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**LIVERPOOL CITY REGION COMBINED AUTHORITY**  
**LCR SPATIAL DEVELOPMENT STRATEGY (SDS)**  
**VIABILITY INFORMATION PAPER**

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CITY REGION**  
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## **GLOSSARY**

**LCRCA** – Liverpool City Region Combined Authority

**LCR** – Liverpool City Region

**SDS** – LCR Spatial Development Strategy

**NPPF** – National Planning Policy Framework September 2023

**PPG** – National Planning Practice Guidance

**AVIP** – RICS Guidance Note: Assessing viability in planning under the National Planning Policy Framework 2019 for England

**KVA** – Knowsley Viability Assessment

**SVA** – Sefton Viability Assessment

**LVA** – Liverpool Viability Assessment

**SHVA** – St Helens Viability Assessment

**HVA** – Halton Viability Assessment

**WVA** – Wirral Viability Assessment

## 1.0 INTRODUCTION

- 1.1 The Liverpool City Region Combined Authority (LCRCA) is currently preparing a strategic land-use framework known as a 'Spatial Development Strategy' ('SDS'). When published, it will form part of the 'development plan' for the six City Region local authorities alongside their own Local Plans and Neighbourhood Plans. The SDS policies and proposals will be 'high level' with more detailed and locally specific policies to be contained in Local Plans prepared by the six constituent local authorities, reflecting their local circumstances.
- 1.2 National Planning Policy Framework September 2023 (NPPF) requires that Local Plans should be viability tested to ensure that the plan policies do not undermine the deliverability of the plan. This should be based on relevant and up to date evidence that is adequate and proportionate.
- 1.3 Of the six constituent Local Authorities, five have adopted local plans that have already been subject to a viability assessment. All of these viability assessments have been through the examination process and have been found sound for the purpose of informing Local Plan viability. The Local Plan and associated viability assessment for the sixth Local Authority, Wirral, is currently the subject of examination.
- 1.4 In the context of this existing evidence base, the viability of the SDS policies and proposals will need to be established having regard to the principal of proportionality contained in the NPPF. As a first stage in the process, this Information Paper has been prepared to accompany the Towards a Spatial Development Strategy for The Liverpool City Region (November 2023) engagement document. The paper is informed by a review of the Local Plan Viability Assessments that have been undertaken for the existing local plans together with an analysis of plan policies that have implications for viability. It also considers the SDS policies that have viability implications and how these sit within the existing policy framework and to what extent they have already been viability tested.
- 1.5 This exercise is intended to inform the extent of further viability testing that may reasonably be required to ensure the SDS is deliverable. Given the strategic focus of the SDS any future viability assessment is likely to focus on strategic residential and employment sites.
- 1.6 This Information Paper is structured across the following topics:

**Section 2** - Background in terms of what the SDS is all about, the stages of production and a timeline;

**Section 3** - The NPPF and Viability with a brief summary of the relevant guidance, methodology and assumptions;

**Section 4** - A City Region Local Plan overview which includes a summary of the various Local Plan Viability Assessments, the viability testing undertaken and the outcomes. This also identifies the respective plan policies with viability implications and considers the differing approaches to some of these policies within the constituent authorities;

**Section 5** - A summary of the emerging SDS policies with potential implications for viability and how these policies sit within the existing local plan and viability testing framework;

**Section 6** – Next Stages.

- 1.7 This Information Paper has been prepared as a first stage in the viability assessment process to analyse approaches across the various local authorities and understand how the existing evidence base may be used to inform viability of the SDS, bearing in mind the need to ensure proportionality.
- 1.8 We welcome comments and observations from Stakeholders regarding this Information Paper, as this will form part of the evidence to establish the form and extent of viability testing required for the SDS. It is expected that further consultation will be undertaken in the coming months regarding the detail of strategic sites that may be viability tested and the associated inputs.

## 2.0 BACKGROUND

### Why is the SDS being prepared?

- 2.1 As part of its [Devolution Deal](#) with Government, the Liverpool City Region Combined Authority (LCRCA) has a statutory responsibility to prepare a strategic land-use framework known as a 'Spatial Development Strategy' (SDS). This allows Liverpool City Region to develop its own distinctive planning strategy in response to the issues and opportunities present in the City Region.
- 2.2 The SDS will be the first of its kind for Liverpool City Region which covers the local authority areas of Halton, Knowsley, Liverpool City, Sefton, St Helens and Wirral (known as the 'constituent' local authorities). When it is published, it will form part of the 'development plan' for the six City Region local authorities alongside their own Local Plans and Neighbourhood Plans.
- 2.3 The SDS must also be prepared in accordance with specific legislation and regulations and meet various legal requirements. As a crucial stage, the SDS must be examined by a Panel of independent government appointed inspectors. They will determine if it is fit for purpose or 'sound' and has been prepared according to the legal framework.

### What will it contain?

- 2.4 The SDS will set out the Mayoral Combined Authority's overall strategy for spatial development on a city region wide scale through a range of strategic planning policies concerning development and land use, looking ahead to 2040.
- 2.5 Essentially, the SDS must only deal with planning matters that are of strategic importance to the Liverpool City Region. These may not affect all parts but will need to have significance for the city region's wider interests, apply across local authority areas and benefit from a co-ordinated approach.
- 2.6 The SDS policies and proposals will be 'high level' with more detailed and locally specific policies to be contained in Local Plans prepared by the six constituent local authorities, reflecting their local circumstances. Key strategic planning matters include:
- Housing,
  - Employment,
  - Leisure and commercial,
  - Infrastructure,
  - Community facilities; and
  - The natural and historic environment.

- 2.7 The SDS will also set out a proposed approach to the strategic housing need for the City Region, together with the land required for strategic employment land-use over the Plan period. These proposed housing and employment land requirements will sit alongside Local Plan policy approaches.
- 2.8 In order to meet its legislative requirement, the SDS will also need to have regard to
- [The National Planning Policy Framework](#) (setting out the national government policies on planning);
  - The health of people in the Liverpool City Region and the effect of the SDS on health inequalities;
  - Achieving sustainable development in the United Kingdom;
  - Climate change and its consequences; and
  - The need to ensure consistency with national policies.
- 2.9 There may be policies in the SDS that require further explanation or guidance on how they should be implemented. Where necessary the Combined Authority will prepare formal Supplementary Planning Guidance (SPG) on specific subjects to assist in decision taking and plan making.
- 2.10 It must also set out how the general spatial development aspects of other Combined Authority policies and proposals will be dealt with. This will allow the SDS to support and deliver key LCRA objectives and priorities as part of integrated and joined up approach. These include:
- Economic growth and regeneration
  - Employment and skills
  - Transport and infrastructure
  - Housing
  - Innovation
  - Business Growth and support
  - Culture
  - Environment
  - Energy
  - Investment and funding
- 2.11 To fully understand the planning issues facing the city region and provide an assessment of what needs to be planned for, the SDS will also be underpinned by a range of technical evidence, studies and assessments to help inform and underpin the proposed policy approaches. In addition, the draft Strategic Infrastructure Plan has identified key pieces of strategic infrastructure to support delivery.

**Where is it up to?**

- 2.12 The Liverpool City Region Combined Authority (LCRCA) is continuing work on developing its first Spatial Development Strategy (SDS). As part of the 'LCR Listens - Our Places' programme, preliminary engagement on the SDS was held between October 2019 and January 2020 (Stage 1) and then November 2020 and February 2021 (Stage 2). During these engagement periods, feedback was sought on the key strategic planning challenges facing the city region, the opportunities to address them, a proposed vision and objectives, and some initial suggested policy approaches.
- 2.13 This Information Paper has been prepared to accompany the Towards a Spatial Development Strategy for The Liverpool City Region (November 2023) engagement document.



### 3.0 THE NATIONAL PLANNING POLICY FRAMEWORK AND VIABILITY

#### Why is a Viability Assessment required?

##### **National Planning Policy Framework**

- 3.1 The requirement to prepare a viability assessment is set out in the National Planning Policy Framework September 2023 (NPPF) which states that:

*"Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan."*

(Para 34)

- 3.2 Plan policies should be viability tested to ensure that they don't undermine the deliverability of the plan. In addition the NPPF requires that:

*"The preparation and review of all policies should be underpinned by relevant and up to date evidence. This should be adequate and proportionate, focused tightly on supporting and justifying the policies concerned, and take into account relevant market signals."*

(Para 31).

