

APPENDIX I

HARMAN REPORT EXTRACT



Viability Testing Local Plans

Advice for planning practitioners

Local Housing Delivery Group
Chaired by Sir John Harman

June 2012



Supported by



About the Local Housing Delivery Group

The Local Housing Delivery Group is a cross-industry group involving a broad group of stakeholders with an interest in home building in England.

It was set up in 2011 to respond to the Government's challenge to boost the delivery of new homes, to simplify housing standards where possible, and to support growth and high standards in home building by helping local authorities and developers find agreed ways in which they can fulfil their obligations under the new National Planning Policy Framework (NPPF).

The Local Housing Delivery Group was chaired by Sir John Harman. On the group were:

Stewart Baseley, Home Builders Federation

Cllr Ed Turner, Local Government Association

Ian Davis, NHBC

Michael Rich, Homes and Communities Agency

Keith Holland, Planning Inspectorate

Mike Holmes, Planning Officers Society

Paul King

Russell Reefer, Local Government Association

Nick Scregg, Persimmon Homes

John Stewart, Home Builders Federation

Imtiaz Farookhi

David Marchant, NHBC (Secretariat)

Simon Brown, DCLG observer

The steering group also established two working groups – one (chaired by the Homes and Communities Agency) to develop advice on the best way to test the viability of Local Plans, and the other (chaired by NHBC) to recommend ways to simplify the locally applied standards regime.

The views expressed in this report reflect the general views and consensus of the steering group as a whole but not necessarily the views of any one contributor.

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Foreword

I was pleased to be asked by Grant Shapps MP, the Housing Minister, to convene a cross-industry group to support the Government's ambition to increase the supply of housing through viable local planning and simplification of the local standards applied in housing development.

This review is a collaborative venture, drawing on the knowledge of practitioners and stakeholders from local government, residential developers and consultants. It serves as a perfect example of how the industry has come together to take joint responsibility for a complex and important aspect of planning without waiting to be told what to do. I thank all the participants, and particularly the HCA and NHBC who have acted as independent facilitators, for their support and advice during the 10 months of this review.

While you may not be surprised by many of the findings, it is clear to me that to implement some of the recommendations will need resources and a pragmatic, collective and cooperative approach.

I have observed stakeholders moving from very firm and sometimes opposing views to a measure of consensus during this review. The trust, understanding and respect built up will stand them in good stead for the work that must follow. I am pleased that the Local Government Association and the Home Builders Federation have agreed to continue to work together to help their members put these suggestions into practice.

This review by the Local Housing Delivery Group offers two important outcomes.

The first is practical advice for planning practitioners on developing viable Local Plans underpinned by a commitment from the HBF and LGA to engage their members in applying this advice and continuing to develop the guidance over time, as we all get to grips with the implementation of the new National Planning Policy Framework (NPPF). The viability testing advice is contained in this document.

The second part of this review – in a separate report – includes recommendations for the consolidation and simplification of local standards typically adopted for housing development. This is also underpinned by a commitment from stakeholders to support further detailed work if it receives Government backing. The recommendations are clearly linked to the viability testing as the standards and policies specified by local authorities need to offer clear community benefit and allow a carefully crafted Local Plan to be deliverable.

Sir John Harman
Chairman
Local Housing Delivery Group

“We thank Sir John Harman and all of those involved in this review work. We welcome very much the collaborative approach used to develop the advice and the commitment of all the various interested parties and stakeholders to develop the advice, based on their feedback and experience. This is a very valuable resource for local authorities to consider as they develop their local plans, and for other parties to use in contributing to that process.”

Department of Communities and Local Government

“The Local Government Association believes that councils will overwhelmingly say ‘yes’ to appropriate and sustainable development. Recent research by the LGA also indicates that local communities will be supportive of housing development in their local area if that development comes with appropriate infrastructure.

“This speaks strongly to the need for greater and more constructive dialogue and understanding between local authorities, landowners and developers.

“On the one hand, councils appreciate the economic reality of development costs and market conditions, and on the other hand they believe that Local Plans must reflect the social, economic and environmental ambitions of the communities they serve.

“We believe this sector-led advice will assist councils in achieving this balance and determining a suitable approach on how to demonstrate plan viability, as required by the National Planning Policy Framework. It is also our hope that this advice will help us all develop clear, up-to-date and well-evidenced Local Plans that respond positively to opportunities for sustainable growth.”

