



Powys Replacement Local Development Plan (RLDP)

Position Statement on High-Level Plan Wide Viability Assessments

July 2024



Contents

1. Introduction.....	3
2. The RLDP viability assessment process	4
3. Stage 1 Initial Site Viability Assessment	5
4. Stage 2 High Level Viability Assessment.....	6
5. Stage 3 Detailed site-specific viability assessment.....	10
6. Viability Steering Group	11
7. Conclusion	12
APPENDIX A Viability Stakeholder Workshop	13

Tables

Table 1. Percentage of Affordable Housing Contributions that can be Expected from Different Sized Residential Sites	9
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Figures

Figure 1 The Three Stages of Viability Assessment for the Replacement LDP.....	4
Figure 2 Map of the Housing Market Areas	6
Figure 3. Map Showing which of the Housing Market Areas are considered to be High and Low Viability Areas.	8

1. Introduction

This position statement has been produced to support the Preferred Strategy for the Powys Replacement Local Development Plan (RLDP). The paper sets out progress made so far in respect of the plan wide viability assessment for the Replacement LDP. It also presents the results from initial High-Level Viability Assessment work that has been undertaken to test the viability of securing affordable housing from market developments.

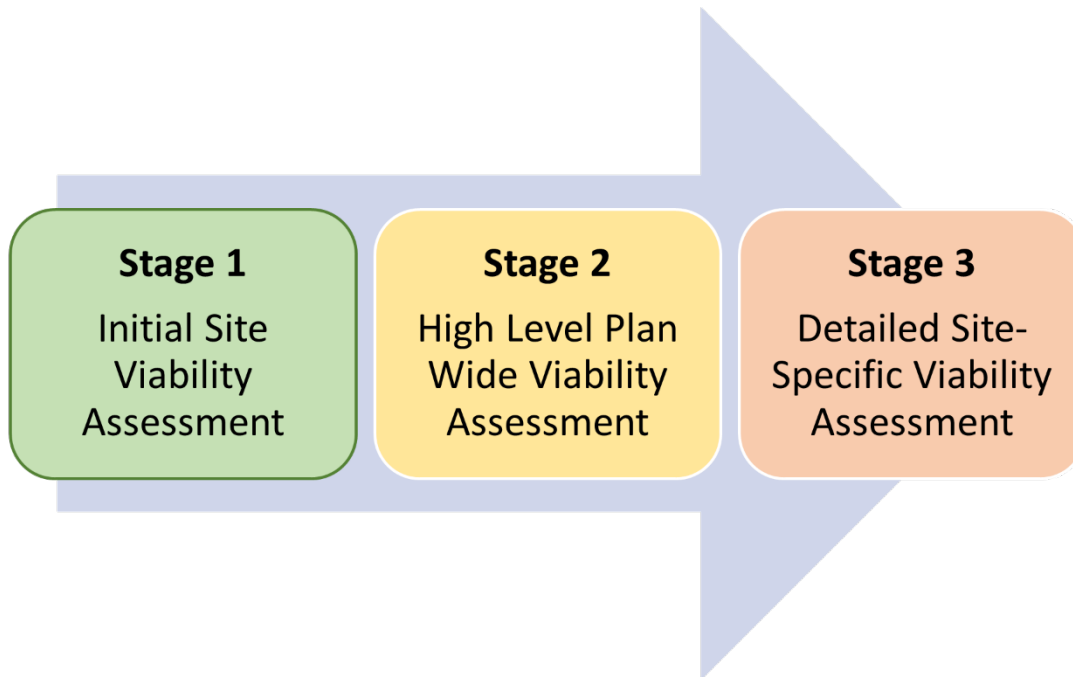
The results presented in this Statement are preliminary only as further research is needed following the Viability Steering Group meeting held in April 2024 (see Appendix A). Further testing will be needed in due course, to test the impact of the detailed policies of the Deposit Plan on viability. The formal High Level Viability Assessment will be published as evidence alongside the Deposit Plan, as required by Planning Policy Wales. Given the preliminary and high-level nature of the results presented here, it would be premature and inappropriate to apply the findings in this paper in determining planning applications, for which more site-specific viability assessments are still required in relation to any challenge to policies in the current/adopted LDP on viability grounds.

2. The RLDP viability assessment process

National planning policy guidance within Planning Policy Wales highlights the importance of considering viability at an early stage in the plan-making process.

There are three stages of viability assessment for the Replacement LDP, as illustrated in Figure 1:

Figure 1 The Three Stages of Viability Assessment for the Replacement LDP



The following sections provide an update on progress with each of the stages and with the Viability Steering Group that has been set up to inform the viability assessment process.

3. Stage 1 Initial Site Viability Assessment

The viability assessment process for the Replacement LDP started at the Call for Candidate Sites stage when all submitted candidate sites needed to be accompanied by an Initial Site Viability Assessment. Site proposers were expected to submit an Initial Site Viability Assessment using the Development Viability Model (DMV) developed regionally for the Mid and South-West Wales Regional Viability Commission.

A total of 244 completed DVM submissions were received at the Call for Candidate Sites stage. The assumptions around values and costs made in the submitted models have been used, along with other available evidence, to inform the inputs into the initial plan wide High-Level Viability Assessment.

4. Stage 2 High Level Viability Assessment

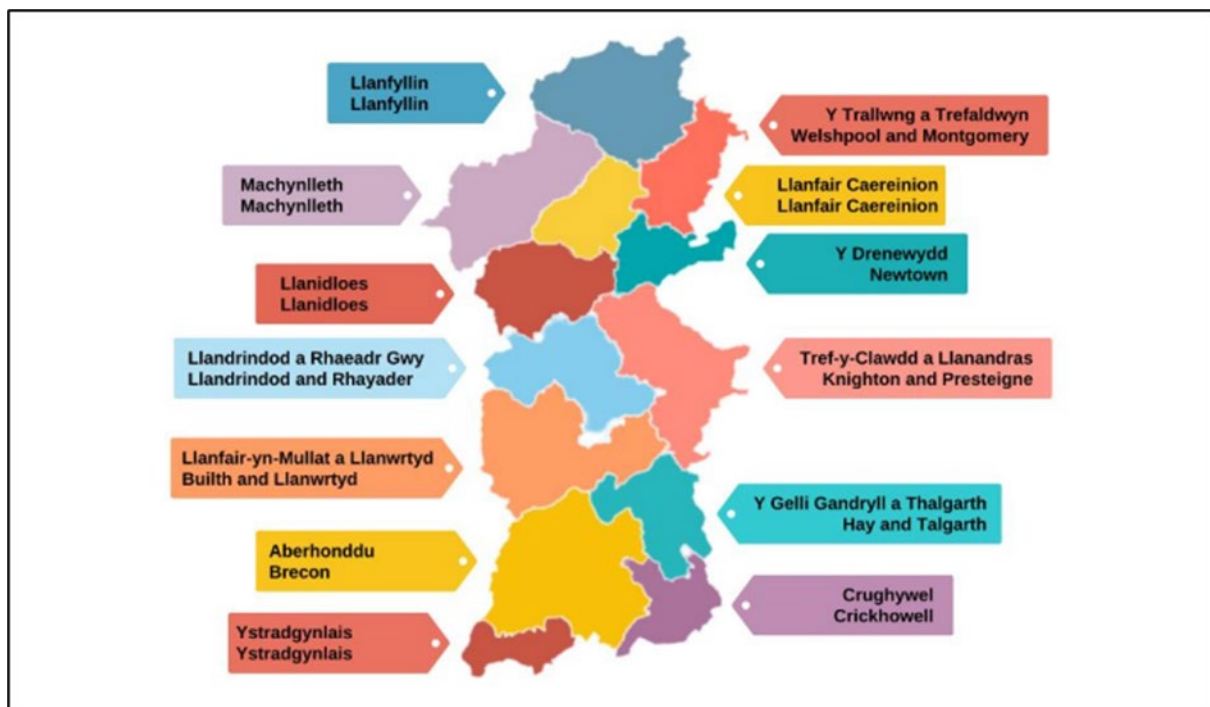
Planning Policy Wales states that at the Deposit Stage there must be a high-level plan-wide viability appraisal undertaken to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements.