- 3.3 The NPPF places the emphasis on establishing viability at plan making stage. Paragraph 58 confirms that:

*"Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available."*

### **National Planning Practice Guidance**

- 3.4 The National Planning Practice Guidance (PPG) has been revised to support the NPPF. It similarly reinforces the role of viability assessment at plan making stage by stating the following:

*"The role for viability assessment is primarily at the plan making stage. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and that the total cumulative cost of all relevant policies will not undermine deliverability of the plan."*

(Paragraph: 002 Reference ID:10-002-20190509)

- 3.5 The paragraph goes on to say that:

*"Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage."*

- 3.6 The PPG confirms that:

*".....policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106."*

(Paragraph: 001 Reference ID: 10-001-20190509)

- 3.7 The PPG provides clarification on the role of viability by stating that:

*"In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission."*

(Paragraph: 010 Reference ID: 10-010-20180724)

- 3.8 The aim of a future SDS Viability Assessment in the context of the current framework will be to build on and sense check as appropriate the existing Local Plan Viability Assessments. Based on this it will provide a proportionate assessment of viability (satisfying the requirements of the NPPF and PPG) of the future strategic development sites in the City Region, taking into account all relevant policies contained in both the SDS and relevant authorities local plans, together with local and national standards.

### Why are we publishing this Information Paper?

3.9 Stakeholder engagement and consultation are vital components in the process of establishing plan viability. Critical assessment of the viability assessment methodology and assumptions supported by appropriate evidence from stakeholders, ensures that sound judgements are made on the viability and deliverability of plan policies and sites.

3.10 The PPG places a responsibility on plan makers in collaboration with the Local Community, developers and other stakeholders to create realistic and deliverable policies.

*"It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers."*

*"It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant."*

(Para 002 PPG)

3.11 PPG expects that:

- All stakeholders **engage in an iterative process** to develop plans and policies and determine developer contributions.
- There will be a **transfer of information** between parties regarding strategic and key development sites.
- **Landowners and developers will share information** with the LPA to inform allocations including value and cost evidence.

3.12 This Information Paper has been published to assist in informing the viability process and position within the City Region. Comments and observations from Stakeholders are invited.

### Other Relevant Viability Guidance

[Financial viability in planning: conduct and reporting \(May 2019\)](#)

3.13 This Professional Standard issued by the RICS is effective from 1 September 2019 and sets out mandatory requirements on conduct and reporting in relation to financial viability assessments (FVAs) for planning in England, whether for area-wide or scheme-specific purposes.

3.14 The Professional Standard recognises the importance of impartiality, objectivity and transparency when reporting on such matters. The professional statement focuses on reporting and process requirements and reflects the changes to the NPPF and PPG. Reference will be made to this document in preparing the SDS Viability Assessment.

Assessing viability in planning under the National Planning Policy Framework 2019 for England (March 2021) (AVIP)

3.15 This Professional Standard issued by the RICS in March 2021 is effective from 1 July 2021 and replaces the 2012 Financial Viability in Planning guidance note. It provides guidance for carrying out and interpreting the results of viability assessments under the NPPF and the updated PPG. Again reference will be made to this document in preparing the SDS Viability Assessment.

**What is Viability and how is it Assessed?**

3.16 The PPG defines viability assessment as:

*" a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return."*

(Paragraph: 010 Reference ID: 10-010-20180724)

3.17 The RICS guidance AVIP notes that this is a residual valuation framework. Figure 1 from this document provides an illustration of this framework and is reproduced below.

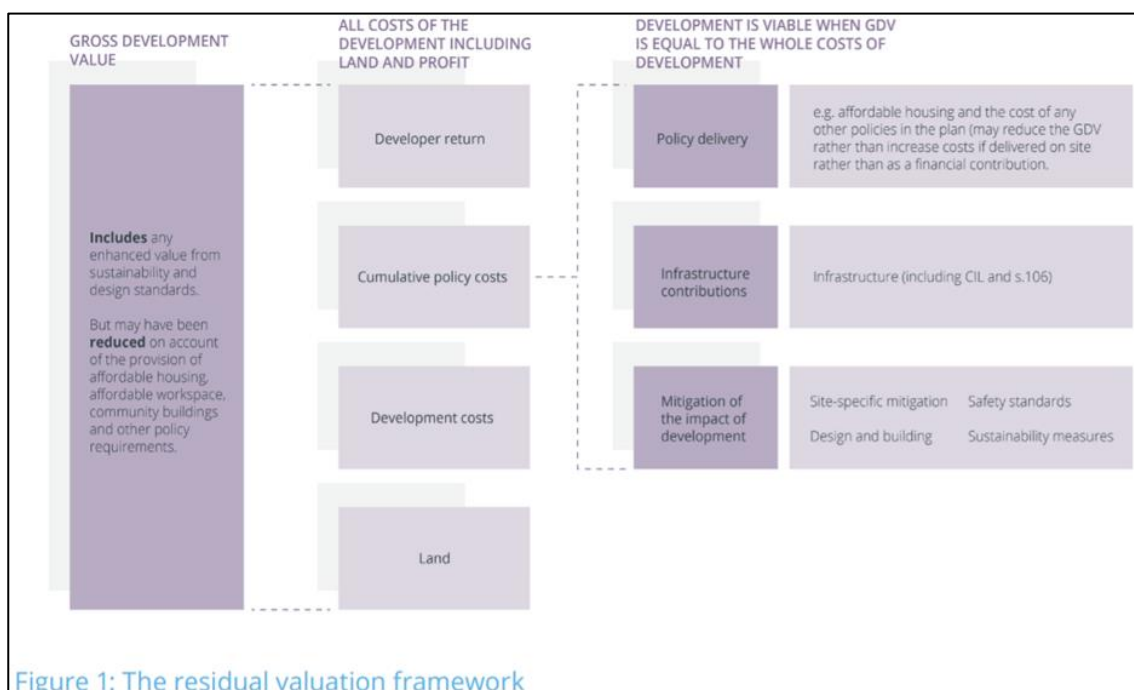


Figure 1: The residual valuation framework

3.18 Para 2.4.4 of the AVIP guidance explains that:

*"An FVA (financial viability assessment) should determine whether developments are capable of providing levels of developer contributions that comply with policy in both emerging and up-to-date plans. More specifically, an FVA estimates whether planned developments with policy-compliant levels of developer contributions are able to provide:*

- *a minimum reasonable return to the landowner (defined as the EUV plus a premium), and*
- *a suitable return to the developer (defined in PPG paragraph 018)"*

3.19 If these benchmarks are not satisfied the guidance goes on to explain that the development typology is unviable at the level of developer contributions being tested at plan making stage.

3.20 A viability assessment is effectively a residual calculation. The value of the completed development is assessed, and then the cost of undertaking the development including emerging plan policies and a developers profit is deducted. The residual sum that remains is the residual land value which is then compared to a benchmark land value (BLV) to determine the surplus or deficit. Consideration of this then allows an informed decision to be made about the viability of the development in general, and in particular, the ability to fund planning policies such as developer contributions policies.

3.21 Figure 3.1 provides a simple diagram illustrating this approach.

<b>Gross Development Value (value of the completed development)</b>
<i>Less</i>
<i>Cost of Development (inclusive of build costs, fees, finance)</i>
<i>Less</i>
<i>Other Costs (sales and marketing costs, plan policies)</i>
<i>Less</i>
<i>Developers Target Profit</i>
<i>= Residual Land Value</i>
<b>Compare to BLV</b>
<i>= Development Surplus or Deficit</i>

Figure 3.1: Residual Approach to Viability Testing

**What Development Assumptions are made?**

3.22 A viability assessment will normally be based on the viability testing of hypothetical schemes reflective of likely future development together with a number of site specific typologies. The PPG suggests that:

*"Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies."*

(Paragraph: 003 Reference ID: 10-003-20180724)

*"It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan."*

(Paragraph: 005 Reference ID: 10-005-20180724)

3.23 The guidance in the RICS document AVIP suggests that:

*"At the plan-making stage, FVAs involve testing representative development typologies and may well involve testing actual key strategic sites. This ensures proper consideration of the financial impact of policy requirements on different locations, types of site (such as greenfield or brownfield), types of development and specific (usually only key strategic) sites."*

3.24 AVIP also recommends that development typologies should respond to the emerging plan policies and be representative of the expected development, with particular regard to the five-year housing land supply and the forms of development the plan relies on.

3.25 A future SDS Viability Assessment will need to make reasonable assumptions about the form of development to test having regard to the Local Plan policies and supporting evidence base including the existing Local Plan Viability Assessments. For residential development for example this may include consideration of matters such as:

- Greenfield or previously developed (brownfield) sites
- Density and developable areas
- Houses or apartments or a mix
- Mix and Size of Dwellings
- Onsite Open Space
- Sustainable Drainage Systems and Attenuation

### **What Financial Appraisal Inputs Are Used?**

- 3.26 Having established the form of development to test the viability assessment will then need to attribute appropriate values and costs to the development, taking into consideration the viability impacts of proposed plan policies. The viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. The PPG and AVIP provide further guidance in terms of how the “standardised inputs” into the viability assessment should be established. These standardised inputs are identified as being the following items:
- 3.27 **Gross development value (GDV)** - an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.
- 3.28 **Build costs** - AVIP (para 4.2.14) states that *"Wherever possible, cost estimates should be based on market evidence from similar developments."* AVIP then goes on to say that *"BCIS and other indices are 'appropriate' but are not always reflective of local market conditions."* As a result, AVIP (para 4.2.18) concludes that *"BCIS can be used if appropriate, but supporting evidence of costs and duration in the local market should be used where available."*
- 3.29 For the SDS Viability Assessment it is expected that the build costs will be prepared by a Quantity Surveyor based on local market evidence. For completeness these cost assessments will then be benchmarked to BCIS.
- 3.30 **Abnormal costs** – this includes the costs associated with treatment of contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should also be taken into account when defining benchmark land value.
- 3.31 **Site-specific infrastructure costs** - this might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should also be taken into account when defining benchmark land value.
- 3.32 **Professional and project management fees** – again any professional site fees should also be taken into account when defining benchmark land value.
- 3.33 **Contingency costs** - with a justification for contingency relative to project risk and developers return.