Cllr Ed Turner

Member of LGA Environment and Housing Board

“The Home Builders Federation is pleased to have been involved in the development of this advice. We are committed to working with home builders, local government and other stakeholders to help create an environment in which the industry can meet the demand for high quality, sustainable housing.

“We would encourage house builders to take part in the consultation and collaboration required to ensure that Local Plans are deliverable and that standards and policies applied locally have a clear local justification and do not undermine the viability of the Local Plan.

“It is important that this advice is further developed over time, taking account of the experience we will all gain in implementing the National Planning Policy Framework. We will be pleased to receive feedback on Local Plan viability testing in practice so that we can work with the LGA to develop this advice over time.”

Stewart Baseley

Executive Chairman

Home Builders Federation

“The Planning Inspectorate and Planning Officers Society welcome this advice on viability testing of Local Plans. The use of this approach will help enable local authorities to meet their obligations under NPPF when their plan is examined.”

Planning Inspectorate & Planning Officers Society

Introduction

The Government has placed high priority on the new homes market as a driver for growth and has taken some steps to help local government and industry meet housing demand.

Among these is the publication of the 2012 National Planning Policy Framework. This important policy document calls for balance between sustainable development which benefits the local community, and realistic returns for land owners and developers such that development is commercially viable. Given the parallel between the viability testing of Local Plans and the associated preparation of Community Infrastructure Levy charging schedules, the advice contained in this document should be helpful in preparing those charging schedules.

This report and advice from the Local Housing Delivery Group seeks to support this policy by outlining the importance of viability and deliverability as part of the balance in developing Local Plans.

“An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.”

Local Housing Delivery Group

A collective view

It is important to emphasise that the advice outlined in this report comes from the Home Builders Federation, the Local Government Association, house builders and local government representatives. They were supported by other experts from planning, consulting and standards bodies. They worked together to stimulate productive and open discussions. Views were recorded on a non-attributable basis.

While each individual and their organisation’s views and objectives may differ, they found common ground, particularly given the current resource-constrained economy, for pragmatic, balanced planning policies and simplified development standards.

The advice has been developed to cover:

- The core principles of Local Plan viability testing.
- Guidance on how sound assumptions can be made.
- What sort of process would be most effective in carrying out an assessment of this kind.

This advice focuses on residential development, as it has been commissioned by the Local Housing Delivery Group and this is likely to be where there is the greatest need. However, the approach and principles should apply to any form of development that the Local Plan seeks to deliver.

The Local Housing Delivery Group has also deliberately avoided considering the development appraisal of specific sites. Instead it focused on the task of assessing a whole plan and the policies that are being developed as part of plan making.

The advice is aimed at those responsible for Local Plans and plan policy making, as well as those with whom planners will work and engage to produce deliverable and sustainable plans: developers, landowners, statutory agencies and community representatives.

Planning authorities and their partners are therefore advised to consider this advice as they develop Local Plans, in particular as they seek to address the national policy requirement to avoid cumulative demands that would put implementation of the plan at serious risk.

Developers and landowners seeking to bring forward development should also consider this advice and the approach it promotes.

The critical importance of skills

While not part of its detailed recommendations on the process of viability assessment itself, one of the most critical issues the Local Housing Delivery Group identified is the need for investment in people and the skills required to deliver housing through practical and deliverable Local Plans.

Successful implementation of the NPPF is entirely reliant on the skills, competence and resources in local government and the development community.

In particular, while it is not expected that councils need to retain inhouse all the specialist resources required to develop a viable plan, they must at the very least be a highly intelligent 'client', able to develop their policies and adopt home development standards in a discriminate way which recognises key aspects of development economics. Similarly, new entrants into house-building and development need to fully understand the purpose of the planning system, the process of local accountability and the empowerment of people and communities in planning.

It would certainly be part of the collaborative and cooperative approach advocated within this advice to ensure there is an equal development of expertise and understanding in local government and the house-building industry, supported where necessary by formal training and knowledge transfer.

The local standards issue

The house-building industry has to work with a large number of complex and overlapping standards, many of which are applied at local level. Achieving compliance with these standards in combination presents a significant challenge to the industry. The costs of achieving compliance and the burden and costs of demonstrating compliance can also be significant, and in some circumstances can have an impact on viability.