Powys County Council is working with Burrows-Hutchinson Ltd to undertake the High-Level Viability Assessments using the Regional Viability Model (RVM) developed regionally as part of the Mid and South-West Wales Regional Viability Commission, for that purpose.

It has been decided to provide preliminary results from the initial High Level Viability Assessment earlier in the Replacement LDP process, at the Preferred Strategy stage, to inform the spatial strategy, as is intended by the Development Plans Manual. However, it is emphasised that these results are only preliminary. They will be reviewed during the preparation of the Deposit RLDP, taking into account all new evidence that becomes available as well as any future changes in development costs and values between today's date and publication of the Deposit RLDP for formal consultation.

The initial High-Level Viability Assessment uses the 13 localities approach, taken by the Powys Well-being Assessment to divide the Plan area into 13 Housing Market Areas as shown in Figure 2. These Housing Market Areas have also been used by the Local Housing Market Assessment, which assesses the level and type of housing needed for Powys over the Replacement LDP period. Some of the Housing Market Areas in the south of the County are located partly within the Bannau Brycheiniog National Park, which has its own Planning Authority. Those areas are therefore outside the scope of the Powys Local Planning Authority's viability assessment process.

Figure 2 Map of the Housing Market Areas



The initial high-level viability assessments have considered viability levels for each of the Housing Market Areas. The assessment are based on new-build sale values within each

Housing Market Area and, in some cases, where new-build sale values data is limited or not available, this has been supplemented with data on the re-sales of existing modern estate style housing.

From the above data on market values, the Council identified the following Housing Market Areas as High Viability Areas where sales values in the region of £2,900 psm are generally achievable.

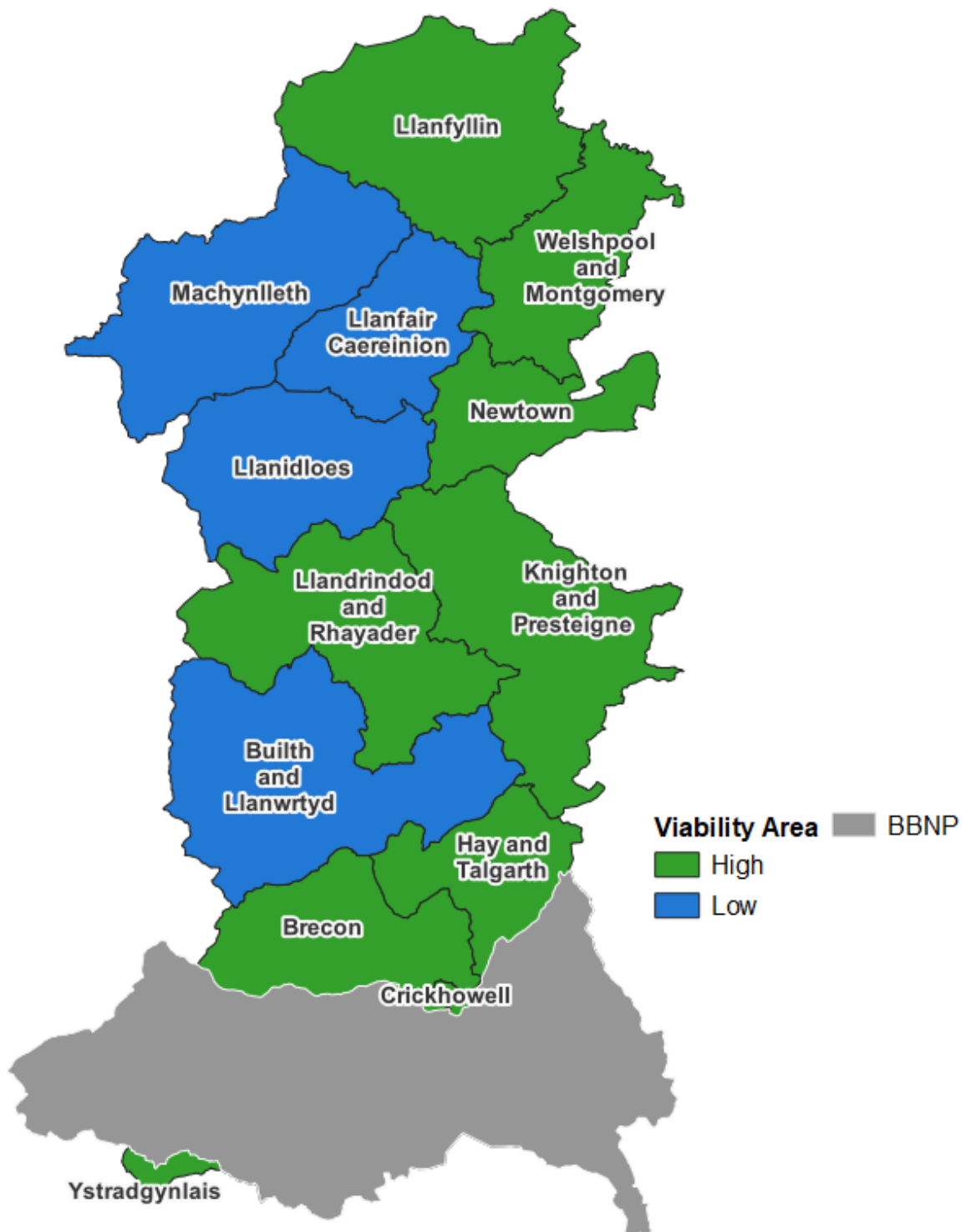
- Brecon
- Crickhowell
- Hay and Talgarth
- Knighton and Presteigne
- Llandrindod and Rhayader
- Llanfyllin
- Newtown
- Welshpool and Montgomery
- Ystradgynlais.

And the following Housing Market Areas as Low Viability Areas, where sales values in the region of £2,700 psm are commonly achieved:

- Builth and Llanwrtyd
- Llanfair Caereinion
- Llanidloes
- Machynlleth.

Figure 3 provides a map of the high viability areas and low viability areas.

Figure 3. Map Showing which of the Housing Market Areas are considered to be High and Low Viability Areas.



The assessment process has also considered how development has come forward in the past, and how can be expected to come forward during the period that will be covered by the Replacement LDP. From this a series of site typologies has been created (see Table 1) with a typical dwelling mix for each typology, based on recently approved developments and the Local Housing Market Assessment.

An assessment has then also been undertaken of the appropriate allowances for other section106 obligations (other than affordable housing): SUDS adoption costs: and the complete range of development costs (including land costs) and developer’s profit. These were all discussed at the Viability Study Group meeting in April 2024 (see Appendix A).