- 3.34 **Sales, marketing and legal costs** – this will include all marketing and sales costs associated with the disposal/letting of the development together with any such costs incurred in relation to the original land acquisition.
- 3.35 **Finance costs** - including those incurred through loans.
- 3.36 **Plan Policy And National Standards** - the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should also be taken into account when defining benchmark land value.
- 3.37 **Developers Profit** - Potential risk is accounted for in the assumed return for developers at the plan making stage. For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.
- 3.38 The output from the Viability Assessment is a residual land value. This residual land value then needs to be compared to a suitable benchmark to determine whether the development is viable with the plan policies tested. The benchmark used is called the "*benchmark land value*".

#### **What is a Benchmark Land Value and how is it Assessed?**

- 3.39 The PPG states that:

*"..a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to fully comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions."*



3.40 This approach is called “existing use value plus” (EUV+). The benchmark land value should therefore be based on:

- Existing use value of the site
- Allowance a premium to the landowner
- Reflect the implications of abnormal costs, site specific infrastructure costs and professional site fees.

3.41 In determining the premium to the landowner this must provide a reasonable incentive however it must also allow a sufficient contribution to fully comply with policy requirements.

3.42 It is expected that the assessment of the landowner premium will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Hence the assessment of an appropriate benchmark land value will be part of a future more detailed consultation before any viability testing is undertaken.

## 4.0 CITY REGION LOCAL PLAN OVERVIEW

### Current Local Plans – Where is each Constituent Local Authority up to?

- 4.1 **Knowsley** – The Local Plan Core Strategy was adopted January 2016 and will guide development in the Borough up to 2028. The Plan makes provision for 8,100 new dwellings to be delivered over the period to 2028 together with at least 164 hectares of land to be developed for employment uses.
- 4.2 **Sefton** – The Local Plan for Sefton was adopted April 2017 and will guide development in the Borough up to 2030. Over the period of the Plan provision is made for the development of a minimum of 11,520 new homes and a total of 81.6 hectares of employment land.
- 4.3 **Liverpool** – The Liverpool Local Plan was adopted January 2022 and provides the policy framework to guide the use and development of land within the City to 2033. Provision is made over the plan period for at least 34,780 net additional dwellings together with 145 hectares of land for industrial and business uses.
- 4.4 **Halton** – The Halton Delivery and Allocations Local Plan was adopted March 2022 and provides the framework for development in the Borough until 2037. During the plan period provision is made for 8,050 net additional dwellings together with approximately 180 hectares of land for employment purposes.
- 4.5 **St. Helens** – The St Helens Borough Local Plan was adopted in July 2022 and sets out a framework for growth and development of the Borough until 2037. The plan provides for a minimum of 10,206 net additional dwellings over the plan period together with a minimum of 173.24 hectares of land for employment development.
- 4.6 **Wirral** – A draft Wirral Local Plan has been submitted for Examination and this is currently ongoing. Over the period until 2037 the draft plan aims to provide approximately 17,750 new dwellings together with 65.60 hectares net employment land. The Examination is likely to be completed in 2024.

### Local Plan Viability Assessments

- 4.7 Each of the constituent Local Plans has been subject to a viability assessment to test the impact on viability of plan policies. This is to ensure that the proposed development sites and allocations are deliverable and are not subject to such a scale of policy burdens that they are unable to be developed viably. A brief summary of the approach taken, policies and sites tested and outcome of the respective viability assessment is provided in the following paragraphs.

4.8 Later in this Section there is a comparison of policies and implications for viability. Save for the Wirral Local Plan Viability Assessment, all of the viability assessments have been subject to Examination and have been found sound for the purpose of informing Local Plan Viability. They therefore provide a good basis for the viability assessment of the SDS and its policies.

#### **Knowsley Local Plan Economic Viability Assessment (October 2012)**

4.9 The Knowsley Viability Assessment ("KVA") was prepared under the NPPF 2012. The KVA adopted a typologies approach to viability testing with a range of hypothetical development sites tested reflecting likely development in the Borough, together with case study examples of proposed allocations.

#### Residential Development

4.10 The testing included brownfield and greenfield sites ranging in size from 10 to 1,500 dwellings developed at densities of 30 and 40 dwellings per hectare together with apartments. The dwelling mix assumed reflected the evidence contained in the Strategic Housing Market Assessment (SHMA) and included the provision of bungalows. The dwelling sizes were informed by Housing Quality Indicators used as a measure by the Homes and Communities Agency (now Homes England) and an analysis of planning applications. Policies and Standards tested included:

- Building for Life and Lifetime Homes (at £4,000 per dwelling)
- Code for Sustainable Homes – Levels 3, 4, 5 and 6 (ranging from £4,000 to £30,000 per dwelling)
- Open space/greenspace – assuming onsite for developments of 50+ dwellings and contributions for smaller schemes
- Design standards – increased design standards based on additional costs per sq.m from £25 to £75.
- Developer contributions – for various items including offsite highways contributions modelled from £1,500 to £7,000 per dwelling
- SuDs – cost of sustainable drainage provision was included in the cost assessments and testing.
- Affordable Housing – tested at 5%, 15% and 25% based on a tenure mix of 75% affordable rent and 25% intermediate

4.11 The valuation evidence identified three value zones in the Borough. The lowest value zone being Kirkby and North Huyton, a mid-value zone covering Halewood and then the higher value zone being the rest of the Borough. The residential viability testing was undertaken on this basis.

4.12 The least viable developments were in previously developed urban locations in the low and mid value zones. In a number of instances development was either unviable or marginal in these locations. In many Green Belt locations particularly in the higher value areas the results demonstrated that it was possible to take forward a number of cumulative policy requirements and still maintain development viability. However, this became difficult to achieve in lower value areas particularly for developments on previously developed land in urban locations.

#### Non-residential development

4.13 A wide range of commercial development was also viability tested including leisure uses, retail, industrial, storage and distribution and offices. This was carried out on a typology basis and also based on case study examples. Greenfield and brownfield sites were tested.

4.14 In the context of commercial development the case studies tested included provision for matters such as:

- SuDs
- Higher design standards
- Decentralised energy systems

4.15 For commercial development, the ability to deliver policies through the Core Strategy depended on use. Most forms of retail development were able to achieve higher design standards together with sustainable drainage systems and still remain viable. Offices and industrial development were unviable so adding further policy requirements worsened the position to the extent that it became difficult to reconcile Core Strategy Options for these particular uses.

#### **Sefton Local Plan and CIL Economic Viability Study (December 2014)**

4.16 The Sefton Viability Assessment ("SVA") was prepared under the NPPF 2012. The SVA adopted a typologies approach to viability testing with a range of hypothetical development sites tested reflecting likely development in the Borough together with a number of the proposed allocations.

#### Residential Development

4.17 The testing included brownfield and greenfield sites ranging in size from 10 to 100 dwellings developed at densities of 30 and 40 dwellings per hectare together with apartments. The allocations were tested at a density of 35 dwellings per hectare and ranged in size from 75 to over 450 dwellings. Mixed use allocations were also tested including Land East of Maghull and Crowland Street in Southport.

4.18 The dwelling mix assumed reflected the proposed policy in the Local Plan which was informed by the SHMA. The dwelling sizes were informed by Housing Quality Indicators used as a measure by the Homes and Communities Agency (now Homes England) and analysis of planning applications. Policies and Standards tested included:

- Code for Sustainable Homes – Levels 3, 4, 5 and 6 (ranging from £4,000 to £30,000 per dwelling)
- Lifetime homes – base construction costs included provision for 20% of dwellings to achieve this standard
- Open space/greenspace – assuming onsite provision
- Developer contributions – at £500 per dwelling for generic testing and based on specific identified requirements for allocations
- SuDs – cost of sustainable drainage provision was included in the cost assessments and testing.
- Affordable Housing – tested at 10%, 20%, 30% and 40%. Two tenure mixes tested at 80% affordable rent and 20% intermediate and 60% affordable rent and 40% intermediate

4.19 The valuation evidence identified five value zones in the Borough. The lowest value zone being Bootle and Seaforth and the highest comprising Birkdale, Formby and Blundellsands. The residential viability testing was undertaken reflective of the five value zones.