Therefore, this advice on viability assessment also needs to be considered alongside the work of the Standards Working Group, the part of the Local Housing Delivery Group tasked to look at this issue.

Its interim report 'A review of local standards for the delivery of new homes', concludes there is considerable overlap of standards and that there are ways to simplify and consolidate them. The report recommends an overhaul of standards in a Government-backed initiative supported by a properly constituted and representative cross-sector Industry Group. While this work continues, it is important to ensure that the standards adopted in Local Plans can be justified as offering clear local community benefit and do not undermine development viability.

Challenges and trade-offs

Against this context, this viability advice recognises there are significant challenges for planning authorities seeking to make plan policies that both provide for acceptable development and avoid placing unrealistic pressures on the cost and deliverability of development. These challenges are exacerbated when market conditions reduce the scope for delivering plan policies through lack of development value.

Decisions on how to deal with these challenges will be made by locally elected members, prior to the Local Plan being examined within a national framework that is clear on the need for Local Plans to be deliverable.

Where trade-offs between the economic, social and environmental dimensions of sustainable development need to be made, they should be clearly articulated, openly considered and directly addressed.

It is hoped that this advice supports those dealing with these challenges by setting out a straightforward approach and principles that will lead to well-informed decision making.

Sir John Harman and the Local Housing Delivery Group would particularly like to thank all the viability working group members:

Michael Rich (chair), Homes and Communities Agency
Keith Holland, Planning Inspectorate
Nick Scregg, Persimmon Homes
Ray Peacock, Taylor Wimpey
Roger Humber, House Builders Association
John Stewart, Home Builders Federation
Nicky Linihan, Planning Officers Society
Adrian Fox, Dover District Council
Jim Ward, Savills
Anthony Lee, BNP Paribas
Kathleen Dunmore, Three Dragons
Lin Cousins, Three Dragons
Gilian MacInnes, Planning Advisory Service
John Parmiter, Roger Tym & Partners
Robert Fourt, Gerald Eve
Russell Reefer, Local Government Association
Ben Linscott, Planning Inspectorate
Doug Livingstone, Homes and Communities Agency
Graeme Geddes (secretariat), Homes and Communities Agency
Simon Brown (observer), Department of Communities and Local Government

Executive Summary

“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 land owner and willing developer to enable the development to be deliverable.”

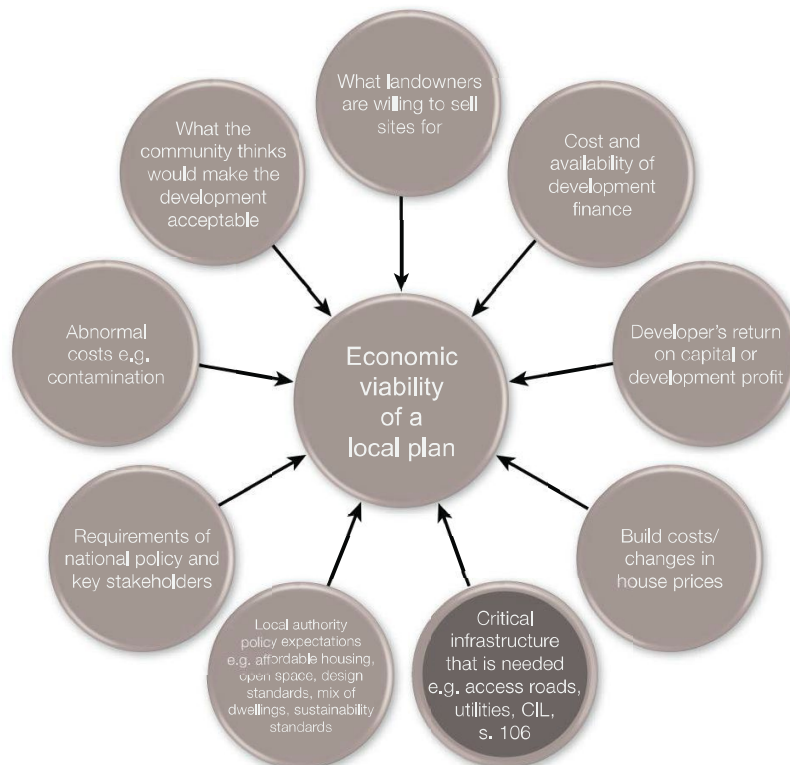
National Planning Policy Framework, para 173

“Local Plans should be aspirational but realistic. They should address the spatial implications of economic, social and environmental change. Local Plans should set out the opportunities for development and clear policies on what will or will not be permitted and where. Only policies that provide a clear indication of how a decision maker should react to a development proposal should be included in the plan.”