The high-level viability model (RVM) then gives an indication of the percentage of affordable housing that can be expected on residential sites within the High and Low Viability Areas.

The percentages of affordable housing that can be expected from different sized residential sites are detailed in Table 1. These range from a 35% contribution on sites of over 100 dwellings in a High Viability Area, to a 0% contribution on all small sites of less than five dwellings. These are preliminary findings, which may be subject to change after further research and testing during the preparation of the Deposit RLDP; and prior to production of a formal Financial Viability Report as part of the evidence base for the Deposit RLDP.

Table 1. Percentage of Affordable Housing Contributions that can be Expected from Different Sized Residential Sites

Size of Site	High Viability Area	Low Viability Area
Less than 5 dwellings	0%	0%
5-9 dwellings	25%	0%
10-19 dwellings	25%	15%
20-100 dwellings	20%	15%
Over 100 dwellings	35%	30%

5. Stage 3 Detailed site-specific viability assessment

A Detailed Site-Specific Viability Assessment will be required for sites that the LPA are considering for allocation within the Replacement LDP. This will be required prior to consultation on the Deposit Plan. Additional information and evidence to support each Candidate Site will also be required at this detailed assessment stage.

The Assessment at this stage will need to reflect emerging policy requirements and site-specific requirements informed by consultee responses. The LPA will inform site proposers and ask them for such an assessment and supporting information and evidence. This may simply require an update of the candidate site viability assessment that was previously submitted to the Council during the initial call for candidate sites. This process is to ensure that sites which progress to LDP allocation can meet up-to-date policy and infrastructure requirements and remain viable and deliverable.

NOTE: There will be a charge at that stage for access to the viability model and for a high-level but formal review by the LPA of each candidate site viability assessment.

Only submissions that demonstrate that the policy requirements of the Replacement LDP can be met and that the site remains viable and deliverable will be considered for inclusion as proposed site allocations in the Deposit Replacement LDP. Following consultation, the Deposit Replacement LDP and associated documents will be submitted to Planning and Environment Decisions Wales (PEDW) for examination. The evidence around sustainability, deliverability and viability of individual sites will be tested through the examination process.

6. Viability Steering Group

The Development Plans Manual advises Local Planning Authorities to set up a Viability Steering Group to agree the specific costs for various viability components. A workshop of the Viability Steering Group for the Powys Replacement LDP was held in April 2024, which was attended by developers, the Home Builders Federation (HBF), local agents, Registered Social Landlords (RSL) and internal Council departments.

Slides used in the presentation for the workshop and a record of discussions are attached as Appendix A to this paper.

Feedback at the workshop identified the need for further research and evidence on house price values, build costs, the cost of building to the new building regulations, affordable housing transfer values and land values. Work to address these issues is progressing.

7. Conclusion

This paper provides an indication of the high viability areas and low viability areas to inform the spatial strategy. It also provides an indication of the affordable housing contributions that could be secured from market developments. However, as identified in this paper, further work is needed on some of the inputs and assumptions used in the initial High-Level Viability Assessment. Given the preliminary nature of the results presented here, it would be inappropriate and premature to apply the findings in this paper in determining current planning applications; where each case will still be considered/determined on its merits in the context of policies in the current adopted LDP; and using site-specific viability assessment where necessary.

APPENDIX A Viability Stakeholder Workshop

Powys County Councils Viability Stakeholder Workshop – Thursday 18th April 2024

Record of meeting arranged by Powys County Council (PCC), attended by the following stakeholders and chaired by Andrew Burrows MA FRICS of Burrows-Hutchinson Ltd:

Attendees:

Alex Dawson, Barcud Housing Association

Hefin Lewis, Henllan Property

Geraint Jones, McCartneys

James Hughes

Richard Lewis, Hughes Architects

Mark Harris, Home Builders Federation

Fred Carter, Frederick Carter Architectural Services

David Parker, DPPA

Richard Banks, Evans Banks Planning Ltd

Peter Mellor, Central and Country

Richard Glover-Davies, Montgomeryshire Homes

Gerallt Davies, Roger Parry & Partners

Michael Tomley, Bowen

Powys County Council: Adrian Humpage, Angharad Richards, Gayle Frewin, Lauren Morris, Fenella Williams, Caron Jones, Jim Knight, David Jones, Henk Kuipers.

Introduction

This record of the Stakeholder Viability Workshop has been prepared to inform the viability work for the preparation of the Powys County Council (PCC) Replacement Local Development Plan beginning with County-wide high-level viability assessments to inform the Council's Preferred Strategy, which will be subject to public consultation in approximately 4 months' time.

Slide 1 - Agenda

Powys County Council

Housing Development Viability Assessments



AGENDA

- 1) INTRODUCTIONS
- 2) REPLACEMENT LOCAL DEVELOPMENT PLAN - TIMETABLE
- 3) HOUSE PRICES and SALES in the CURRENT ECONOMIC CLIMATE
- 4) TRANSFER VALUES for AFFORDABLE HOMES
- 5) IMPACT of CHANGES to BUILDING REGULATIONS
- 6) CONSTRUCTION and DEVELOPMENT COSTS generally
- 7) BENCHMARK LAND VALUES
- 8) ANY OTHER ISSUES

18 APRIL 2024

Powys Viability Study Group

1

Andrew Burrows' comments:

Andrew explained that the main purpose of the meeting today was to establish parameters for the high-level viability assessments that need to be undertaken prior to consultation on the Preferred Strategy for the Plan. It will also inform updating site-specific viability assessments.

Slide 2 – RLDP Timetable

Powys County Council

RLDP Timetable



ADOPTED LDP covers period from 2011 - 2026

Replacement LDP will cover 2022 – 2037

Timeline for Preferred Strategy consultation and Deposit Plan

Second stage of new Building Regs (Future Homes Standard) will affect the majority of the Plan Period

18 APRIL 2024

Powys Viability Study Group

2

Planning Policy comments:

Adrian explained that the Planning Policy team were working on the Preferred Strategy and looking to go out to consultation towards the end of the Summer this year. The Deposit Plan will follow late Summer 2025. The Candidate Site Register will be published alongside the Preferred Strategy consultation, which will be the first opportunity for people to comment on Candidate Sites.

Andrew Burrows' comments:

Andrew explained that the second stage of the new building regulations, which is also referred to as the Future Homes Standard 2025, is going to affect the majority of the plan period and, therefore, needs to be taken into account in the viability work.

Slide 3 – National Policy & Candidate Sites

Powys County Council National Policy & Candidate Sites



- **PPW** – *as part of demonstrating deliverability, financial viability must be assessed prior to allocating/re-allocating sites*
- **Development Viability Model (“DVM”)**
- **PPW and LDP Manual** also require plan-wide “high-level” viability assessments to support general policy objectives
- **Phosphates**

Andrew Burrows' comments:

Planning Policy Wales and the LDP Manual requires sites to demonstrate deliverability and financial viability. Many will be familiar with the development viability model that has been developed, which many have used to submit viability assessments for candidate sites at the tail end of 2022, beginning of 2023. On the policy side is the requirement for a plan wide high-level viability assessment to support general policy objectives.

