or more will attract at least one whole affordable dwelling, with any development over that number resulting in an affordable housing requirement which may or may not exactly equate to whole units (as opposed to whole units and part of a unit as that is how the calculation falls), dependent upon the percentage requirement of that area and/or the number of homes proposed in the development. The rationale for appearing to accept off-site provision or commuted sums on small sites more willingly than on large sites is therefore not based upon robust, credible or even logical evidence.

- 2.36 This goes hand in hand with the revised text in Policy MG4 which requires the affordable housing requirement on sites of more than 10 homes to be rounded up to the nearest whole number. This would result in an over provision of affordable housing and therefore does not meet the tests set out in Regulation 122 of The Community Infrastructure Levy Regulations 2010 (as amended). For example, a scheme of 11 homes in a 30% affordable housing area would attract an affordable housing provision of 3.3 homes. Firstly, the need is therefore 3.3 homes and given the existence of commuted sums the exact affordable housing need can be met by providing 3 whole affordable homes and a payment equivalent to 0.3 homes. Secondly, if this figure was rounded up to 4 homes that is an increase of 0.7 affordable homes, which is a substantial increase of 21% in this instance. This is likely to impact upon smaller housebuilders in particular.
- 2.37 Consequently, the amended text in Policy MG4 and paragraph 6.31 needs to be revised twofold – firstly, to remove the reference to rounding up and to replace it with text that enables part affordable housing provision to be delivered via financial contributions equivalent to that part of the affordable home in lieu of on-site provision, and secondly to clarify the policy wording so that off-site provision or commuted sums in lieu of on-site provision is acceptable on all sites, regardless of size. Whilst it is acknowledged that the original text in paragraph 6.31 suggests that off-site provision or commuted sums may be acceptable in lieu of on-site provision, as mentioned above this is supporting text and policy is policy. The policy therefore needs to be revised to reflect this.

d. Is the requirement for affordable housing to meet DQR Standards consistent with national policy/locally justified (paragraph 5.51)?

- 2.38 No. Development Requirement Standards (DQR) are a Welsh Government statutory minimum requirement for all homes built by housing associations or registered social landlords. The standards do not apply to low cost home ownership/intermediate housing and therefore the blanket application of DQR on all affordable housing is not consistent with national policy. There is no evidence provided by the Council as to why the application of DQR on all affordable housing is justified locally in the VoG and is just another additional cost for the developer to incur.

3. Agenda Items 3-9

- 2.39 No comment on matters within Agenda Items 3-9.