National Planning Policy Framework, para 154

The National Planning Policy Framework stresses the need to ensure that the sites and scale of development identified in a Local Plan should not be subject to such a scale of obligations, standards and policy burdens that cumulatively this threatens the plan's ability to be developed viably.

The NPPF also requires that Local Plans meet the objectively assessed needs for their area, and are deliverable and realistic. Plans that do not take full account of these requirements are therefore at risk of failing to be found sound when examined.



There are many factors that a local authority needs to consider and balance in preparing a Local Plan, as outlined in the diagram on the previous page.

Local Plans need to deliver development that reflects community aspirations, is of high quality, protects the natural environment, is serviced by the necessary infrastructure and supports the transition to a low carbon economy in order to mitigate the impact of climate change.

However, consideration of viability is also a key factor. Plans may be aspirational but realistic, and should ensure that the impact of the policies when read as a whole should be such that the plan is deliverable. It will be the elected members of the planning authority who will take the lead role in making sure the planning system can “play an active role in guiding development to sustainable solutions” (NPPE, para 8).

Key principles

Set within that wider context, this advice outlines a number of key principles that should be kept in mind when assessing the viability of the Local Plan and its policies:

- It is critical that consideration is given to the **cumulative impact** of the plan policies, rather than treating policies in isolation or overlooking the potential impact of policies on the delivery of planned development.
- Planning authorities will often need to **strike a balance** between the policy requirements necessary to provide for sustainable development and the realities of economic viability. There should be both clear local justification for the adoption of local standards and policies, and reasonable returns for landowners and developers. Making an informed and explicit choice about the risks to delivery is a key outcome of the assessment of Local Plan viability.
- This local choice should be supported by a **collaborative approach** that is taken throughout the policy making process. The advice and input of local partners, particularly those with knowledge of the local market and development economics, and those who will be involved in delivering the plan, should be sought at each stage. This should avoid making poorly founded assumptions that can lead to plans being contested. It will also improve understanding of the need for the proposed policies and standards among those seeking to bring forward development in the area. The best plans are also regularly reviewed to test the policies adopted to ensure the plan remains viable and deliverable.
- Viability assessments of Local Plans should therefore be seen as part of the wider collaborative approach to planning and a **tool that can assist with the development of plan policies**, rather than a separate exercise.
- The approach to assessing plan viability should recognise that it can only provide **high level assurance** that the policies within the plan are set in a way that is compatible with the likely economic viability. It cannot guarantee that every development in the plan period will be viable, only that the plan policies will be viable for the sufficient number of sites upon which the plan relies in order to fulfil its objectively assessed needs.

- The assessment process should be **iterative**. Draft policies can be tested based on the assumptions agreed with local partners, and in turn those assumptions may need to be revised if the assessment suggests too much development is unviable. This dynamic process is in contrast to the consideration of viability during development management, when policy is already set.
- This approach does make viability assessment more challenging, particularly when considering the potential viability of plan policies over the whole plan period and across the different sub-markets of the plan area. However, a **demonstration of viability across time and local geography** will be of much more value to local decision making and will help develop a local shared understanding of deliverability.

None of the above is intended to suggest that the outcome of a viability assessment should dictate individual policy decisions. Rather, the role of an assessment is to inform the decisions made by local elected members to enable them to make decisions that will provide for the delivery of the development upon which the plan is reliant.

What is important is that consideration of overall viability is part of the evidence base on which those decisions rest and which is subjected to test, challenge and debate at examination. Carrying out an assessment is a means of reducing the risk of plan policies based on aspirations that are unviable and therefore incapable of being applied in practice.

The National Planning Policy Framework indicates that wherever practical, Community Infrastructure Levy charges should be worked up and tested alongside the Local Plan. Because a local authority's CIL will be one of the policy costs on development, the approach to viability testing outlined in this advice should also assist the local authority in drawing up its CIL charging schedule.

Viability testing of Local Plans does not require a detailed viability appraisal of every site anticipated to come forward over the plan period. Because of the potentially widely different economic profiles of sites within a local area, this advice suggests a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies.