Planning Policy comments:

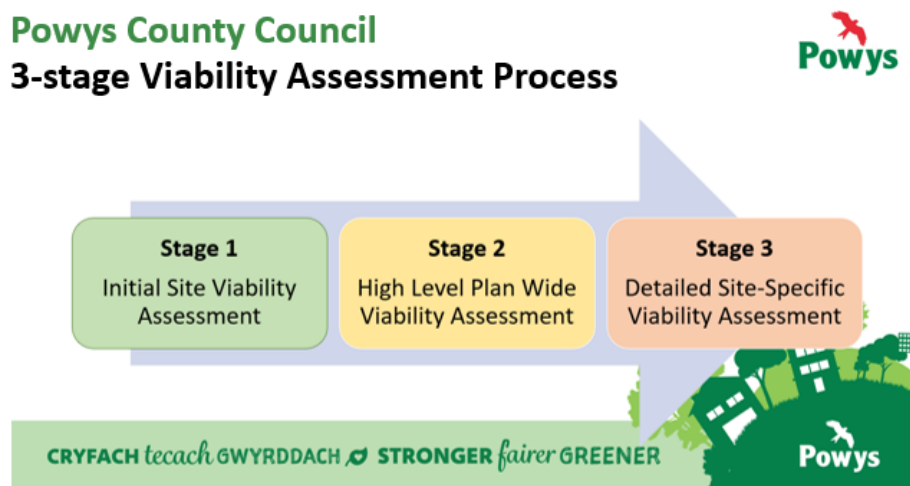
Adrian explained that we have to deal with the issue of phosphate levels within the River Wye catchment, which impacts on most of the southern part of the County. Work has been ongoing at various levels to try and push things forward. Some of our wastewater treatment works are within Welsh Water’s AMP 7 programme and we are waiting for AMP 8 announcements later this year, taking effect over a 5-year period from April 2025. Welsh Water are taking the view that whilst they are investing in wastewater treatment works that’s not the entirety of the problem, there are wider issues such as land use that will need to be addressed. They may be seeking developer contributions

either directly into wastewater treatment works to support phosphate stripping apparatus, or contributions towards nature-based solutions downstream of an outfall, which may impact on developer contributions.

Stakeholder's comments:

- We should push back very hard against the suggestion that an organisation undertaking development is responsible for contributions, which are, in effect, paying for Dwr Cymru's and other's failure in investing properly in these plants. The ability to do something other than contribute money is limited because there isn't usually additional land over and above the development sites.

Slide 4 – 3-stage Viability Assessment Process



Andrew Burrows' comments:

Stage 1 was the call for candidate sites, and many have submitted viability assessments with those candidate sites. We are now at stage 2 undertaking High Level Plan Wide Viability Assessments prior to Preferred Strategy, that may need to be repeated or updated prior to Deposit Plan. Prior to Deposit Plan, updates to site-specific viability assessments will be required.

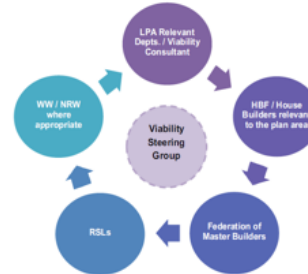
Slide 5 – What is a Viability Study Group?

Powys County Council What is a Viability Study Group?



- 1) Key Stakeholder Representation (incl. landowners/site promoters)
- 2) Working together to achieve consensus or “common ground” on key issues and viability inputs
- 3) “Open book” approach
- 4) Proportionality
- 5) Ensuring evidence remains up-to-date

Diagram 18: Viability Study Group Model



Andrew Burrows' comments:

Runs through the Development Plan Manual guidance. It's important to have key stakeholder at these groups, which includes landowners and site promoters. The objective is to work together to achieve consensus or common ground on key issues and inputs to the viability assessment. The Development Plans Manual expects an open book approach. At this stage we don't expect everybody to have all the answers. There will be further site investigation work on some sites which it isn't realistic for people to do until they've got an indication that a site is likely to come forward and get allocated. Important to keep these groups going so should meet once a year to review costs and values to make sure evidence is up to date. If there are major changes, it is an opportunity for the group to discuss short-term adjustments to policy to help bring sites forward. Points 2, 3 and 5 are a challenge to the development industry and local planning authorities alike, and it's critical that we address the shortage of housing, climate change and rising costs together.

Slide 6 – Localities

Powys County Council Localities



13 Localities in place of
4 sub-market areas

Well-Being Plan and
LHMA

18 APRIL 2024

Powys Viability Study Group

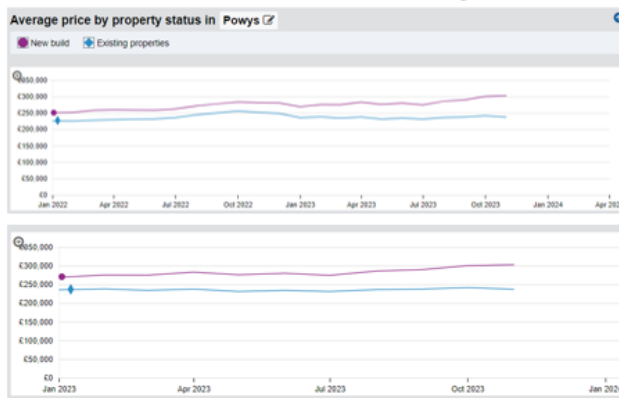
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Andrew Burrows' comments:

Powys's policy has been based around 4 submarket areas in the adopted local plan. Following the Well-being Plan, the County has been divided into equal population areas of about 10,000 people, which creates 13 localities. These localities have also been used for updating the Local Housing Market Assessment. They are not market value areas so we are looking to apply common factors as far as possible to more than one locality, and it's possible that the localities may change in the future.

Slide 7 – Housing market generally

Powys County Council HOUSING MARKET Generally



Graph 1 since January
2022

Avg £	Extg	New	Premium
Jan-22	£224,845	£249,828	11.1%
	4.7%	7.6%	
Jan-23	£235,439	£268,822	14.2%
	0.7%	12.5%	
Nov-23	£237,118	£302,545	27.6%

Graph 2 since January
2023

Comment re: Savills Report

18 APRIL 2024

Powys Viability Study Group

7

Andrew Burrows' comments:

These slides are taken from the Land Registry database and show the way house prices have moved since January 2022 for both new build and existing properties. Suggests that whilst the value of existing property has flat lined in the last 12 months, the value of new build has gone up to a greater

extent. Suggests that there was a small premium of 11% on new build properties, but this has increased in more recent months.

Stakeholder's comments:

- Whether this is a general trend elsewhere or something specific to this area? Andrew stated that it is more of a general trend and would be interested to hear estate agents view on the reasons for this.
- Is there is any sort of link to this from the Covid blip? Period when a lot of people were moving into the area and house prices shot up. Could it go back down again? Andrew explained his theory is that it is driven by people moving into the area and looking for a new home. The graphs postdate the Covid era and Ukraine was invaded at the beginning of this period.
- The new home premium in November 2023 is astonishing. Is that the exception, what about previous months? Andrew replied that the gap appears to have been growing since the beginning of the year; but it is not based on a big sample of evidence.
- Values on the ground of say 11% to 15% would be about right. 27% is way out of sync.
- Have to be aware when we look at averages, that there's a range of housing in Powys and has more expensive housing compared to some areas.
- There is a shortage of new-build and it's an area that people want to move to, and there aren't many houses for sale, which tends to lead to prices going up.
- One of the key drivers is a shortage of new-build stock.
- Values have been falling over the last 12 months in North Powys. New build, especially bigger houses, are not selling. Some properties have sold at significantly less than what they were valued at 18 months ago. First time buyer homes are still selling.
- Selling 4 to 5 bedrooms for £550,000 but in the rural north not selling for £200,000. Need to look at house prices more locally.