4.20 The provision of 30% affordable housing on greenfield sites was found to be viable but including higher levels of Code at 5 or 6 did create issues for viability in some cases. The provision of 30% affordable housing on brownfield sites was either unviable or marginal. The SVA therefore suggested that the Council may need to balance requirements for affordable housing, CIL (if introduced) and Code or (higher building regulation standards) so as not to undermine delivery on these particular sites.

#### Non-residential development

4.21 A wide range of commercial development was also viability tested including leisure uses, hotels, retail, industrial, storage and distribution and offices. This was carried out on a typology basis as well as specific testing for several allocations. Greenfield and brownfield sites were tested.

4.22 In the context of commercial development the testing included provision for matters such as:

- Additional Highways Works
- BREEAM 'very good'

4.23 The majority of development typologies tested were unviable on a speculative basis. Retail development on the whole was viable. Standalone speculative office and industrial development was unviable however it was noted that the latter was still likely to come forward in the future motivated by specific circumstances i.e. owner occupier expansion.

#### **Liverpool Local Plan Viability Assessment (October 2018)**

4.24 The Liverpool Viability Assessment ("LVA") was prepared under the NPPF 2012. The LVA adopted a typologies approach to viability testing with a range of hypothetical development sites tested reflecting likely development in the City together with a significant number of proposed allocations.

#### Residential Development

4.25 The testing was based on brownfield development sites only, ranging in size from 5 to 250 dwellings developed at densities of 30, 35 and 40 dwellings per hectare together with three forms of standalone apartment developments. The allocations tested comprised a mix of housing and apartment developments, on brownfield sites at densities of 28 up to 218 dwellings per hectare and ranging in size from 10 to 775 dwellings.

4.26 The dwelling mix assumed reflected the evidence contained in the Housing Mix Update (Dec 2017) and included provision for a greater number of 2 and 3 bed dwellings. The dwelling sizes accorded to the Nationally Described Space Standards (NDSS). Policies and Standards tested included:

- Optional Technical Standards relating to Accessibility – Part M4(2) (£1,100 per dwelling) all dwellings and M4 (3) (2) (a) (£5,500 per dwelling) to 10% of dwellings
- Open space/greenspace – onsite and included in construction costs
- Developer contributions – £1,000/£2,000 per dwelling for offsite play provision. Consideration of surplus generated by testing provided indication of further sums available for contributions
- SuDs – cost of sustainable drainage provision was included in the cost assessments and testing
- Affordable Housing – tested at 10% and 20% based on a tenure mix of affordable rent and low cost home ownership in accordance with Housing Mix Update (Dec 2017)
- Electric Vehicle Charging provision at £220 per dwelling

4.27 The valuation evidence identified four value zones in the City. The lowest value zone including for example the wards of Anfield, Kirkdale and Warbreck. The highest value zone included wards such as Allerton Childwall and Woolton. The residential viability testing was undertaken on the basis of the four zones.

- 4.28 The results of the viability testing were that market housing developments in the lowest value areas were generally not viable. The prospects for new housing development were finely balanced in these locations.
- 4.29 In Zone 2 a limited amount of new affordable provision could be supported but this would not be at the policy level of 20%. For Zone 3 the majority of new development could support affordable housing at 20% and in Zone 4 all typologies were viable on this basis.
- 4.30 In the City Centre there was a mixed picture however new apartment developments in the higher value positions could support at least 10% affordable housing provision. Even at 20% provision the limited deficit demonstrated that this form of development was very close to being able to support 20% affordable housing.
- 4.31 Overall the viability testing demonstrated that not all parts of the City would be able to support the cumulative plan policies hence flexibility was required for those sites where viability might be an issue.

#### Non-residential development

- 4.32 A range of commercial development was also viability tested including hotels, student accommodation, retail, industrial, storage and distribution and offices. This was carried out on a typology basis and the form of development was assumed to be built speculatively.
- 4.33 The results indicated that standalone speculative office and industrial development was unviable. The testing for retail provided mixed results with some viable and some unviable outcomes. Hotels and student development were viable.
- 4.34 The LVA noted that when applying normal development viability criteria including a speculative developer's profit, office and industrial developments were unviable and as such substantive speculative market development was unlikely to take place on this basis. New employment development was however expected to come forward in the City with development likely to be in the form of expansion space for existing companies, or alternatively coming forward with the benefit of public sector funding support or possibly as part of a wider mixed use scheme.

#### **St Helens Local Plan Economic Viability Assessment (December 2018) and Update Note (August 2021)**

- 4.35 The St Helens Local Plan Economic Viability Assessment and Update Note ("SHVA") were prepared under the NPPF 2018. The SHVA adopted a typologies approach to viability testing with a range of hypothetical development sites tested reflecting likely development in the Borough together with a number of proposed allocations.

### Residential Development

- 4.36 The testing was based on brownfield and greenfield development sites ranging in size from 5 to 200 dwellings developed at densities of 30, 35 and 40 dwellings per hectare together with two forms of standalone apartment developments. The allocations comprised greenfield sites together with a smaller number of brownfield sites and ranged in size from 181 to over 3,000 dwellings at densities of 30 up to 42 dwellings per hectare.
- 4.37 The dwelling mix assumed reflected the evidence contained in the SHMA and included provision for 5% of the dwellings to be provided as bungalows. The dwelling sizes accorded to the analysis of planning applications undertaken. Policies and Standards tested included:
- Optional Technical Standards relating to Accessibility – On sites of 25 or more 20% of new dwellings to part M4(2) (£1,100 per dwelling) and 5% to part M4 (3) (2) (a) (£5,500 per dwelling)
  - Open space/greenspace – onsite and included in construction costs. Any off site contributions identified by Council also included in allocations testing
  - Developer contributions – £1,000 per dwelling together with education contributions based on standard formula. Testing of allocations also included any contributions identified by Council
  - SuDs – cost of sustainable drainage provision was included in the cost assessments and testing.
  - Affordable Housing – tested at 10%, 20% and 30% based on a tenure mix of 10% low cost home ownership and the balance affordable rent. The mix tested was in accordance with the SHMA
  - Electric Vehicle Charging provision at £220 per dwelling
  - Updated testing included for Part L at £5,500 per dwelling and Future Homes Standard at £12,960 per dwelling
  - Updated testing included for 10% biodiversity net gain at £2,000 per dwelling
- 4.38 The valuation evidence identified three value zones in the Borough. The lowest value zone 1 being Parr and the Town Centre. The highest value zone 3 comprised the settlements of Ecclestone, Rainford and Rainhill. The remainder of the Borough was identified as being in zone 2, the mid value zone. The residential viability testing was undertaken on the basis of these three zones.
- 4.39 The results of the viability testing were that in zone 1 based on the cumulative plan policy position development was generally not viable. In zone 2 the results demonstrated that based on the cumulative policy position brownfield sites were viable (with no affordable housing). The greenfield sites were also viable based on the cumulative position and were able to support 30% affordable housing.



- 4.40 In zone 3 brownfield sites were viable based on the cumulative plan policies including 10% affordable housing. The greenfield sites were also viable based on the cumulative policy requirements including 30% affordable housing.
- 4.41 The allocations tested were viable based on the cumulative plan requirements.

#### Non-residential development

- 4.42 A range of commercial development was also viability tested including hotels, retail, industrial, storage and distribution and offices. This was carried out on a typology basis on brownfield sites and the form of development was assumed to be built speculatively.
- 4.43 The results indicated that standalone speculative office and industrial development was generally unviable save for the largest B8 development tested. The testing for retail provided mixed results with convenience retail viable and comparison unviable. Hotels were unviable.
- 4.44 The SHVA noted that when applying normal development viability criteria including a speculative developer's profit, office and industrial developments are unviable and as such substantive speculative market development was unlikely to take place on this basis. New employment development was however expected to come forward in the Borough with development likely to be in the form of expansion space for existing companies, or alternatively coming forward with the benefit of public sector funding support or possibly as part of a wider mixed use scheme.
- 4.45 It was also noted that given the strategic location of St Helens substantial new warehouse and logistics development would come forward in the most well located positions close to the M6 and M62 junctions. This form of development was shown to be viable in the testing.

#### **Halton Borough Council Whole Plan Viability Assessment (May 2019)**

- 4.46 The Halton Borough Council Whole Plan Viability Assessment ("HVA") was prepared under the NPPF 2018. The HVA adopted a typologies approach to viability testing with a range of hypothetical development sites tested reflecting likely development in the Borough together with a number of proposed allocations.

#### Residential Development

- 4.47 The testing was based on brownfield and greenfield development typologies together with a number of allocations. The sites and typologies tested ranged in size from 1 to 818 dwellings and were developed at densities ranging from 27.5 to 45 dwellings per hectare. A development of standalone apartments was also tested together with age restricted housing. The allocations tested comprised greenfield sites.

