

Technical Note

Note Title:	Gloucester City Plan Viability Evidence Base - Examination Addendum
Job No.:	1/96 Gloucester City Plan Viability Local Plan Examination
Date:	24/06/21
Prepared by:	Russ Porter, BSocSc (Hons), MA, GDip(QS), MRICS, Director at PPE
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.
Approved by:	Russ Porter, Director, 24/06/21
On behalf of:	Porter Planning Economics Ltd t: +44(0)1626 249043 e: enquiries@porterpe.com w: www.porterpe.com

Introduction

This note provides the Council's response to the Gloucester City Plan Examination Inspector's request for undertaking further viability testing. This is to reflect proposed modifications and changes to the City Plan, along with applying some sensitivity testing.

In relation to this, Porter Planning Economics Ltd (PPE) has undertaken the viability evidence base work for the City Plan, and has been asked to prepare the following technical note as a further addendum to the Examination Documents VIA001¹ and VIA002².

This technical note focuses solely on the matters relating to the viability of the emerging plan. It is important to note that the approach, methodology and assumptions used in the viability appraisals in this report are largely the same as those described and used in the published examination documents VIA001 and VIA002. Where any testing assumptions are different, then they are noted and explained in this technical note.

It should also be noted that this technical note and the accompanying appraisal results 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.

Proposed Changes

Introduction

This section reviews the viability assessment findings of the updated cumulative burden of the GCP to identify and assess the risk of delivery on future housing sites within the City based on modifications to the viability assessment and sensitivity tests covering several scenarios.

Proposed Modifications:

The City Plan Examination Inspector has asked for the following modification in viability assumptions to be tested and to be reported in this Addendum:

¹ VIA001-201909-emerging-gloucester-city-lp-va-final-report

² VIA002-gloucester-city-plan-viability-report-addendum-oct-2020

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- Typologies as tested in VIA001 and VIA002, but site typology 24 (200 Mixed Brownfield Low) to be tested with a c.300 dwellings typology to reflect a proposed uplift in capacity to Allocation SA05 'Land at Great Western Road Sidings';
- GCP Policy A2: Affordable Housing at 20% affordable housing, as tested in VIA001 and VIA002;
- GCP Policy A2: Affordable Housing using the most recent Gloucestershire LHNA 2019 (Sept 2020) LHNA affordable housing tenure mix, as tested in VIA002. This identifies a need for affordable housing with a mix of 40% Social rented, 26% Affordable rented and 34% Shared ownership/intermediate.
- GCP Policy A2: Dwelling mix using the most recent Gloucestershire LHNA 2019 (Sept 2020) Figure 4. This identifies a need for the following affordable housing mix: 41.2% 1 and 2 bed dwellings (treated as flats in this viability addendum), 21.4% 2 bed house, 28.9% 3 bed house, 8.5% 4+ bed house; and open market housing mix: 8.6% 1 and 2 bed dwellings (again treated as flats), 6.5% 2 bed house, 58.2% 3 bed house, 26.7% 4+ bed house.
- GCP S106 with an average contribution of £3,250 per dwelling, as tested in VIA002.
- GCP Policy H8: Cotswold Beechwoods Special Area of Conservation applied at the updated rate of £500 per house and £250 per flat, as tested in VIA002.
- GCP Policy G2: Charging infrastructure for electric vehicles at 50% of houses, as tested in VIA001 and VIA002;
- GCP Policy A6: Accessible and adaptable homes, with M4 (3) at 4% of affordable homes, as tested in VIA001 and VIA002;
- GCP Policy A6: Accessible and adaptable homes, with M4(2) at 50% of all homes, as tested in VIA001 and VIA002;
- Policy G7: Water efficiency costs tested at £50 per dwelling, as discussed (but not tested) in VIA001 para 5.58 and Table 5.16;
- Build costs / sales values / CIL rates and all other assumptions as tested in VIA001.

