

Examination of the Purbeck Local Plan 2018-2034

Memorandum of Understanding between:

- **Dorset Council; and**
- **Savills (on behalf of the owners of the land encompassed in the Wool H5 draft allocation)**

October 2019

This Memorandum of Understanding relates to the viability of the housing sites around Wool (Policy H5) referred to in the Purbeck Local Plan (2018-2034) and supporting evidence.

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Memorandum of Understanding on viability related issues

Key areas of agreement

Policies H9 and H10

1. The combination of H9 and H10 as submitted for examination were of significant concern to Savills. The Council has recently proposed modifications to H5, H9 and H10 as set out in document SD115¹. In summary the Council is proposing to:
 - remove the current policy H9 requirement for 5% serviced self-build plots on allocated sites;
 - remove the current policy H10 requirement for 10% single storey homes on the allocated sites;
 - amend the current H9 expectation for 20% specialist purpose built accommodation for the elderly on allocated sites to an aspiration for 10% sheltered / age restricted housing units for the Wool allocation;
 - amend the current H10 requirement for 10% of the housing on the allocated sites to comply with M4(2)² to a 20% expectation for the Wool allocation.

H5 will also require a 65 unit extra care facility, instead of a 65 bed care home. The tenure of the extra care homes will be determined at planning application stage.

2. Savills is supportive of these proposed modifications which represent a positive step forward in improving the deliverability of the H5 Wool allocation. Savills confirm there is sufficient land available to accommodate these uses.
3. Both parties recognise that both the Planning Practice Guidance on Viability (PPGV) (para 007) and the Planning Practice Guidance on Housing for older and disabled people (para 15) confirm that development providing housing for older people is one of the circumstances which justify the need for a viability assessment at the planning application stage.

Convenience store (H5)

4. Savills has indicated that they are happy to continue to explore the opportunities to provide land for a 350 square metre convenience store, and that there is sufficient land available to accommodate this use.

¹ SD115: Planning the Care Provision for the Purbeck Area in response to actions 22, 34 and 47 arising from the Purbeck Local Plan 2018-2034 Examination in Public

² M4(2) building control optional standards to meet the needs of the elderly and disabled as they occur

Memorandum of Understanding relating to the viability of the housing sites around Wool (Policy H5)

Build costs

5. There is broad agreement on the level of base build costs (housebuilding costs). However, views differ in some instances on the approach taken to using a specific BCIS category.

Affordable housing profit

6. It is agreed that affordable housing profit levels should be set at 6%

Infrastructure/Section 106 requirements

7. Both parties agree that an appropriate list of likely infrastructure/section 106 requirements has been identified in the Local Plan evidence base, and through pre-application liaison with statutory consultees. .
8. Whilst differences in costs and assumptions remain, the parties agree that the figures adopted by DSP are broadly appropriate for a viability assessment at this stage. However, both parties agree it is possible they will be refined as more detail becomes available through the planning application process.

Trajectory

9. The trajectories from the Memorandum of Understanding with the Council have been used in the latest testing.

Areas of disagreement

Benchmark land value

10. Savills have concerns over the low benchmark land value and believe that it should be set somewhere in the range of £300,000 to £400,000 per gross hectare, consistent with the approach taken to Greenfield land value by many other local authority viability studies. This is on the basis that the Wool site does not have any known and identified large or abnormal infrastructure costs.
11. DSP's approach follows the latest NPPF guidance on using Existing Use Value (EUV) plus, rather than reflecting back on recent prices achieved. The benchmark value used in earlier appraisals is 10 times EUV at £250,000 per gross hectare. DSP state this approach has been supported at a number of examinations recently but are yet to specify which ones.
12. The promoter of one of the allocated sites highlighted a recent Valuation Office Agency (VOA) appeal decision on a site at Crossways for appropriate benchmarks. DSP's latest sensitivity testing has adopted these benchmark land values, as the most appropriate. This is explained in more detail in the EiP stage viability report. Savills do not believe it is appropriate to use a single appeal decision to inform benchmark land values.

Contingency and professional fees

13. Savills believe the current assumptions are low. In the interests of further exploring viability using a higher proportion DSP have tested using a contingency at 5% and professional fees at 10%. This does not indicate agreement to set these as the appropriate rates.

Externals

14. Savills believe external works are considered a standard assumption in all viability appraisals. DSP approach is that the externals allowance is replaced by the £23,000 per unit infrastructure allowance. Savills have concerns that not including an allowance for external works in addition to the per unit infrastructure allowance means no allowance is made for plot specific costs such as soft and hard landscaping (including pathways, hedgerows, trees, planting and car parking provision). Savills would however accept some moderation of the current £23,000 per unit infrastructure allowance used by DSP to partly compensate for the addition of an external works allowance but don't consider the £23,000 per unit as sufficient to cover both infrastructure requirements and external works. Savills consider external works should be set at 10% of build costs which is considered to be a standard assumption.

Profit margins

15. DSP, in-line with the PPG, have tested 17.5% and 20% profit on market housing. Savills believe that the starting point for testing is 20%.

Sales values

16. Savills' agree with the Set 1- Lower Sales Values as being appropriate and not the 10% higher values. Savills also state that it is not appropriate as part of a sensitivity test to just alter the value part of viability testing and not the costs. To achieve higher sales values it is typical that the build quality and therefore cost will increase. DSP disagree but have carried out sensitivity tests the results of which can be found in Appendix III of the latest DSP report.

Affordable Housing Proportion

17. As a green field site the Wool H5 allocation would need to accord with the Policy H11 requirement for 40% affordable housing provision and the prescribed mix of 10% social rented, 65% affordable rented housing and 25% affordable home ownership.
18. In light of the updated Viability Assessment, the Council believes that the 40% affordable housing requirement may still be achievable for the Wool allocation.
19. Assuming that the changes to the policy for elderly persons accommodation set out in document SD115 (as described at para 1 of this MOU) are implemented, but bearing in mind the overall Local Plan requirements (particularly the fixed affordable housing tenure mix requirements set out in policy H11), Savills believe that the 40% affordable housing requirement is challenging for the Wool H5 allocation. The 40% affordable housing requirement would be easier to achieve if the tenure mix was more flexible.

Conclusion

20. The PPGV recognises that viability assessments are 'complex' and 'variance is inherent' (para 021), and that the process will need to be both iterative and collaborative (paras 002, 013, 016).
21. Both parties agree that sufficient viability assessment work has been completed as is appropriate for a Local Plan Examination, albeit there are differences of opinion on some of the assumptions and costs used.
22. However, given the remaining areas of disagreement and the fact that the current section 106 and other cost assumptions may vary as a result of the planning application process, both parties agree that the current wording to policy H5 Wool and policy H11 affordable housing that allows the consideration of site specific factors that may affect viability at the application stage through the submission of a financial viability appraisal is necessary and appropriate.