This document provides a step by step guide to carrying out a plan viability assessment, identifying key factors which should be taken into account and setting out how to arrive at a benchmark land value which will enable land to come forward, while ensuring sustainable development which meets local social, economic and environmental needs.

This advice will need developing and updating as experience is gained in developing Local Plans under the NPPF. Members of the Local Housing Delivery Group were clear that their commitment would need to continue beyond the publication of this advice. The HBF and LGA will continue to gather feedback from members, as well as examples of the advice in action and case studies of good practice for future editions of this document.

PART ONE

Policy and principles

1. Policy context

National Planning Policy Framework

“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 land owner and willing developer to enable the development to be deliverable.

“Local planning authorities... should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.”

National Planning Policy Framework, paras 173-4

The National Planning Policy Framework sets out clearly that Local Plans should deliver development that (among other things) reflects community aspirations, is of high quality, protects the natural environment, is serviced by the necessary infrastructure and supports the transition to a low carbon economy in order to mitigate the impact of climate change.

The NPPF sets out the overall approach that should be taken in plan-making, including seeking achievement of each of the economic, social and environmental dimensions of sustainable development, with net gains across all three. It says that significant adverse impacts on any of these dimensions should be avoided, and alternative options which reduce or eliminate them should be pursued (NPPF, para 152).

The challenge for planning authorities is to balance this with the realities of economic viability and develop plans that can deliver sustainable development – that is, to balance aspirational objectives with realistic and deliverable policies. (NPPF, para 154)

The NPPF also places a clear emphasis on the need for planning authorities to ensure that Local Plans are deliverable. While previous planning guidance has stressed the need for elements of planning policy (such as affordable housing policies) to be economically viable, the NPPF is clear that all policy requirements need to be considered together when making an assessment of whether a proposed plan can be delivered.

The NPPF and Community Infrastructure Levy

“By providing additional infrastructure to support development of an area, CIL is expected to have a positive economic effect on development across an area in the medium to long term. In deciding the rate(s) of CIL for inclusion in its draft charging schedule, a key consideration for authorities is the balance between securing additional investment for infrastructure to support development and the potential economic effect of imposing CIL upon development across their area. The CIL regulations place this balance of considerations at the centre of the charge-setting process. In view of the wide variation in local charging circumstances, it is for charging authorities to decide on the appropriate balance for their area and ‘how much’ potential development they are willing to put at risk through the imposition of CIL... In their background evidence on economic viability to the CIL examination, charging authorities should explain briefly why they consider that their proposed CIL rate (or rates) will not put the overall development across their area at serious risk.”

(Community Infrastructure Levy Guidance, sections 7-8. March 2010)

The statutory guidance on setting a charge for a Community Infrastructure Levy places a similar emphasis on viability. Like the NPPF, it promotes the role of contributions from development as a means to ensure that the wider costs of growth, such as infrastructure, services and amenities, can be met.

The NPPF links CIL and the Local Plan as follows:

“Where practical, Community Infrastructure Levy charges should be worked up and tested alongside the Local Plan. The Community Infrastructure Levy should support and incentivise new development, particularly by placing control over a meaningful proportion of the funds raised with the neighbourhoods where development takes place.” (NPPF, para 175)

These documents make it clear that, while it is legitimate to look at how the value released from development can contribute towards the services and infrastructure that will make that development acceptable to communities, it is important that planning authorities weigh this carefully against the potential that cumulative policy requirements might put the delivery of the plan at risk.

Cross-boundary issues

“Crucially, Local Plans should... be based on co-operation with neighbouring authorities, public, voluntary and private sector organisations”

National Planning Policy Framework, para 157.

In considering the policy context with regard to the viability of plans, it is important to note both the ‘Duty to Cooperate’ on strategic planning matters and the ability of neighbourhoods to develop their own neighbourhood plans.

The Duty to Cooperate is relevant to assessing the viability of the plan in two ways:

1. There will be a range of agencies that fall under the duty with which planning authorities should seek to collaborate in carrying out the assessment. Some of these may be able to make significant contributions to the assessment exercise.
2. The duty is the means through which neighbouring authorities (and counties in two-tier areas) will collaborate on strategic planning matters that go beyond the boundary of a single planning authority. In considering the range of policy requirements and infrastructure plans that are likely to impact on the costs of development, it is important to consider any of those that are being considered jointly across authority boundaries and to ensure that they are not omitted from the assessment.