Sensitivity Tests

The City Plan Examination Inspector has also asked for the following sensitivity tests to be applied to the above modification and to be reported in this Addendum:

- Sensitivity test 1: No prescribed minimum Nationally Described Space Standards (NDSS), so that the typologies closely reflect the average unit sizes within the reported Land Registry/EPC transactions data identified in VIA001 Table 5.7. These are:
 - Flats: 60.1 sqm NIA and 66.1 sqm GIA, which is to be treated as the sizes for 1/2 bed flats in the viability model
 - Terraced houses: 85.8 sqm GIA, which is to be treated as the sizes for 2 bed houses in the viability model
 - Semi-detached houses: 89.6 sqm GIA, which is to be treated as the sizes for 3 bed houses in the viability model
 - Detached houses: 118.3 sqm GIA, which is to be treated as the sizes for 4+ bed houses in the viability model
- Sensitivity test 2: GCP Policy A6: Accessible and adaptable homes, with M4(2) at 10% and 25% of all units based on the same per unit cost based that is discussed and noted in VIA001 paras 5.54 to 5.57;

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- Sensitivity test 3: testing the impact of changing sales and cost values. We therefore test the viability with sales values falling and rising by 5%, build costs rising and falling by 5%, and a combination of each scenario occurring at the same time to provide worst and best case scenarios.
- Sensitivity test 4: GCP S106 costs based on iterative testing of s106 from £5,000 up to a maximum of £20,000 per dwelling, as tested in VIA002.

Viability Testing Results

Introduction

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

The viability results reflect cumulative Policy layer 6 in VIA001 and VIA002, with the viability of sites being summarised by using a 'traffic light' system, as follows:

- Green means that the site delivery is viable;
- Amber is marginal viability, in that the residual site value is within a 20% range (i.e., 10% above or below) the benchmark land value; and
- Red 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.

Viability Results of Modified Changes

Based on the identified modified changes above (not including any sensitivity variables), the results in **Table A1** third column present the results. This shows that the viability results remain similar to the viability testing in VIA001 at full cumulative policy layer 6. The exception is that one typology, the 100 Mixed Brownfield Low area would improve from being unviable to being marginally viable. As such, the 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 emerging GCP at the full cumulative policy layer 6, and the only exceptions to this remain the smaller to mid-sized sites within the lower value areas.

Table A1 also lists the latest version of the proposed site allocation and their combined dwelling capacities³ against each tested typology. The results in **Table A1** show that given where delivery is being planned, most allocated sites (75%), which account for 90% of the allocated site capacity, are expected to be viable at the full emerging GCP policy position. **Table A1** also shows that most of the windfall sites would be viable at full policy levels.

On this basis, the City Council should have confidence that the full emerging GCP policy position remains deliverable among the bulk of sites likely to come forward within the City during the next five years and beyond. This is consistent with the approach to viability and plan-making set out in the NPPF and PPG. 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.

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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Table A1 Viability at full policy layer 6

ID	Typology	Policy layer 6	Site allocation ⁴	Allocated units
1	4 Houses Brownfield High	Green	Windfall	-
2	4 Houses Greenfield High	Green	Windfall	-
3	4 Houses Brownfield Low	Red	Windfall	-
4	4 Houses Greenfield Low	Green	Windfall	-
5	9 Houses Brownfield High	Green	SA19	10
6	9 Houses Greenfield High	Green	SA01	10
7	9 Houses Brownfield Low	Red	Windfall	-
8	9 Houses Greenfield Low	Green	Windfall	-
9	20 Houses Brownfield High	Green	Windfall	-
10	20 Houses Greenfield Mid	Green	SA12	30
11	20 Houses Brownfield Low	Red	Windfall	-
12	20 Houses Greenfield Low	Red	SA15	30
13	30 Houses Brownfield High	Green	Windfall	-
14	30 Houses Brownfield Low	Red	Windfall	-
15	30 Flats Brownfield High	Green	SA03, SA10, SA16, SA21	90
16	30 Mixed Brownfield Mid	Red	SA02, SA18	50
17	30 Mixed Brownfield Low	Red	SA13	20
18	50 Houses Greenfield Mid	Green	SA14	30
19	50 Flats Brownfield High	Green	SA09	50
20	80 Houses Brownfield Mid	Green	Windfall	-
21	100 Mixed Brownfield Low	Yellow	Windfall	-
22	150 Flats Brownfield High	Green	SA08	156
23	200 Mixed Brownfield Mid	Green	SA11	300
25	300 Mixed Brownfield Low	Green	SA05	200

Sensitivity Testing Viability Results of Modified Changes

The sensitivity testing results discussed earlier are split across **Table A2** and **Table A3**. The analysis of the sensitivity tested viability results follows this.