Slide 8 – Variation in house prices (1)

Powys County Council Variation in House Prices (1)



LOCALITY	AVERAGE OM VALUE BY DVMs	Value area	MEAN AVERAGE 2021-2023	UPPER QUARTILE 2021-2023	Value area	2021-2023 and DVM comparator	Value area	MEAN AVERAGE 2022-2023	UPPER QUARTILE 2022-2023	Value area	2022-2023 and DVM comparator	Value area
BRECON	£2,920	High	£2,973	£3,086	High	£3,003	High	£3,091	£3,249	High	£3,085	High
BUILTH AND LLANWRTYD	£2,768	Low	£2,323	£2,573	Low	£2,546	Low	£2,450	£2,635	Low	£2,702	Low
CRICKHOWELL	N/A		£3,670	£3,950	High	£3,670	High	£3,163	£3,268	High	£3,268	High
HAY AND TALGARTH	£2,950	High	£3,144	£3,242	High	£3,096	High	£2,809	£2,809	High	£2,860	High
KNIGHTON AND PRESTEIGNE	£2,917	High	£2,828	£2,893	High	£2,905	High	£2,887	£2,904	High	£2,911	High
LLANDRINDOD AND RHAYADER	£2,674	Low	£2,698	£2,978	High	£2,826	High	£2,921	£3,055	High	£2,865	High
LLANFAIR CAEREINION	£2,598	Low	£2,639	£2,804	High	£2,701	Low	£2,855	£3,030	High	£2,814	High
LLANFYLLIN	£2,689	Low	£3,043	£3,138	High	£2,866	High	£3,043	£3,095	High	£2,866	High
LLANIDLOES	£2,887	High	£2,577	£2,631	Low	£2,732	Low	£2,612	£2,633	Low	£2,750	Low
MACHYNLLETH	£2,670	Low	£2,506	£2,714	Low	£2,588	Low	£2,725	£2,778	Low	£2,698	Low
NEWTOWN	£2,829	High	£3,068	£3,140	High	£2,949	High	£3,085	£3,235	High	£2,957	High
WELSHPOOL AND MONTGOMERY	£2,733	Low	£2,922	£3,223	High	£2,828	High	£3,009	£3,252	High	£2,871	High
YSTRADGYNLAIS	£2,554	Low	£3,349	£3,569	High	£2,951	High	£3,173	£3,524	High	£2,863	High
	High average	£2,901				High average	£2,996				High average	£2,938
	Low average	£2,669				Low average	£2,679				Low average	£2,716

Andrew Burrows' comments:

This is an analysis that Council has done of property transactions in each of the localities. First of all, looked at values suggested in the initial viability submissions made in December 2022 through to February 2023. 244 candidate site viability submissions; looked at views expressed in those for what houses will sell for. Also analysed values from 36 recent/current developments across the County, with a mix of new build and re-sales of relatively recent property. This helps to identify places where house prices are stronger, highlighted in pink, and where values were weaker, highlighted in yellow. It seems Ystradgynlais is an up and coming area. Suggest that at the top end houses will sell for £3,000 psm and at the bottom end around £2,700 psm. Proposal is to run viability assessments based on these two levels.

Slide 9 – Variation in house prices (2)

Powys County Council Variation in House Prices (2)



Dwelling Type	GIA m ²	£2,600	£2,700	£2,800	£3,000	Approx. Range	
1-bed flat	53	£137,800	£143,100	£148,400	£159,000	£140,000	£160,000
2-bed bungalow	58	£150,800	£156,600	£162,400	£174,000	£155,000	£175,000
2b3p house	72	£187,200	£194,400	£201,600	£216,000	£190,000	£215,000
2b4p house	82	£213,200	£221,400	£229,600	£246,000	£220,000	£245,000
3-bed bungalow	90	£234,000	£243,000	£252,000	£270,000	£240,000	£270,000
3b5p house	93	£241,800	£251,100	£260,400	£279,000	£245,000	£280,000
3-bed townhouse	102	£265,200	£275,400	£285,600	£306,000	£270,000	£300,000
4b6p house	109	£283,400	£294,300	£305,200	£327,000	£287,500	£325,000
4b8p house	125	£325,000	£337,500	£350,000	£375,000	£330,000	£375,000

18 APRIL 2024

Powys Viability Study Group

9

Andrew Burrows' comments:

This slide gives a picture of what the value per sqm mean in terms of individual property types. In less popular locations four-bedroom houses would typically be selling for £330,000 and in more popular areas they would sell for £375,000. A 3 bed house would be selling for between £245,000 and £280,000 depending on its location. Bungalows cost more to build per square metre but also sell for higher prices per sqm. It's generally recognised that three storey homes don't sell for the same rate per square metre as two storey homes, with a 10-15% drop.

Stakeholder's comments:

- This is based on costs for building houses now and costs and build regulations will be going up. Therefore, are these figures realistic? Andrew responded that we will come onto that when discussing costs, but at this stage we need to establish are these realistic figures for properties built to the current building regulations or B rated EPC. There is some consensus in Southeast Wales and Southwest Wales that extra costs will be matched with an uplift in values. Energy efficient housing is already attracting a premium, albeit not yet on larger developments by the volume housebuilders.
- This would benefit from input from the most active agents in and around the Powys area who would have some robust views on the different sorts of properties and down to local areas. Some values in Newtown will be relatively low but out into the villages will be relatively high. Andrew explained that 13 estate agents were invited to attend this meeting, but none are present. We can put this out to agents for comment. We will need to reconvene at a later stage in the plan process and that may be an opportunity for a more detailed discussion.
- Mortgage valuation is key, they may be a good source for vetting this data. Understand that this will be broad brush, but house prices can be very site (even plot) specific. Needs a caveat that every development is different and each plot needs valuing. Andrew responded that of necessity the high-level assessment that's used to inform the Preferred Strategy has to be generalised in this sort of way but any sites that are likely to be allocated in the plan will go through a more detailed viability assessment process prior to Deposit Plan.
- Relatively few new sites in the locality. Compared to Shropshire where there are numerous sites. Andrew referred to the data on the previous slides. In locations where there are

few/no current schemes, we have also looked at resales on relatively recent developments, in order to get a better sample.

- How is relatively recent defined? Andrew responded that it is the most recent we can find. If we are comparing properties that are being resold with an EPC rating of C or below, then one would expect a new home to easily outstrip that value.
- The sales period is coincidental with the phosphate problem, which has decimated development in rural mid Wales.
- A lack of supply results in the 27.6% premium in November 2023. 10% to 15% premium is right.
- Are there equivalent figures for existing stock? Andrew explained that it covers existing stock to the extent that it may have been built in the last 5 to 10 years.
- Andrew explained that it's not the premium that is important it is the evidence of what property is selling for. This is behind our proposal to do viability assessments based on a range of values of £2,700 per square metre for low and £3,000 per square metre for high.
- A better way may be to analyse existing stock and then add a premium for new build. Andrew explained that the problem with existing stock is that it can be very variable, it depends on the age, condition and EPC rating, which is why the focus is on sites that are either currently being developed but haven't been completed yet, or have recently been completed, because that is more in line with the type of housing being built today.