4.48 The dwelling mix assumed was based on the Mid Mersey SHMA. The dwelling sizes accorded to the NDSS. Policies and Standards tested included:

- Optional Technical Standards relating to Accessibility – On sites over 10 dwellings 20% of new dwellings to part M4(2) (£521 per dwelling) and 10% to part M4 (3) (2) (a) (£10,111 per dwelling)
- Open space/greenspace – onsite and included in construction costs.
- Developer contributions – £2,500 per dwelling together with a range of infrastructure and mitigation costs up to £25,000 per dwelling
- SuDs – cost of sustainable drainage provision was included in the cost assessments and testing.
- Affordable Housing – tested at 5% increments up to 30% based on a tenure mix of 26% intermediate and 74% affordable rent. The mix tested was in accordance with the SHMA
- Electric Vehicle Charging provision at £300 per dwelling

4.49 The viability testing adopted differing values for greenfield and brownfield sites and this was also varied with reference to the size of the site. A premium value was applied for small greenfield sites and also tested in relation to the larger greenfield sites.

4.50 Based on the results of the viability testing the HVH concluded that brownfield sites were challenging to deliver and unable to support affordable housing. For greenfield strategic sites it was recommended that the affordable housing requirement be set at 20% and for greenfield development other than strategic sites the requirement should be 25%.

#### Non-residential development

4.51 A range of commercial development was also viability tested including retail, industrial, storage and distribution and offices. This was carried out on a typology basis on brownfield and greenfield sites and the form of development was assumed to be built speculatively.

4.52 The results indicated that standalone speculative office and industrial development was unviable and that the Council should be cautious about setting policy requirements for employment use that would unduly impact on viability. The testing for large format retail was viable.

4.53 The HVA noted that whilst some non-residential uses were not viable, they are not rendered unviable by the cumulative impact of the Council's policies, rather by the general market conditions. The employment uses (office and industrial) and hotel uses were unlikely to be able to bear additional developer contributions, however retail development was generally able to make significant contributions

**Wirral Local Plan 2021 to 2037 CIL & Viability Assessment (June 2022) and Addendum Report (July 2023)**

4.54 The Wirral Local Plan and CIL Viability Assessment and the Addendum Report (“WVA”) were prepared under the NPPF 2021. The WVA adopts a typologies approach to viability testing with a range of hypothetical development sites tested reflecting likely development in the Borough together with a number of proposed allocations.

Residential Development

4.55 The testing is based on predominantly brownfield and some greenfield development sites ranging in size from 5 to 700 dwellings and including apartments. The development density is variable dependent on location with the following densities per net developable hectare adopted:

- Waterfront - 70
- Urban core and town centres - 60
- Transit - 50
- Suburban – 40

4.56 A site specific assessment has been prepared for 5 of the proposed allocations which are all brownfield sites and range in size from 250 to 3,400 dwellings. Older persons housing is also tested.

4.57 The dwelling mix assumed is based on the SHMA and the dwelling sizes meet or exceed the NDSS. Policies and Standards tested include:

- Optional Technical Standards relating to Accessibility – 94% of new dwellings to part M4(2) (£523 per dwelling) and 6% of market dwellings to part M4 (3) (2) (a) (£9,754 per dwelling) and 6% of all affordable housing to M4(3) (2) (b) (£22,238 per dwelling)
- Green and Blue Infrastructure – included in external works costs.
- Developer contributions – ranges from £1,358 to £6,496 per unit for typologies and £2,039 to £8,856 per unit for site specific testing
- SuDs – cost of sustainable drainage provision included in external works costs.
- Water efficiency 110 litres – included at £10 per unit in the assessments
- Affordable Housing – tested at increments of 5% up to 30%. Tenure mix altered in Addendum Report to 25% first homes, 35% social rent, 15% affordable rent and 25% affordable home ownership. The mix tested is in accordance with the SHMA
- Electric Vehicle Charging provision at £865 per house and £2,500 per flat

- Part L at £4,847 per dwelling and zero carbon ready at £7,500 per dwelling. The Addendum Report assumes that Part L is now embedded in BCIS construction costs which are adopted so the extra allowance for Part L is omitted. Future Homes Standard costs are included at £8,000 per dwelling.
- 10% biodiversity net gain at £244 per dwelling on brownfield sites and £1,027 per dwelling on greenfield.
- Social value – the costs associated with delivering social value are assumed to be included within the professional fees allowance.

4.58 The valuation evidence identifies four value zones in the Borough. The lowest value being Birkenhead and the Commercial Core. The highest value zone includes the settlements of Hoylake, West Kirby and Heswall together with the rural west. The residential viability testing has been undertaken on the basis of the four zones.

4.59 Based on the viability testing results the WVH recommends that in the two lowest value zones the affordable housing requirement should be set at 0-10% for brownfield sites and 10% for greenfield sites. For the two higher value zone the recommendation is 20% for all sites.

4.60 Age restricted/sheltered housing is shown to be viable across all zones and able to support 10% affordable housing in the two lower value zones and 20% in the higher values zones.

#### Non-residential development

4.61 Commercial development is also viability tested including retail, industrial, storage and distribution and out of town offices. This is carried out on a typology basis and the form of development is assumed to be built speculatively.

4.62 The results indicate that standalone speculative office and industrial development is unviable. The testing for retail shows that without accounting for the cost of land both convenience and comparison retail are marginally viable.

4.63 The WVA is presently subject to Examination.

#### **Local Plan Affordable Housing Policies and Other Standards**

4.64 Requirements for affordable housing tend to have the greatest impact on plan viability in comparison with other policies and standards. As a result of differing values and hence viability, the constituent Local Authorities within the City Region all have differing policies relating to affordable housing and these are summarised in the table 4.1.

Authority	Affordable Percentage (Based on Number of Units)	Tenure Mix
<b>Knowsley</b>	Urban Areas – 10% Strategic Urban Extensions (SUEs) – 25%	Reflect the needs and aspirations of the local community and supports re-balancing of the housing market.
<b>Sefton</b>	Bootle and Netherton – 15% Rest of Borough – 30%	Bootle and Netherton – 33% rent, 25% first homes, 42% other affordable home ownership. Rest of Borough – 67% rent, 25% first homes, 8% other affordable home ownership. Price caps are set for First Homes/Discount to market value homes and affordable rents must be set below the local housing allowance.
<b>Liverpool</b>	All Areas – 20%	80% social/affordable rent 20% intermediate provision.
<b>St Helens</b>	Zones 2 and 3 (greenfield) – 30% Zone 3 (brownfield) – 10% All other locations – nil	The type of affordable housing to be informed by the latest evidence of need. At least 10% of the overall number of homes should be for affordable home ownership and the remainder for affordable rent.
<b>Halton</b>	Strategic Housing Sites – 20% Greenfield sites – 25%	Approximately 74% affordable or social rent and 26% intermediate.
<b>Wirral</b>	Zone 1 and 2 – 10% Zone 3 and 4 – 20%	Zone 1 and 2 – all affordable home ownership Zone 3 and 4 – 35% social rent, 22% affordable rent, 43% affordable home ownership.

Table 4.1: Affordable Housing Policies

4.65 The Local Plans and associated supplementary planning documents also contain various standards relating to new housing development that govern for example the size of dwelling or housing mix and density. These standards will also have an impact on viability and have normally been viability tested as part of the Local Plan Evidence. With reference to the respective local plans we have prepared table 4.2, which seeks to summarise the key policies with reference to the relevant Authority.

Authority	Density	Housing Mix	Dwelling Size	Accessibility/Adaptability
<b>Knowsley</b>	Local Plan minimum density of 30 dph.  New Residential Development SPD identifies that a density of 30-50 dph is typically acceptable.	New residential developments provide a mix of housing types, sizes and tenures which reflect the needs and aspirations of the local community, and supports the re-balancing of the housing market.	New residential development will be expected to:  a) Demonstrate that dwellings will accommodate the furniture, access and amenity space required, including appropriately located private garden space. b) Demonstrate how the construction of the building will allow for the internal reorganisation of rooms or the extension of the dwelling. c) Be designed for flexible uses throughout their lifetime.	
<b>Sefton</b>		Developments 25 or more - min 25% market dwellings must be 1 or 2 beds - min 40% must be 3 beds	The New Build Homes SPD sets minimum space standards for new build flats and refers to NDSS for new houses acknowledging however that they are not mandatory.	Developments of 50 or more at least 20% of market properties must be designed to meet M4 (2)
<b>Liverpool</b>	Requirements to optimise the dwelling capacity of the site.	Housing Provision in the City Centre needs to contribute to improving and diversifying the City Centre housing offer: - provide a greater proportion of 2+ bed dwellings than 1 bed - comply with NDSS  Proposals for residential development of ten or more dwellings should demonstrate that they will provide an appropriate mix of dwelling types and sizes which reflects and responds to the identified housing needs and demands of the district's households as identified in the Strategic Housing Market Assessment (SHMA).  - all new homes to meet NDSS		All new housing must comply with M4 (2) requirements and 10% to meet M4 (3) (2) (a) requirements
<b>St Helens</b>	Minimum densities - at least 40 dph on sites within or adjacent to St Helens or Earlestown Town Centres - at least 30 dph on all sites outside these locations	New market and affordable housing should be well designed to address local housing need and include a range of types, tenures and sizes of homes as informed by up-to-date, relevant evidence including the Borough's latest Strategic Housing Market Assessment (SHMA).		Developments of 25 or more new houses on greenfield sites: 20% to meet M4(2) and 5% M4 (3) (a)