Neighbourhood plans will need to be in general conformity with the Local Plan, but may be used to specify development and/or policies that go beyond the Local Plan.

Therefore, it is important that in areas where neighbourhood plans are likely to come forward, the assessment of Local Plan viability is shared and made available for neighbourhood groups to use as the starting point for their own plans.

Definition of viability

Before looking at the purpose and role of viability testing of Local Plans, it is worth defining what is meant by viability.

An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.

At Local Plan level, viability is very closely linked to the concept of deliverability. In the case of housing, a Local Plan can be said to be deliverable if sufficient sites are viable – as defined in the previous paragraph – to deliver the plan's housing requirements over the plan period.

2. Purpose and role of viability assessments within plan-making

The primary role of a Local Plan viability assessment is to provide evidence to show that the requirements set out within the NPPF are met. That is, that the policy requirements for development set out within the plan do not threaten the ability of the sites and scale of that development to be developed viably. Demonstrably failing to consider this issue will place the Local Plan at risk of not being found sound.

The most important function of an assessment is to bring together and consider the cumulative impact of policies. This means taking account of the range of local requirements such as design standards, community infrastructure and services, affordable housing, local transport policies and sustainability measures, as well as the cost impact of national policy and regulatory requirements. The test should include both existing policies that the planning authority intends to retain and the new policy requirements that it is seeking to introduce.

While many of these policy requirements may not be straightforward to cost, it is still important that attempts are made to consider the impact of all policies that may result in a development cost or benefit.

The role of the test is not to give a precise answer as to the viability of every development likely to take place during the plan period. No assessment could realistically provide this level of detail. Some site-specific tests are still likely to be required at the development management stage.

Rather, it is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.

On the basis of the advice set out in Part 2 of this document, the viability assessment is not there to give a straightforward 'yes or no' to development across the whole plan area or whole plan period.

Instead the NPPF requires a rolling supply of sites with a "realistic prospect" of being delivered to provide five years' worth of housing, with a further supply of sites with a "reasonable prospect" of being developable for years 6-10 and, where possible, years 11-15.

"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. Sites with planning permission should be considered deliverable until permission expires, unless there is clear evidence that schemes will not be implemented within five years, for example they will not be viable, there is no longer a demand for the type of units or sites have long term phasing plans."

"To be considered developable, sites should be in a suitable location for housing development and there should be a reasonable prospect that the site is available and could be viably developed at the point envisaged."

National Planning Policy Framework, footnotes to para 47

Risk and balance

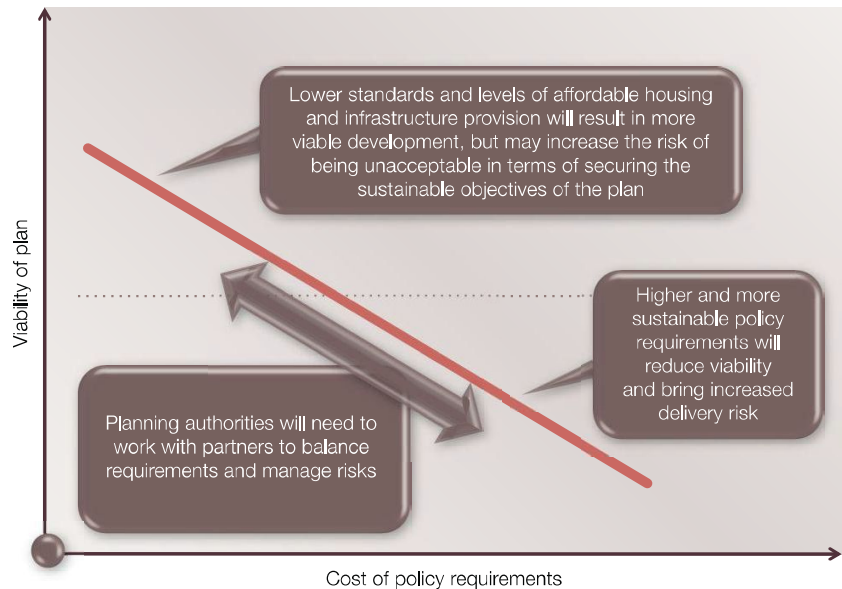
The guidance and policy cited earlier introduces the helpful notions of risk and balance.