Conclusions – further consultation with, and evidence-gathering from, local estate agents will take place during the next few weeks.

Slide 10 – Affordable Homes

Powys County Council
AFFORDABLE HOMES



- **2023 WELSH DQR's**
- **Lifetime Homes standard on Market Homes**
- **Methodology for calculating AH values**
- **2021 ACG's incl. Land**
- **Future methodology option within DVM**

Andrew Burrows' comments:

Now have to take on board Welsh DQR not just for social rent but intermediate products as well.

The Council is considering introducing a lifetime homes standards perhaps on 10% of open market homes within each new development; so that those homes can be adapted to cater for increased accessibility requirements. There is a small extra cost of about 1% on the total build costs of a scheme, for achieving this standard.

The methodology for calculating affordable housing values under the SPG is based around Acceptable Cost Guidance including land values, but they haven't been updated since 2021. More recent ACGs that don't include land have increased disproportionately for a variety of reasons, including increase in build costs. There are proposals to move away from ACGs in the future; and to link increases in values paid for affordable housing to rents, rather than to costs. Potential discussions about using the social rent cap that Welsh Government publish annually as being the maximum increase that can be applied to social rents. There is likely to be an increase in affordable housing transfer values over the next 12 to 18 months in the order of 15 to 20%, which broadly corresponds to the increase since 2021 in BCIS cost indices.

Stakeholder's comments:

- There was consensus on the principle of an annual increase based on rental values. BCIS has issues but it is the only public database we have. Hearing increases higher than 17% and 18% in the cost of materials. Social rent levels not increasing to the same level as private rents. Need to be aware of some of the nuances. Andrew responded that if values paid for affordable homes require a more significant cross subsidy from the market homes this will affect the quantum of affordable housing that it's viable to deliver.
- Affordable homes developed by the private sector have to delivered to the Welsh DQR standards.
- The recent ramifications of WHQS also need to be on the list. Introduced requirements about DQR and Lifetime Homes Standards. The Renting Homes (Wales) Act is problematic.
- Andrew explained that an update to the Development Viability Model has been commissioned which will be released by the end of May which will allow other methods for calculating affordable housing transfer values if necessary/appropriate.
- No affordable homes are being delivered via Section 106 because the private sector has not been able to afford to provide market homes and meet the requirements of what's involved in affordable homes. Call for less stringent requirements on private developers. There is an overdemand on what the planning policy requires them to do.
- Agree that the policy we've got is not bringing forward any section 106 homes for the Council as Strategic Housing Authority as well as RSLs.

Conclusion – the Council will take a decision on what values to use for affordable housing on s.106 sites, probably based on a percentage increase to the 2021 ACG's (including land) in line with increases in the Social Rent Cap since 2021, for the purposes of high-level viability work this summer. Further consultation with RSL's active in Powys may need to take place alongside the Preferred Strategy consultation to inform values that are ultimately used to support policies in the Deposit RLDP.

Slide 11 – Development Costs

Powys County Council Development Costs



Definitions of:

- 1) Build/“Plot” Costs
- 2) Normal “External” site costs
- 3) Abnormal Costs – infrastructure, remediation etc
- 4) Community Infrastructure

18 APRIL 2024

Powys Viability Study Group

11

Andrew Burrows’ comments:

BCIS database records what is commonly referred to as “plot costs” (cost of building itself and foundations) as distinct from external site costs, which are costs of providing services to the dwelling, providing access, roads, and creating garden, fences, landscaping. In some cases, there may also be “abnormal” site costs associated with infrastructure improvements, or remediation works, for example. As a fourth category, we have community infrastructure which may be contributions towards off site open space, or recreation or education facilities.

Slide 12 – BCIS Database

Powys County Council BCIS database



- Wales (93; sample 412)
 - Chwyd (90; sample 69)
 - Dyfed (96; sample 48)
 - Gwent (94; sample 64)
 - Gwynedd (93; sample 33)
 - Mid Glamorgan (92; sample 75)
 - Powys (97; sample 24)**
 - Montgomery (98; sample 10)
 - Radnor (98; sample 7)
 - Brecknock (95; sample 7)
 - South Glamorgan (94; sample 58)
 - West Glamorgan (90; sample 41)

- ❖ District sample size in Wales generally
- ❖ Analysis of DVM submissions
- ❖ Build Cost inflation (BCIS Indices) :
 - All-In Tender Prices – **17.2%** since mid-2021
 - General Building Costs – **20.7%**
- ❖ Median BCIS rate
- ❖ Is there some “blurring” between basic “plot costs” and additional cost of Building Regs in Wales? – sprinklers, Part L changes, ULEV etc.
- ❖ Further Call for Evidence

18 APRIL 2024

Powys Viability Study Group

12

Andrew Burrows’ comments:

The BCIS database defines different locations to recognise that costs aren’t the same across the UK. There is a relatively small sample of data for Wales by comparison of other parts of the UK. Not much coming in from quantity surveyors in Wales. BCIS is the only public database we have, but it is not as robust as an indicator of costs in Wales as it is for some other parts of the UK. Hope to get contributions from today’s group re: build costs.

First of all, we have analysed the build cost evidence from the DVM submissions, which is pointing to a range of costs from around £970 at the bottom end to £1,800, with a median of £1,275 psm. This is in line with many other areas, particularly rural areas of Wales. The median BCIS plot cost rate for Powys is currently c. £1,400 psm. In many site-specific viability assessments people are already taking sprinklers and building regulations into account in their plot cost rates rather than identifying them separately. BCIS rates are pre the new Part L and don't include sprinklers, which are only mandatory for all new homes in Wales.

Slide 13 – New Building Regulations

Powys County Council



New Building Regulations (Parts L,F & O)

- **IMPACT OF NEW PART L from 2023**
 - **How much of the new requirement is already being met ?**
- **IMPACT OF FURTHER CHANGES in 2025**
 - **Will additional costs be reflected in higher sales values ?**
- **IMPACT on BENCHMARK LAND VALUES**
- **IMPLICATIONS for HIGH-LEVEL VIABILITY TESTING**

Andrew Burrows' comments:

Need to discuss what we need to allow for the current Part L and further changes to meet the Future Homes Standard and potential impact on viability. In most studies, allowing a total of £2,550 per dwelling as an average for sprinklers and ULEV charging points, plus £3,000 per dwelling to account for the recently introduced Part L changes.

Stakeholder's comments:

- Council and RSLs are now building effectively to Part L already off gas and incorporating solar panels and heat pumps. Real values from the Council and RSLs that could be used.
- Starting to see a trend that planning policy are looking to impose build standards which are over and above or different to building regulations. For example the 10% lifetime homes standard mentioned earlier. If the planning policy goes in, that's an extra charge at an extra cost. Monmouthshire are looking at a policy requiring homes to be built to zero carbon. Need to make sure viability work aligns with new policy.
- Offer from RSL to help on this as new contracts on the basis of the new Part L. Costs identified are low. Andrew clarified that the £3,000 per dwelling is to take into account recent Part L. The Future Homes Standard will potentially add a more significant cost.
- Costs are a bit light for those other systems to meet the standards. Changes to Part L, F and O frontloads the technical stuff (especially re: Part O). Detailed design and/or re-design is necessary at an earlier stage in the planning/development process. This front-loading of costs affects viability, especially if looking at passive house systems.