Authority	Density	Housing Mix	Dwelling Size	Accessibility/Adaptability
<b>Halton</b>	Minimum density of 30 dph and the presumption will be 40 dph in more accessible locations	On sites of 10 or more dwellings, the mix of new property types delivered are encouraged to contribute to addressing identified needs (size of homes and specialist housing) as quantified in the most up to date Strategic Housing Market Assessment, unless precluded by site specific constraints, economic viability or prevailing neighbourhood characteristics.		In order to reduce reliance on specialist housing in the future and to allow residents to live within their own homes for as long as they are able, the Council will encourage designs of dwellings that can be adapted should they be required.
<b>Wirral</b>	Waterfront – 70 dph Urban core and town centres – 60 dph Transit – 50 dph Suburban – 40 dph  All other areas a minimum of 30 dph	The type, mix, tenure and design of housing to be developed over the plan period should meet the needs of all members of the community.  Outside regeneration areas 70% of market dwellings to be developed for larger dwellings of 3 or more bedrooms. Within regeneration areas this should be a minimum of 30%.	New dwellings to be built to NDSS	All new dwellings to be built to M4 (2) standards and on developments of 17 or more dwellings 6% to achieve M4(3a)

Table 4.2: Housing Standards Requirements

- 4.66 The Local Plans generally contain provisions that seek to promote the reuse and regeneration of previously developed land and also to make the most efficient and best use of available land by setting minimum density standards. The Plans also contain design principles for new development although generally these requirements do not necessarily quantify any additional costs for development.
- 4.67 The various Local Plans contain policies relating to the green infrastructure that is required for new development. This may be in the form of onsite provision of open space or contributions in lieu to offsite provision. Linked to this are the various plan policies that address water risk and flood management in new development. Requirements here generally include provision for sustainable drainage (SuDs) which will often be accommodated within the greenspace provided onsite in new developments.
- 4.68 Some of the more recent Local Plans make reference to requirements for biodiversity net gain. The 2021 Environment Act, introduced an automatic new condition to every planning permission granted requiring a biodiversity net gain (BNG) of 10%. 10% will be required nationally however the draft Wirral Local Plan does seek a requirement of 20% on Council owned land.
- 4.69 All of the Local Plans include specific policies dealing with infrastructure provision generally and the payment of developer contributions towards matters such as highways, health and education.
- 4.70 The Local Plans all contain policies that seek to address climate change and energy efficiency. For the earlier plans initiatives referenced include Code for Sustainable Homes and 10% of energy needs from renewable or other low carbon energy sources. These earlier policies have generally been superseded by current building regulation requirements with the changes to Part L from June 2022 requiring all new homes to produce 31% less CO<sub>2</sub> than permitted under the previous regulations.
- 4.71 Only the draft Wirral Local Plan contains requirements above this standard and seeks to ensure that new houses are zero carbon ready by design, subject to examination. National Policy in the form of the Future Homes Standard (FHS) aims to ensure that new homes built from 2025 will produce 75-80% less carbon emissions than homes built under the current Building Regulations. The FHS aims to decarbonise new homes by focusing on improving heating, hot water systems, and reducing heat waste. The introduction of FHS is likely to align with aspects of the draft Wirral Plan policy if adopted.
- 4.72 The draft Wirral Local Plan also seeks to introduce the higher water efficiency standard.



- 4.73 All of the Local Plans promote the use of ultra-low emission vehicles and contain requirements for electric vehicle charging points, although this is now a requirement of Building Regulations.

## **5.0 LIVERPOOL CITY REGION 'TOWARDS A SPATIAL DEVELOPMENT STRATEGY' ENGAGEMENT (NOVEMBER 2023)**

- 5.1 The SDS will contain a **Spatial Strategy** – setting out a proposed strategy for the spatial development of the city region to accommodate future growth needs and meet wider economic social and environmental objectives. Alongside the Spatial Strategy, the engagement draft contains **Development Principles** and a series of **Spatial Priorities** - a set of draft high level, strategic theme-based policies to be applied by those involved in planning and development. Overall the SDS will provide a strategic policy framework for the city region with Local Plans providing further details where necessary. The SDS must only deal with planning matters that are of strategic importance to the Liverpool City Region. Therefore, SDS policies and proposals will be high level, with more detailed locally specific policies covered in the Local Plans prepared by the constituent local authorities, reflecting their local evidence and circumstances.
- 5.2 The aim of the SDS is to set out the Mayoral Combined Authority's overall strategy for spatial development on a city region scale through a range of strategic planning policies concerning development and land use, looking ahead over a minimum 15-year period.
- 5.3 Policies within the SDS will therefore influence the location and type of new development in the City Region together with the physical form and planning contributions arising from development. Some of the policies will therefore have a direct cost to development, for example S106 contributions, and hence viability whilst others will inform the typologies and assumptions as to the form of development in any viability assessment for example housing mix policies.
- 5.4 This section provides an overview of the key policies within the SDS that will need to be considered in the future viability assessment. It also briefly considers these policies in the context of the Local Plans of the constituent Local Authorities and their Local Plan Viability Assessments.

### **Strategic Policies**

#### **Policy LCR SP1 Strategic Housing Need and Distribution**

- 5.5 A minimum of 83,600 net additional dwellings are to be delivered in the Liverpool City Region over the period 2021 - 40. The Liverpool City Region local authorities are to identify sufficient deliverable and developable sites and/or broad locations for their respective plan period, to meet the housing requirements that are identified in the SDS. Local authorities should work proactively with applicants to deliver sites that accord with the spatial strategy and relevant policies of this Plan.

- 5.6 It is expected that the overall housing requirement will be met from the following sources:
- a) Strategic housing sites set out in the table contained in the SDS;
  - b) Housing completions since 2021;
  - c) Sites with planning permission;
  - d) Suitable sites without planning permission identified in local authorities (or any future Liverpool City Region) Strategic Housing Land Availability Assessment (SHLAA); and
  - e) 'Windfall' development.
- 5.7 The list of strategic housing sites set out in the SDS includes many that have already been subject to viability assessment under the respective Local Authority Local Plan Viability Assessment. In relation to a number of the sites, development is already underway whilst others are subject to Planning Permissions/Applications/Masterplans.
- 5.8 It is expected that the SDS Viability Assessment where appropriate will update the position in relation to these strategic sites. Site specific viability assessments or sense checking of previous assessments will then be undertaken for a number of sites building on the Local Plan viability assessments and based on the best, most up to date information available at the time of the Viability Assessment.
- 5.9 It is expected that in accordance with good practice, consultation will be undertaken with the relevant landowner, site promoter or developer as well as the local planning authorities to source this information such as expected delivery timescales (including any potential barriers), progress with masterplanning and any site-specific circumstances such as development abnormals and infrastructure requirements.
- 5.10 Further viability testing may then also be undertaken using a typologies approach reflecting the broad locations for new housing development in the City Region.

### **Policy LCR SP2 Strategic Employment Land Need and Distribution**

- 5.11 Within the Liverpool City Region over the period 2021-2040 provision should be made for the following amount of employment land:
- a) General industrial – a minimum of 521ha
  - b) Office and research and development uses – a minimum of 281,600 sq.m
  - c) Strategic B8 storage and distribution – 293 - 343ha
- 5.12 In preparing the SDS Viability Assessment it is expected that typologies testing may be undertaken for employment uses based around the key employment sites and potential new locations for future development.

### **Policy LCR SP3 - Brownfield Deliverability and Regeneration**

- 5.13 This policy seeks to prioritise the use of previously developed/brownfield land to meet development needs. It identifies key measures to support and maximise delivery on brownfield land including:
- a) Use of Brownfield Land Registers to proactively increase planning certainty;
  - b) Pursuing opportunities for coordinated effective and efficient use of public sector brownfield assets for development including through the Liverpool City Region One Public Estate Board;
  - c) Utilising Combined Authority funding, including the Strategic Investment Fund (SIF) as well as national funding, including the Brownfield Land Release Fund (BLRF).
- 5.14 To support and promote regeneration, high priority should be given to the sustainable development of brownfield land that is well connected by planned and existing public transport particularly in and surrounding urban centres, and in areas of significant deprivation.
- 5.15 This focus on prioritising brownfield development is also a theme in many of the LCR Local Plans. In Knowsley for example policy CS1 seeks to focus development in existing urban areas, encouraging where possible reclamation and reuse of previously developed land. STP1 and STP2 in the Liverpool Local Plan also support the provision of new homes on previously developed sites with the City supporting appropriate opportunities to remediate land especially that which is derelict, contaminated or unstable to meet development needs.
- 5.16 Policy WS 1 of the draft Wirral Local Plan seeks to deliver new dwellings through brownfield development in identified regeneration areas and the reuse of land previously used or allocated for employment use, and also suitable sites in settlement areas. The majority of development focus in the plan relates to brownfield development.
- 5.17 All of the Local Plan Viability Assessments have included viability testing of brownfield sites, and through the examination process the results of this testing have informed the adopted policies. The focus of the SDS on brownfield development is therefore not new in this context. It is expected that alongside any site specific viability testing the SDS Viability Assessment will include some typologies testing of brownfield sites.

