

REPORT FOR: MAJOR DEVELOPMENTS PANEL

Date of Meeting:	8 November 2010
Subject:	Development Scenario Testing and Viability Appraisal – Study Findings
Key Decision:	No
Responsible Officer:	Andrew Trehern, Corporate Director Place Shaping
Portfolio Holder:	Councillor Bill Stephenson, Leader of the Council and Portfolio Holder for Finance and Business
Exempt:	No
Decision subject to Call-in:	No
Enclosures:	Consultants Brief for the Viability Study

Section 1 – Summary and Recommendations

This report informs the Panel of the viability appraisal study being undertaken on behalf of the Council by consultants GVA Grimley. It briefly outlines the aims of this study and sets the scene for a presentation of the initial findings to this Panel by the consultant team.

Recommendations:

It is recommended that the Panel:

1. Note the interim findings on the viability appraisal study undertaken by GVA Grimley on behalf of the Council; and

2. In the light of the presentation by GVA Grimley, comment on any issues arising from the interim findings that the Panel consider should be taken into account in finalising the study.

Reason: (For recommendation)

To inform the Panel of the findings of the viability appraisal study and its role in confirming emerging policies for housing, employment and social and physical infrastructure within the Harrow Local Development Framework.

Section 2 – Report

Introductory paragraph

1 In establishing new planning policies through the Harrow Local Development Framework (LDF), it is crucial that the Council tests the impact of such policy requirements, or variations thereof, on the viability of development. If the policy requirements are too onerous they run the risk of sterilising development opportunities within the Borough. Conversely, if the requirements are too flexible or unambitious, then it is unlikely that the full benefits arising from new development will be realised (e.g. in respect of the levels of affordable housing provision, environmental and sustainability performance, as well as other planning obligations).

2 The purpose of the viability appraisal study is to assess the likely impact of a range of potential housing, employment and mixed-use development scenarios on site viability. A key component of this work is to determine the levels of affordable housing that a development scheme might provide, having regard to building costs, sales values and the finance available for different tenures of affordable housing, including public subsidy. A further requirement of the study is to understand the viability of redeveloping employment sites for employment use or mixed use development, as well as to consider what other planning obligations might be supported in addition to affordable housing.

3 The study will inform and assist the Council setting realistic policies and targets within its LDF – the delivery of which is one of the Council’s Flagship Actions.

4 The study commenced on 31st August, and has involved two rounds of engagement workshops with developers and local agents. The first of these was to critique the methodology to be used, while the second was to enable the opportunity to review and comment on the interim findings. The final report is due to be completed by mid November.

Options considered

5 The viability appraisal of affordable housing policies is a requirement of national Planning Policy Statement 3 – compliance with which is a core test of the LDF's 'soundness'. This was the subject of a widely publicised Court of Appeal decision [*Persimmon Homes, Barratt Homes and Millhouse Developments v Blyth Valley Borough Council (2008)*] in which the Court of Appeal held that an informed assessment of the economic viability of a local authority targets for affordable housing was a crucial feature of planning policy guidance and where a local authority fails to carry out such an assessment, its housing targets will not comply with PPS 3 and will therefore be ultra vires.

6 Given the above, the only options considered were those in respect of the development scenarios to be appraised and the variables to model, including alternative tenure splits between intermediate and social housing and assumptions regarding social housing grant.

Current situation

7 The consultants are currently undertaking the modelling work that determines under what circumstance a development scheme either becomes viable or not. The findings of the modelling are to be the subject of scrutiny by officers and the local development industry in early November. Prior to preparing the final report, and given the remit of the Major Developments Panel, it was considered appropriate that the consultants also present the interim findings to this Panel so that it might better understand the likely viability considerations underpinning new development in the Borough and seek clarification on any matters of concern.

Financial Implications

8 The cost of the study is £23,288 and will be met from allocated funds for the LDF within this year's Place Shaping budget.

Risk Management Implications

9 Failure to undertake a robust viability appraisal will result in the Core Strategy and other LDF documents being found 'unsound' by the Planning Inspector at an Examination in Public. The further implications are that the Council would fail to meet Flagship Actions and to deliver the Local Development Scheme to agreed timelines. Such risks are already included on the Directorate Risk Register.

Equalities implications

10 An equalities impact assessment is not required of baseline studies such as the Viability Appraisal Study. However, such studies are used to inform the policies to be taken forward in the Core Strategy and other LDF documents, which will be the subject of Equalities Impact Assessment.

Corporate Priorities

11 Evidence base studies, such as the Viability Study, are required to inform the preparation of LDF documents and will therefore assist in the delivery of Flagship Action 3.3, to:

“Prepare an Area Action Plan to deliver future prosperity for the heart of Harrow to help the Council, the community and developers understand and provide new development that improves environmental quality, vitality and economic prosperity”

Section 3 - Statutory Officer Clearance

Name: Kanta Hirani	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 27 October 2010		
Name: Abiodun Kolawole	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 25 October 2010		

Section 4 - Contact Details and Background Papers

Contact: Matthew Paterson, Senior Professional LDF Team. Tel 020 8736 6082. Internal ext. Email matthew.paterson@harrow.gov.uk

Background Papers: Consultants Brief for the Development Scenario Testing and Viability Appraisal Study