As set out in the NPPF, "the cumulative impact of these standards and policies should not put implementation of the plan at serious risk" (NPPF, para 174). This echoes the requirement in CIL guidance for charging authorities to set rates that "will not put the overall development across their area at serious risk".

It is important to apply these principles to the assessment of Local Plan viability.

Planning authorities should use the assessment to help consider the level of risk that their proposed policies place on delivery. A viability assessment can test the impact of the costs of different policy requirements on delivery across the plan area, informing the local judgement about risk. Given the clear emphasis on deliverability within the NPPE, Local Plan policies should not be predicated on the assumption that the development upon which the plan relies will come forward at the 'margins of viability'.

Balancing delivery risk and sustainable plan policies



In making this local judgement, the planning authority will need to strike a balance between the policy requirements that it deems necessary in order to provide for sustainable development and the realities of economic viability.

Except for possibly in the highest value areas, it is unlikely that all policy aspirations will be capable of being realised, once a realistic account is taken of the costs associated with those aspirations alongside regulatory and statutory compliance.

Therefore, as with CIL, Local Plan making will involve decisions about how to balance competing interests and demands and it will be for local elected members to take decisions on the right balance for their area. This gives the viability assessment an important role within the plan-making process in helping to encourage and focus dialogue about the balances and trade-offs that will need to be considered.

Within this context, it is important to note that the role of an assessment is to help inform the decisions made by locally elected members when preparing and adopting a Local Plan.

The assessment will not dictate the outcome of individual policy decisions, although it should be an important part of the evidence that is taken into account and then subjected to test and debate at examination in order to ensure that the cumulative impact of policies does not inhibit the delivery of sites upon which the plan relies.

3. Benefits and scope of viability assessments

Spending time during the plan making process to consider the cumulative impact of policy on development can result in a number of benefits – for the plan, for the communities for which it seeks to provide sustainable growth, and for landowners and developers:

- Carrying out a viability assessment should lead to policies for development that take account of their cumulative impact and the consequent deliverability of the plan.
- A viability assessment of the plan provides a structured and transparent means for helping to understand the deliverability of proposed plan policies.
- In doing so, a viability assessment will bring to the surface the balances and trade-offs involved in plan making, allowing planning authorities to share these in an accessible way with communities and partners.
- The process of assessment should improve the shared understanding of the nature of sub-market areas. It should also open up viability modelling for partners to review on a transparent basis.
- Done well, it should lead to better plans, with more certainty for developers, more investment and a greater likelihood of delivering sustainable development on time for communities.
- In particular, a consideration of the cumulative impact of policy requirements should avoid situations where communities are left disappointed that their aspirations have not been matched by delivery.
- If carried out in the collaborative way proposed in this document – that is, engaging the relevant parties at an early stage – a viability assessment could help to reduce the conflicts that can occur at examination in public and during development management.
- In particular, a plan-level test of the policies should help to avoid re-opening every plan policy for negotiation as every site comes forward for a planning decision.
- Collaborative assessments will also develop a shared understanding of the drivers and constraints facing different parties, which in turn should lead to more constructive behaviour as sites come forward for development.

Acknowledging the limits

While there are benefits of testing the viability of a Local Plan as it is being prepared, it is important to have realistic expectations of the scope and accuracy of such testing. It is not a precise science.

- A plan-wide test will only ever provide evidence of policies being 'broadly viable'. The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.
- Given the complexities of development across a whole plan area and whole plan period, planning authorities will need to take a proportionate approach and be realistic about the resources available for an assessment, which will necessarily limit the precision of assessments.
- Assessments depend heavily on the nature and quality of assumptions made. While this document should help authorities and their partners make well-informed assumptions, there will inevitably be assumptions for which it is harder to source data and/or where information is more contested.
- While there are many benefits to the collaborative approach set out below, the different drivers and objectives of stakeholders will inevitably lead to issues on which it is not possible to reach agreement and where approaches to viability may differ.
- Assessments are carried out at a particular point in time and are therefore limited by the data and information available at that time. This will inevitably limit the value of those assessments in informing plan policies that will be set for the long-term.

Despite the limitations noted above, there are significant benefits of a proper consideration of the impact of policy requirements on the deliverability of a Local Plan.

Part 2 of this document sets out how a collaborative approach to assessing viability can make the most of the benefits and help authorities meet the NPPF requirements.