- £3,000 per dwelling is on the low side. In rural villages, already using LPG gas boiler at an increased cost of £650/£700. With air source heat pumps the difference in cost is greater than £3,000 and larger radiators to put in as well. Andrew is familiar with the point about rural locations and so on potentially adding to costs.
- Seeing other standards that are overlapping and asking for different things, which is complex. The Government are giving out a grant for £7,500 for heat pumps. Ventilation systems are not specified but people are finding out that additional things are required. Helpful for the Council and RSLs to share information on schemes.

Slide 14 – Build / Plot Costs

Powys County Council Build / “Plot” Costs



Suggested range of basic “plot cost”

- £1,150 psm (£107 psf) for sites of 100+ units
- £1,250 psm (£116 psf) for 50 – 99 units
- £1,360 psm (£126 psf) for 20 – 49 units
- £1,420 psm (£132 psf) for 10 – 19 units
- £1,475 psm (£137 psf) for 6 – 9 units
- £1,525 psm (£142 psf) for 2 – 5 units
- £1,550 psm (£144 psf) for 3-bed single unit
- £1,600 psm (£149 psf) for 5-bed single unit

Andrew Burrows’ comments:

This slide shows the plot cost rates that the Council proposes using in the high-level testing before additions for sprinklers and Part L. These are informed by candidate site submissions in various locations in Mid and South Wales and are also consistent with rates being used elsewhere e.g. Pembrokeshire and Carmarthenshire, Monmouthshire, Bridgend and Swansea. Intended to reflect a bigger impact of cost inflation on smaller construction firms than on the volume builders.

Stakeholder’s comments:

- Think they are low, looking at single unit schemes coming in at £1,700 psm. Questions what sort of buildings are we going to end up building.
- Useful to see the other elements to see what the total rate adds up to for each unit. Tender prices received by this RSL are way above these costs. Andrew explained that for an average dwelling of say 90 sqm, the supplementary allowances for sprinklers, Part L and external site costs add approximately £250 - £260 sqm to the figures on this slide.

Slide 15 – Other Development Costs

Powys County Council Other Development Costs



- **NORMAL “EXTERNAL” COSTS**
 - 15% - 20% of Plot Costs : £17,500 per dwelling (Estate Housing)
 - 5% - 10% of Plot Costs for High Density/Apartment schemes
- **ABNORMAL COSTS – reflected in Land Value**
- **SPRINKLERS – an ongoing extra cost?**
- **SuDS – land requirements**
 - construction & adoption costs

18 APRIL 2024

Powys Viability Study Group

15

Andrew Burrows' comments:

This sets out the typical assumption for normal external site costs which will typically add 15 to 20% to the plot costs on the previous slide. Adding a rate per dwelling seems more accurate because a percentage of plot costs will depend on what the plot costs are. Typically, £17,500 per dwelling to provide all utility and drainage connections to a dwelling, general landscaping parking, fencing, roads, gardens and fences, not a garage.

Principle that abnormal costs in viability assessments should normally be accounted for in land values. If land remediation is required, it should mean that a lower value is paid for the land in the first place. The same is true for major infrastructure improvements. Importance of sorting viability at the plan-making stage.

Para. 4.2.19 in PPW10 and 11 (now para. 4.2.20 of PPW 12) is aimed at dealing with viability at the plan making stage so that everybody knows where they stand.

General recognition that introduction of SuDS will affect net/gross site area. Neath Port Talbot suggested 10% impact on net to gross, which means 90% of site would be developable, in terms of looking at densities. The cost of including SuDS and adoption costs, little evidence at the moment certainly in Powys.

Stakeholder's comments:

- What is included in the plot cost? For example, where would drainage go? Andrew confirmed that drainage goes into externals. And where would foundations go? Andrew confirmed that foundations go into plot costs.
- Noted that an allowance of £15,000 per dwelling had been made in the Bridgend viability work in 2020. Questioned whether the increase to £17,500 is in line with the increase in cost

of materials and labour. Andrew responded that it is an increase of 17% which is in line with the BCIS All-In Tender Prices Index.

- Most of their sites are 20 to 30 houses, using subcontractors which tend to be one-man bands or very small companies. Buy all materials themselves and own the plant. Would struggle to achieve these costs. Costs are quite a bit higher than that. Somebody using main contractors would not be able to get anywhere near these prices.
- Andrew asked whether prices were stabilising as they appear to be according to the press. Participant responded that timber has come down, but prices increasing on plaster, plaster board, aggregates, asphalt, concrete. Suppliers passing on inflation.
- Prior to completing candidate sites viability assessment, asked general contractors about their rates and depending on the finish, they were looking at between £1,800 and £2,000 not including externals or sprinklers.
- Not had a tender back from a main contractor at under £2,000 per square metre for two years, depending on complexity can be more. Groundworks costs might have been 25% of the total tender a few years ago. Now they are probably a third or in some cases 40%. SuDS is a big factor, which can also add to road costs if you are starting to look at permeable tarmac.
- These rates look light but difficult to compare build costs to different levels of specification. Providing social housing to lifetime homes standard, with MVHR, air source non carbon heating, PV and battery storage. The specification may not be the same in private sector building circles.
- Agreed that this process of considering viability at the plan making stage is the right way to go about it. Land contamination, coal deposits in Ystradgynlais. Landowners expectations on site values (not willing to part with land at a reduced value) can be constraining factor.
- The Contaminated Land Officer raised the issue of materials and waste management requirements. Seeing in Wales that vast majority of developers are not taking into account issues around material management. Potentially an abnormal cost. Andrew asked how significant it is in Powys. Dow Cop Waste management scheme is a materials management process which was prevalent in England but not being adopted in Wales. It is having a significant impact on developments.
- A lot of costs that used to be abnormal are now normal, for example ecology, contamination, positive biodiversity. Requirements added onto the system but not factored into normal costs.
- The demands are heavy. Reference to a site where 25% ended up being used for SuDS. Local authorities have different approaches to adoption costs.
- Depends on whether soakaways work on the site. One site is not making much difference, but where more clay ground, where soakaways won't work, right with the percentages.
- Difficult as every site needs to be looked separately. May be worth a conversation internally with SAB to understand what their likely requirements are of developers. Green features can potentially be included in public open space.
- In terms of commuted sums, Welsh Government are due to let a contract to a consultant to go into every local authority to agree a set of costs that can be shared with the development industry. There will be no requirement for them to be consistent across Wales. Possibly will see data coming out in six months.
- Heard of a scheme where the commuted sum was £12,000 per property for an RSL. Andrew explained that the expectation on commuted sums in Swansea going west is under £5,000 per dwelling. The proposal here in Powys was to adopt £4,500 per dwelling.

Conclusion – a couple of participants offered to share evidence on build costs with Andrew on a confidential basis. This will be followed up.

Slide 16 – Fees, Warranties & Contingency Sum

Powys County Council

Fees, Warranties & Contingency sum



- **PROFESSIONAL FEES**
 - **4% - 12% of Plot Costs + Externals : includes warranties**
 - **typically 10% on infrastructure/abnormal costs**
- **CONTINGENCY SUM – typically 5%**
- **SALE & MARKETING COSTS**
 - **2.5% of Open Market Sales on sites of 20+ units**
 - **2% on sites below that threshold**
 - **Legals £600/unit (normally less for AH on larger sites)**

18 APRIL 2024

Powys Viability Study Group

16

Andrew Burrows' comments:

These shouldn't be contentious. Used in viability assessments across Wales. On larger sites where standard house types are being used would expect 4% but ranging up to smaller dwellings which are individually designed at 12%. The average benchmark is around 6%. Typical allowance of 10% for infrastructure and abnormal costs where external consultants are brought in.