### **Policy LCR SP6 - Green and Blue Infrastructure**

- 5.18 Alongside other matters this policy seeks to secure appropriate green and blue infrastructure provision as a result of new development in line with any local requirements, along with long-term management arrangements.

- 5.19 The Local Plans for the constituent authorities all contain policies and standards dealing with these aspects. These policies and standards have been viability tested through the local plan process. As part of the viability testing for the SDS it is expected that the respective typologies and strategic sites will include provision and costs for green and blue infrastructure based on the respective authorities local plan policies and standards.

### **Development Principles**

- 5.20 The Development Principles within the SDS present a set of high level, strategic theme-based policies to be applied in decision and plan making, with Local Plans (and other Development Plan Documents) providing further details on implementation.

### **Policy LCR DP1 - Planning for Climate Change**

- 5.21 This policy states that as a priority, development plans and proposals should be making the fullest possible contribution towards the mitigation of climate change and adaption to its effects.
- 5.22 Matters identified within the policy relevant to viability include in relation to Climate Change Mitigation achieving net zero by 2040. Supported measures to achieve this include maximising the energy efficiency of new and existing buildings and reducing the whole life-cycle carbon emissions of new development.
- 5.23 The policy also addresses Climate Change Adaptation and included within the supported measures to achieve this are:
- The incorporation, from an early stage, of green and blue infrastructure within development providing climate change mitigation benefits such as carbon sequestration and storage, natural flood risk management, urban cooling, Sustainable Drainage Systems (SuDS) and surface water run-off reduction;
  - The incorporation, from an early stage, into the design and layout of new development and infrastructure of climate change adaptation measures such as water recycling and efficiency, flood and heat resistance and resilience, thermal efficiency, urban cooling and solar gain.
- 5.24 The policy supports, in principle, measures to achieve greater energy efficiency in new and existing buildings through the planning process.

- 5.25 The policy goes onto say that for new buildings, taking measures to reduce carbon emissions throughout their lifetime will be key. This covers those associated with materials and construction through to eventual demolition and disposal (embodied carbon), and its usage (operational carbon). Measuring 'whole life-cycle carbon' and how this could be assessed as part of the planning process is something the LCRCAs will consider further ahead of the SDS's next stage having regard to changes to be introduced to Building Regulations and potential changes to national planning policy on this matter.
- 5.26 The various local plans and associated SPDs typically include requirements to address climate change and energy efficiency. For example the Knowsley New Residential SPD requires compliance with current Building Regulations by limiting energy use through incorporating high standards of insulation, heat retention, natural ventilation and passive solar technique. New development is also encouraged to achieve energy efficiency beyond mandatory requirements in accordance with Code for Sustainable Homes.
- 5.27 Policy EQ7 of the Sefton Local Plan deals with Energy Efficient and Low Carbon Design and requires major development to incorporate measures to reduce greenhouse gas emissions where practicable. This includes energy efficiency measures, the use of low carbon, decentralised and renewable energy and the provision of infrastructure for low emissions vehicles. The Liverpool Local Plan policy UD5 deals with new buildings and requires building design to be resource and energy efficient and include features such as renewable energy generation, green infrastructure and low carbon materials. The draft Wirral Local Plan contains policies requiring the optional water efficiency standard to be applied to all homes and all new homes to be zero carbon ready by design.
- 5.28 The viability testing for the older local plans has included the costs associated with achieving Code Levels 4-6. The more recent viability assessments for St Helens and Wirral have been undertaken inclusive of the costs associated with achieving the new Part L building regulation requirements. In addition these viability assessments include testing of the costs associated with Future Homes Standard to be introduced in 2025.
- 5.29 Key to the viability assessment here will be establishing whether the policies in the SDS particularly in relation to measuring 'whole life-cycle carbon' introduce costs over and above those arising from Part L and Future Homes Standards.
- 5.30 Other matters identified within the policy relate to green infrastructure and Sustainable Drainage Systems (SuDS). The various Local Plans all provide for such measures and the costs of provision have been viability tested within the respective local plan viability assessment.

### **Policy LCR DP2 - Sustainable and Inclusive Communities**

- 5.31 This policy deals with various aspects of new housing development and states that Development plans and proposals should contribute positively towards the creation of sustainable and inclusive communities. This will be achieved by:
- a) The provision of high-quality new homes of an appropriate and balanced mix of type, tenure, and size to meet identified needs across the city region;
  - b) Supporting the provision of specialist housing for older people, or groups with particular housing needs and ensuring this is in sustainable and accessible locations;
  - c) Securing the provision of affordable housing in line with locally assessed needs ensuring any provision is of an appropriate type, tenure and size; the level of provision of affordable housing should be consistent with Local Plan viability evidence and subsequent local planning policy requirements;
  - d) Setting requirements for new build homes to meet standards for accessibility and adaptability for wheelchair users (consistent with Parts M4(2) and M4(3)(2)(a) of Building Regulations 2010) with regard to local viability evidence and site specific considerations;
- 5.32 In the context of viability assessment the policy deals with a number of aspects including:
- Housing Mix
  - Dwelling Size
  - Affordable Housing
  - Accessibility Standards
- 5.33 Table 4.2 contains a summary of the differing approaches taken by the respective Local Plans to housing mix, dwelling size and accessibility standards. In relation to dwelling size and in particular the NDSS, it is noted that some of the earlier Local Plans for example Knowsley and Sefton did not viability test NDSS. The Sefton New Build Homes SPD does encourage new development to meet these standards whilst acknowledging that they are not mandatory. The St Helens and Halton Local Plans do not contain any specific requirements for new developments to achieve the NDSS. It is only the adopted Liverpool Local Plan that requires all new homes to meet NDSS. The draft Wirral Local Plan also requires new homes to meet NDSS.
- 5.34 Some of the Authorities for example Sefton and Wirral have prescriptive requirements in relation to mix, others simply refer to the evidence of need identified in the SHMA.

- 5.35 Similarly the respective local authorities have different policies in relation to M4 accessibility standards. Sefton, Liverpool, St Helens and the draft Wirral Local Plans have specific requirements in relation to these standards. Halton and Knowsley have more general requirements in relation to adaptability and it is expected that evidence of need and viability would have to be prepared for these optional standards to be introduced in the respective Boroughs.
- 5.36 As noted in Section 4 requirements for affordable housing have the greatest impact on viability. Table 4.1 contains details of the respective affordable housing and tenure mix requirements across the Local Authorities. The SDS Viability Assessment will need to reflect these differences in requirements in relation to affordable housing as well as specific requirements in relation to housing mix, size and optional accessibility standards across the authorities.

#### **Policy LCR DP4 - Promoting Health and Wellbeing**

- 5.37 This policy requires that as a priority, development plans and proposals should plan positively to reduce health and wellbeing inequalities and allow for healthy and active lifestyles to be led. In the context of a Viability Assessment aspects that could impact on viability include:
- The use of Health Impact Assessments at early stages of the development process to improve health outcomes; and requiring development proposals defined as of 'potential strategic importance' to be informed and accompanied by a Health Impact Assessment.
  - Securing high standards of energy efficiency in new and existing homes particularly in the interests of affordable warmth.
- 5.38 The more recent local plans contain specific reference to requirements for a Health Impact Assessment. In any event it is expected that such costs would be limited in the context of overall development costs and would fall within the professional fees allowance included in a viability assessment.
- 5.39 Addressing requirements in relation to high standards of energy efficiency and affordable warmth are expected to be fulfilled by new building regulations standards and ultimately Future Homes Standards and will be tested accordingly.



**Policy LCR DP6 - High Quality Design**

- 5.40 This policy states that development plans and proposals should deliver well designed and high-quality buildings and places that are attractive, inclusive, healthy, safe and environmentally sustainable. It then goes on to list a number of measures that will achieve this. The respective Local Plans all contain Design Standards policies however such policies in relation to design principles do not necessarily translate into additional costs for development and this is evidenced in the respective local plan viability assessments.
- 5.41 The policy also seeks to ensure that development is designed to minimise waste, promote use of reclaimed and recycled materials where appropriate and to facilitate the source separation, storage, collection and recycling of waste. We would expect that the construction costs adopted in the SDS Viability Assessment would be reflective of sustainable construction techniques and also inclusive of the costs of dealing with waste provision from a development both during and on completion of a development. This is consistent with the approach in the various Local Plan viability assessments.