⁴ Ditto

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Table A2 Sensitivity test viability at policy layer 6

ID	Typology	PI 6 without NDSS	PI 6 with M4(2) at 10%	PI 6 with M4(2) at 25%	PI 6 with 5% lower sales values	PI 6 with 5% higher build costs	PI 6 with 5% lower sales values + 5% higher build costs	PI 6 with 5% higher sales values	PI 6 with 5% lower build costs	PI 6 with 5% higher sales values + 5% lower build costs
1	4 Houses Brownfield High	Green	Green	Green	Green	Green	Green	Green	Green	Green
2	4 Houses Greenfield High	Green	Green	Green	Green	Green	Green	Green	Green	Green
3	4 Houses Brownfield Low	Red	Green	Green	Red	Red	Red	Green	Green	Green
4	4 Houses Greenfield Low	Green	Green	Green	Yellow	Green	Red	Green	Green	Green
5	9 Houses Brownfield High	Green	Green	Green	Green	Green	Green	Green	Green	Green
6	9 Houses Greenfield High	Green	Green	Green	Green	Green	Green	Green	Green	Green
7	9 Houses Brownfield Low	Red	Green	Green	Red	Red	Red	Green	Green	Green
8	9 Houses Greenfield Low	Green	Green	Green	Yellow	Green	Red	Green	Green	Green
9	20 Houses Brownfield High	Green	Green	Green	Green	Green	Red	Green	Green	Green
10	20 Houses Greenfield Mid	Green	Green	Green	Red	Red	Red	Green	Green	Green
11	20 Houses Brownfield Low	Red	Red	Red	Red	Red	Red	Red	Red	Red
12	20 Houses Greenfield Low	Red	Yellow	Red	Red	Red	Red	Green	Yellow	Green
13	30 Houses Brownfield High	Green	Green	Green	Green	Green	Red	Green	Green	Green
14	30 Houses Brownfield Low	Red	Red	Red	Red	Red	Red	Red	Red	Red
15	30 Flats Brownfield High	Green	Green	Green	Red	Red	Red	Green	Green	Green
16	30 Mixed Brownfield Mid	Red	Green	Yellow	Red	Red	Red	Green	Green	Green
17	30 Mixed Brownfield Low	Red	Red	Red	Red	Red	Red	Red	Red	Yellow
18	50 Houses Greenfield Mid	Green	Green	Green	Green	Green	Yellow	Green	Green	Green
19	50 Flats Brownfield High	Green	Green	Green	Red	Red	Red	Green	Green	Green
20	80 Houses Brownfield Mid	Green	Green	Green	Yellow	Green	Red	Green	Green	Green
21	100 Mixed Brownfield Low	Yellow	Green	Green	Red	Red	Red	Green	Green	Green
22	150 Flats Brownfield High	Green	Green	Green	Red	Red	Red	Green	Green	Green
23	200 Mixed Brownfield Mid	Green	Green	Green	Green	Green	Red	Green	Green	Green
25	300 Mixed Brownfield Low	Green	Green	Green	Red	Red	Red	Green	Green	Green

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Sensitivity Test 1 Viability Results from having no Minimum Nationally Described Space Standards

This shows the results after the substituting the minimum NDSS sizes that were tested in VIA001 and VIA002 with the average sizes of new build properties. The results show no notable change on the viability of the emerging GCP, but there may minor improvements in the available headrooms, particularly for sites with flatted dwellings, because the EPC evidence summarised in VIA001 Table 5.7 and shown in VIA001 Appendix C, suggests that the new build market average sizes for a complete unit overall is exceeding the average minimum NDSS size for a complete unit.

The headroom rates for houses appear to even out because of the market delivery of larger sized 2 bed houses and smaller sized 3 bed houses compared to the minimum NDSS average sizes. The difference between the 4+ bed average size based on past market delivery rates or tested with the minimum NDSS sizes is also negligible.

As such, with or without a policy for NDSS, most allocated sites (75%), which account for 90% of the allocated site capacity, are expected to be viable at the full emerging GCP policy position.

Sensitivity Test 2 Viability Results from Changes in the proportions of M4(2) Homes Standards

The results in **Table A2** show that reducing the GCP policy requirements for accessible homes at M4(2) from 50% to 10% would increase the number of potential sites able to come forward at policy compliant levels. The results show that all but one likely allocated site would most likely be able to come forward at policy compliant levels, delivering some 98% of the allocated site capacity at the full emerging GCP policy position.

The results in **Table A2** also show that by reducing the accessible homes at M4(2) to 25% then the number of potential sites able to come forward at policy compliant levels would be 14 out of 16 allocated sites, accounting for some 95% of the allocated site capacity at the full emerging GCP policy position.

Sensitivity Test 3 Viability Results from Changes in Market Conditions

The results in **Table A2** review the impact of significant changes in market conditions to the conditions during the preparation time for VIA001, which was published in September 2019.