Typical to allow for a 5% contingency on all construction costs, including the fees.

Typical sales and marketing costs used, with higher rates on sites of 20 or more units. On the smaller sites, there won't usually be an on-site sales presence.

Then an addition of £600 per dwelling for legal costs of sale.

S106 contributions have been quite low, Powys are currently reviewing the contributions. Building something into high level assessments to take into account expectations, but may change prior to Deposit Plan.

Stakeholder's comments:

- Noted that a recently signed building contract had included allowance for inflation, on the top of the usual contingency allowance. Andrew agreed that this was prudent; but questioned how we would allow for it, as the timing of future developments on sites allocated in an LDP is uncertain. In much of the past 20 years, increases in construction costs have been at least matched by increases in market values.

Conclusion – general consensus that the rates shown on the slide are appropriate for high-level viability assessments.

Slide 17 – Finance Costs

Powys County Council Finance Costs



Up to Feb/Mar 2023

- 6% p.a. debit interest, 0.5% p.a. credit : “all-in” rate for medium/smaller sites
- 5% p.a. debit for larger sites

Current Rates – discuss; is the spread between smaller and larger sites widening?

Andrew Burrows’ comments:

Prior to February/March 2023, would typically allow 6% as an all in debit rate, or 5% for larger sites. Rates are higher than this at the moment; but expectation that they will come down again. Rates discussed at other VSGs range for 6% on sites of 50 units plus, and 8% on sites of 10 units and less.

Stakeholder’s comments:

- Often an upfront 1% on outgoing, certainly a private scheme. Andrew confirmed this is including this. Participant responded that this is way off then. Coming in at 9% at the moment. Finance for small scheme, in experience smaller schemes would be 1% a month all in.
- Development Bank Wales are about 4.5% above base rate.
- Andrew explained that there is an assumption built into the viability assessments that the developer will be providing some equity. The assumption generally is that you are borrowing 60% of the working capital requirement and contributing 40% from equity. The interest rate is based on that assumption, albeit that interest is calculated on both the borrowing and the equity input at the same rate (i.e. that the equity input is considered to have an opportunity cost equal to the cost of borrowing). Development Bank of Wales are typically the lender of choice on schemes involving higher loan to value ratios; and obviously the rates are higher.

Conclusion – to be consistent with other RLDP’s, debit interest rates ranging from 6% to 8% will be used in the high-level viability assessments.

Slide 18 – Developer’s Profit

Powys County Council Developer’s Profit



*“ a surplus sufficient to provide both an **adequate profit margin for the developer** and a land value sufficient to encourage a landowner to sell for the proposed use.” (Development Plans Manual p.138)*

➤ **Concept of “market risk adjustment”**

➤ **Lender’s requirements**

➤ **Typical margins**

- 15% to 20% on Gross Revenue from Open Market Sales
- 10% incentive/contingency on single plots
- 6% on Affordable Housing costs

Andrew Burrows’ comments:

Typically, using 15% to 20% profit margin depending on size of scheme to reflect degree of risk. 10% margin or contingency sum for single plots. For affordable housing 6%, as a “contractor’s rate”.

Conclusion – the appropriateness of these levels of profit margin was not questioned.

Slide 19 – Land Values & Acquisition Costs

Powys County Council Land Values & Acquisition Costs



- **EXISTING USE VALUES** – agricultural and commercial
- **LAND for NEW HOUSING**
 - Range from £150k – £200k per net acre depending on location and house prices (£2,700 – £3,000 psm) for sites of 10+ units
 - c.20% higher (£180k – £240k per net ac) for sites of 5 – 9 units
 - Higher values (£200k – £300k per net acre) for sites < 5 units and single plots
- **ACQUISITION COSTS**
 - Models calculate LTT
 - 1.5% for legal and agency/introductory fees

18 APRIL 2024

Powys Viability Study Group

19

Andrew Burrows' comments:

These figures are based in part on the candidate site viability submissions, also looked at land on the market and recent transactions.

Andrew asked if there was a view on existing use values. What are typical agricultural and commercial land values in Powys? No comments.

Stakeholder's comments:

- Difficult to take an average, varies across the county, but generally the range of values on the slide appears low. Andrew responded that in some candidate site submissions, values of £100,000- £125,000 per acre had been used.
- Suggested that the upper end of the range should be increased to c. £250,000 to £300,000 per acre. Andrew asked for evidence of those values being provided for larger sites. Agreed that data from some site valuations could be shared confidentially with Andrew.
- What is the rationale in price based on site size? Andrew responded that this more of an observation of candidate site submissions and evidence of what is paid for sites. It will vary from one area to another. A landowners expectations may be more easily met when talking about millions of pounds (i.e. for larger sites). Participant responded that another factor maybe s.106 contributions expected on larger sites.
- Noted that a large number of allocated sites in the current LDP haven't been developed. Information on sites that have failed to deliver. Is there a way of looking into that information in detail to make a comparison between these figures. Are landowner expectations realistic. Andrew explained that we could look more specifically at North Powys and whether their DVMs include an unrealistic land value; but impression was that that was not the case.
- Andrew clarified that the values are based on land with outline consent; and not taking into account any "abnormal" site costs.

Conclusion – some further analysis and evidence-gathering would be appropriate to substantiate whatever benchmark values are used for the high-level viability assessments that will be undertaken this summer.

Slide 20 – Other Issues & Next Steps

Powys County Council Other Issues & Next Steps



- **OTHER POINTS / ISSUES to discuss ?**
- **THANK YOU** for your contribution
- **RECORD of this meeting**
- **VIABILITY STUDY GROUP**
 - **who?**
 - **when?**

Andrew Burrows' comments:

Andrew asked for anything further to raise or discuss.

Andrew explained that there will be a written record of the discussion under each PowerPoint slide, which will be circulated to everybody who's attended.

Andrew thanked all for coming and for contributing to the discussion. Andrew stressed the need to keep the discussion going as some points have not necessarily reached a conclusion. Please send an email to ldp@powys.gov.uk if would like to continue to be part of the VSG.

We will try to get more estate agents into the fold. Andrew would also like to have individual discussions with those who offered about build costs. Will look at evidence behind the Benchmark Land Values again.

Stakeholder's comments:

- Policy and implementation team need to take on board that if they ask for too much, they will end up with nothing. The contributions being made have got to be proportionate to values and costs. Or it will be left to RSLs to secure the grant assistance to meet the entirety for the County's affordable housing needs.
- The position over phosphates is confusing. Wouldn't be covered by any cost allowances referred to in this session. Does there need to be an allowance? Adrian explained that things are being dealt with on a site-by-site basis. AMP8 will give more confidence as to what can be brought forward.

- Whether there are enough sites to move forward to Preferred Strategy? Adrian responded “yes”.
- Whether sites on Best and Most Versatile (BMV) land will be reconsidered as candidate sites if survey finds it is not BMV? Adrian responded that additional evidence will be considered.