**Policy LCR DP7 - The Natural Environment and Nature Recovery**

- 5.42 This policy addresses a number of aspects in relation to the Natural Environment. It deals with the mitigation hierarchy if significant harm resulting from development on biodiversity cannot be avoided.
- 5.43 The policy references securing the provision of a minimum 10% biodiversity net gain as a result of new development, which is to be delivered on-site or, where not possible, off-site following the sequential approach outlined under f) of the policy and guided by the LCR Ecological Network/Nature Improvement Areas and LCR Local Nature Recovery Strategy (when prepared). The policy also encourages and supports proposals that would achieve greater than 10% biodiversity net gain and Marine Net Gain as appropriate.
- 5.44 The Environment Act 2021 will bring in (from January 2024) the mandatory requirement for measured and lasting biodiversity improvements (a minimum of 10%) to be delivered as a result of development. The Viability Assessments for the more recent local plans (St Helens and Wirral) incorporate the costs associated with achieving 10% biodiversity net gain into the viability testing. In preparing the SDS Viability Assessment this will need to be extended to testing undertaken in the other Local Authority areas.

**Policy LCR DP8 - Making the Best Use of Land**

- 5.45 This policy deals with the efficient and effective use of land. Aspects of the policy relevant to viability testing include:

- Promoting and supporting the development of underutilised and previously developed/brownfield land to meet identified needs (consistent with LCRSP1 Brownfield Deliverability and Regeneration and LCR DP10 Sustainable Travel and Transport);
- Proactively exploring the potential to intensify the use of land for an appropriate mix of homes or places of employment, promoting higher density development where appropriate;
- Applying a design-led approach to determine the optimum development capacity of sites;
- Tackling land contamination and stability issues with appropriate mitigation and remediation and utilising, where appropriate, LCRCA funding.

5.46 As noted previously under Policy LCR SP3 the focus of promoting brownfield development is a theme of many of the local plans and hence has been tested in the respective Local Plan Viability Assessments. The plans also seek to achieve optimum use of land and in many cases set minimum density standards. Hence higher density development at 40 dph and above has already been viability tested. This will be carried through into the SDS Viability Assessment. In addition in relation to the strategic site testing, then as identified in any relevant masterplans etc for these sites higher density development may be considered.

5.47 As appropriate the extent to which public sector funding support through the LCRCA or any other public subsidy sources may be required to deliver development will be addressed in the viability testing of the strategic development sites.

#### **Policy LCR DP9 - Infrastructure Provision**

5.48 Where appropriate and subject to viability considerations, this policy requires developers to provide necessary infrastructure directly or by contributions (including provision for long-term, on-going management and maintenance where appropriate) through appropriate mechanisms such as Section 106 agreements, Community Infrastructure Levy (CIL) or other potential future tariffs/levies, in accordance with national planning policy and relevant legislation.

5.49 The Local Plans for the constituent Local Authorities all contain similar policies dealing with the provision of infrastructure through developer contributions and hence this has been viability tested as part of the Local Plan evidence base.

5.50 Developer contributions will need to be included in the SDS Viability Assessment having regard to the approach and likely requirement within the respective Local Authority areas and also having regard to the Strategic Infrastructure Plan (SIP).

### **Policy LCR DP10 - Sustainable Transport and Travel**

- 5.51 This policy deals with requirements for new development to provide Travel plans and Transport Assessments or Statements. These requirements are normal and the costs would typically be included in the overall professional fees allowance.
- 5.52 The policy also requires new development to provide electric vehicle charging points and/or infrastructure where appropriate with regard to any local parking or infrastructure standards. The Local Plans and SPDs for the constituent authorities include requirements relating to electric vehicle charging points which in the majority of cases have been tested through their local plan viability assessments.
- 5.53 Any additional costs arising from the policy requirement for new development to provide, where appropriate, convenient, safe and secure facilities for cycle and other active travel users will be included in the viability testing undertaken although it is expected that such requirements will principally relate to commercial developments. Contributions may arise from LCWIP or LTP4 related projects and as appropriate will be taken into consideration.

### **Policy LCR DP11 – Energy**

- 5.54 Development plans and proposals should contribute towards the reduction of carbon associated with energy generation and consumption, and minimising energy costs to communities and businesses.
- 5.55 Points relevant to the viability assessment under this policy include
- Promoting sustainable energy consumption in new development in accordance with the Energy Hierarchy whereby development should (in priority order):
    - i. Minimise energy demand;
    - ii. Maximise energy efficiency;
    - iii. Utilise renewable energy;
    - iv. Utilise low carbon energy; and
    - v. Utilise other energy sources.
  - Ensuring all new development for housing, employment and other uses provides high standards of sustainable design, construction and energy efficiency, setting minimum renewable or low carbon energy requirements where viable and feasible.
  - Supporting the provision of electric and ultra-low emission vehicle charging or refuelling infrastructure taking full account of network capacity and demand and safety.

- 5.56 In preparing the SDS Viability Assessment it will be necessary to establish for new residential development the extent to which these policies seek to achieve standards in excess of those now within Building Regulations and the proposed Future Homes Standards. Any additional standards will need to be viability tested accordingly. It is expected that viability testing in relation to new employment and office development will include costs associated with BREEAM “excellent”.

#### **Policy LCR DP12 – Resources**

- 5.57 Of relevance to the Viability Assessment this policy contains requirements relating to maximising opportunities to recycle and re-use materials during construction and/or demolition to minimise waste and reduce embodied carbon.
- 5.58 A form of policy seeking to minimise waste and reuse materials during construction is included within various local plans of the constituent authorities. The construction cost assessments used in the Local Plan Viability Assessments will in any event normally assume that sustainable construction techniques are adopted.

#### **Policy LCR DP13 - Water Management and Flood Risk**

- 5.59 This policy deals with matters in relation to water management and flood risk. Points of relevance to the SDS Viability Assessment are:
- Managing and where possible reducing surface water and run-off through the incorporation of Sustainable Drainage Systems (SuDS) and following the targeted sequential approach to discharge of surface water set out in local requirements or where these have not been adopted, in national planning policy or guidance;
  - Encouraging and supporting measures to maximise water resource conservation and efficiency in new development;
- 5.60 Through the implementation of Schedule 3 of the Flood and Water Management Act (2010), all new developments from 2024 onwards must ensure that sustainable drainage systems (SuDS) are designed to reduce the impact of rainfall on new developments by using features and natural solutions such as soakaways, wetlands and permeable surfaces.
- 5.61 Similar standards are included in all of the respective local plans and the respective viability assessments have been prepared inclusive of the costs associated with the provision of sustainable drainage systems.

### **Policy LCR DP14 - The Historic Environment**

- 5.62 This policy addresses requirements for planning positively for the City Region's Historic Environment. The policy does not give rise to additional requirements and costs that would have implications for a viability assessment.

### **Policy LCR DP15 – Safer Placemaking**

- 5.63 This policy contains requirements to help to create safe and secure places as part of any development proposals. Again there are no particular items that would give rise to additional requirements and costs that would have implications for a viability assessment.

### **Policy LCR DP16 - Delivering Social Value**

- 5.64 The provision of social value as a result of new development will be secured by the following measures:
- a) Requiring development proposals defined as of 'potential strategic importance' to be informed and accompanied by a Social Value Statement clearly setting out the measures proposed through the lifecycle of the development that will make a positive contribution to social value; (which includes development of 500 homes or more, or non-residential development with a total floorspace more than 30,00sqm)
  - b) Preparation of local level supplementary planning documents, where appropriate, setting out the social value priorities for the local authority area and how these should be demonstrated and provided;
  - c) Securing commitments to social value through appropriate mechanisms such as Section 106 agreements, Community Infrastructure Levy (CIL) or other potential future tariffs/levies, in accordance with national planning policy and relevant legislation.
- 5.65 Knowsley, Sefton and Liverpool have prepared SPDs/advice notes addressing their respective requirements in relation to social value. Wirral through the draft local plan are seeking to introduce a policy dealing with social value. St Helens through policy LPA03 will support the use of local suppliers of goods and services and the creation of apprenticeships and training opportunities for local people in accordance with the requirements of the Local Economy Supplementary Planning Document. Policy ED2 of the Halton Local Plan provides that for large scale employment generating uses, obligations will be encouraged for training and recruitment of local people for both the end use and the supply chain.

- 5.66 Addressing social value requirements can be in many forms from the use of local labour and apprentices to commuted sum contributions to projects provided by Council partners. The SDS Viability Assessment will need to consider the most reasonable approach when dealing with viability testing here given likely requirements. The impacts may be for example an adjustment to the professional fees allowance or a monetary contribution.

## **6.0 NEXT STAGES**

- 6.1 We are welcoming comments and observations on this Viability Information Paper. We will then review the responses received and liaise with respondents as appropriate for evidence / further information.
- 6.2 As part of the next stage we will review / sense check / update as necessary the existing Local Plan Viability assessments in the context of the strategic sites.
- 6.3 It is anticipated that in due course further direct engagement / consultation will be undertaken on the viability assessment inputs and site specific assessments where appropriate.

*Keppie Massie*

**KEPPIE MASSIE LTD**

**DATE: November 2023**