If sales values dropped by 5% of the February 2019 values that were tested in VIA001, then the impact would be that only a quarter of the allocated sites would still come forward, delivering some 36% of the allocated site capacity at the full emerging GCP policy position. At present sales values in Gloucester are increasing, with a reported increase of 4.5% in the 12 months to April 2021 (based on 6-month smoothed data).⁵

If build costs at 1st Quarter 2019 prices that were tested in VIA001 increased by 5%, then this would have the same impact on the viability of the allocated site as the reduction in sales values.

Under very poor market conditions, with sales values dropping by 5% and build costs increasing by 5%, then only three of the allocated sites would be expected to still be able to come forward at the full emerging GCP policy position, delivering just 5% of the allocated site capacity.

If sales values were to increase by 5% or build cost to reduce by 5%, or even a combination of both, then viability is achieved at full policy requirement in nearly all the tested typologies. As such, viability would remain a problem only in a few medium sized windfall sites in the low value areas. In any of these scenario, full policy compliance would be achievable within 15 of the allocated 16 housing sites, delivering some 98% of the allocated site capacity at the full emerging GCP policy position.

Sensitivity Test 4 Viability Results of Modified Changes at Different S106 amounts

The typologies with the modified changes noted above (which excludes the sensitivity adaptations) are also sensitivity tested against a range of s106 requirements 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

⁵ Sourced from BuiltPlace using Land Registry transactions data, accessible online at [Gloucester.pdf \(builtplace.com\)](https://www.builtplace.com/Gloucester.pdf)

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may reflect the County 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 sites⁶. A review of recent planning permissions has showed that the average requirement for s106 is £3,250 per dwelling.

The results of the testing, shown in **Table A3**, suggest that the impact of increasing s106 would be possible to up to about £5,000 per unit, when 75% of the allocated sites would still show viability (albeit marginal viability in some cases) to still come forward, delivering some 90% of the allocated site capacity at the full emerging GCP policy position.

If s106 was to increase to £7,500 per unit, then the results in **Table A3** identify that around half the typologies would remain viable or marginally viability, but only 38% of the allocated sites would still show viability to still come forward at the full emerging GCP policy position, delivering some 59% of the allocated site capacity. This finding is the same as that reflected in the Examination document VIA002 that was discussed and considered at the City Plan Hearing Matter 10.

The incremental increases in s106 contributions beyond £7,500 per dwelling will continue to worsen the delivery of sites and allocated sites to the point where the aspirations of the emerging GCP may be put at risk.

Table A3 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	Red	Red	Red	Red	Red	Red	Red	Red
4	4 Houses Greenfield Low	Green	Green	Green	Yellow	Red	Red	Red	Red
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	Red	Red	Red	Red	Red	Red	Red	Red
8	9 Houses Greenfield Low	Green	Green	Green	Yellow	Red	Red	Red	Red
9	20 Houses Brownfield High	Green	Green	Green	Green	Yellow	Red	Red	Red
10	20 Houses Greenfield Mid	Green	Green	Yellow	Red	Red	Red	Red	Red
11	20 Houses Brownfield Low	Red	Red	Red	Red	Red	Red	Red	Red
12	20 Houses Greenfield Low	Red	Red	Red	Red	Red	Red	Red	Red
13	30 Houses Brownfield High	Green	Green	Green	Green	Yellow	Red	Red	Red
14	30 Houses Brownfield Low	Red	Red	Red	Red	Red	Red	Red	Red
15	30 Flats Brownfield High	Green	Yellow	Red	Red	Red	Red	Red	Red
16	30 Mixed Brownfield Mid	Red	Red	Red	Red	Red	Red	Red	Red
17	30 Mixed Brownfield Low	Red	Red	Red	Red	Red	Red	Red	Red
18	50 Houses Greenfield Mid	Green	Green	Green	Green	Yellow	Red	Red	Red
19	50 Flats Brownfield High	Green	Yellow	Red	Red	Red	Red	Red	Red
20	80 Houses Brownfield Mid	Green	Green	Green	Yellow	Red	Red	Red	Red
21	100 Mixed Brownfield Low	Yellow	Red	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	Yellow	Red	Red	Red	Red
25	300 Mixed Brownfield Low	Green	Green	Red	Red	Red	Red	Red	Red

End

⁶ We understand that the County Council are reviewing their approach following a recent appeal decision (Appeal Ref: APP/G1630/W/20/3257625 Land off the A38, Coombe Hill, Gloucestershire, issued 1st June 2021).