

Joint Core Strategy (the JCS) for Broadland, Norwich and South Norfolk

Brief for Technical Advisor from Inspectors Roy Foster and Mike Fox

Background

The JCS proposes major growth, including almost 37,000 new homes by 2026, with 40% of those on sites of 5 or more to be affordable homes (see policy 4).

Preliminary questions to the LPA

After preliminary perusal of the JCS a list of questions was sent to the combined LPAs (the Greater Norwich Development Partnership – GNDP), one of which concerned affordable housing as follows:

The Blythe Valley judgement indicates that viability testing is crucial to soundness. It is noted that there has been some testing in Norwich - see Document H5 via “document finder” at www.gndp.org.uk However, the JCS evidence base does not appear to contain similar viability studies in Broadland and South Norfolk. The question therefore arises:

Q13 Is there a fatal lack of evidence on AH testing? Could the Broadland testing (undertaken at the time of the local plan) fit with the terms of the Blythe Valley judgement concerning the subsequent change in the national definition of AH in PPS3?

The response from GNDP

This reads: *The GNDP considers that there is evidence, sufficient for a Core Strategy, to justify the policy on Affordable Housing. The Broadland testing in 2006 is not part of the justification for this policy.*

The evidence base includes estimates of the potential for land value capture, although not in the form of a single stand alone study of affordable housing viability. Instead, the evidence that the policy on affordable housing is realistic is drawn from other sources.

[The Infrastructure Needs and Funding Study 2009](#) (INF1) looked at the total amount of infrastructure needed to cater for the scale of growth being planned for. Without a view of the necessary infrastructure and its cost, it would be impossible to assess viability of a specific contribution requirement, such as affordable housing. The study contains at chapters 14, 15 and 16, an assessment of the costs of infrastructure broken down by broad location, a general discussion of funding arrangements and an assessment of the opportunities for introducing a tariff-based charge, based on the market assessment. The market assessment was undertaken by specialist subcontractors Drivers Jonas and included dialogue with land buyers and local agents [see section 16.1 of the report]. When the study was produced, regulations governing CIL had not been produced their final form, though early drafts had been published.

This part of the study tests potential for land value capture in the light of a number of considerations. These explicitly include the provision of affordable housing and include:

- *40% affordable housing*
- *A notional 70/30 split between social rented and intermediate housing*
- *Assessments based on two scenarios, an assumption that affordable housing grant will be paid at historic rates, and an assumption it will not*
- *Tariff payable on all units including affordable*
- *Different assumptions about future market strength*
- *Different assumptions about landowner expectations of land value*
- *The impact of these considerations on viability in different parts of the area*

The GNDP is also aware of a report by Tribal for Thames Gateway South Essex partnership looking at methodologies for undertaking affordable housing viability assessments. That report (which is available from TGSE but not currently published on their website) notes that land value expectations tend to be greatest in relation to brownfield sites, but that while this can affect expectations relating to greenfield sites, in reality, even a development with significant affordable housing and section 106 requirements on a greenfield site will nonetheless create significant value over and above alternative uses.

In light of the findings of the [The Infrastructure Needs and Funding Study 2009](#), and also to satisfy itself as to the reasonableness of its current policy, Norwich City Council commissioned Drivers Jonas to undertake further detailed work on viability within the city. This looked at a number of sites which had come forward recently, evaluating the potential for a policy requirement of 40% affordable housing. The report examined sites in terms of their size, previous use, other section 106 contributions and details of the acquisition when known, taking into account the time and state of the market when the site was acquired. It does however remodel them on the assumption that the 40% affordable housing would be sought rather than the current policy requirement. It tests sites on a with and without housing grant basis, compares the residual value with the previous or alternative uses, using different assumptions about future market strength.

The view of the GNDP is therefore that there has been sufficient examination of the local housing market, based on a reasonable range of assumptions and differing market conditions, to give confidence that the policy is appropriate for a Core Strategy and is sound. However, housing markets are volatile, and testing at any one point in time cannot offer cast iron guarantees in relation to a wide range of sites and all possible permutations of market, landowner and grant availability considerations. It is therefore important that the wording of a Core Strategy policy is sufficiently flexible to take account of such considerations at the point of implementation, and that GNDP is firmly of the few that this is the case.

Funding from the Homes and Communities Agency will significantly affect the viability of development and Single Conversations have taken place or are ongoing with all three districts and the GNDP.

Local Investment Plans will be the starting point for partners to consider the HCA resource allocation to local areas. The Single Conversation will provide the opportunity for partners to build programmes of investment to deliver a range of outputs. In the case of the HCA, the Local Investment Plans will help to build up the Regional Investment Plans, which in turn will help inform the HCA's Corporate Plan.

The Local Investment Plan will set out all the needs for an area to deliver the agreed vision and objectives and identify anticipated outputs and outcomes attributable to all partner interventions.

Like other authorities in the East of England, the GNDP authorities are working with EEDA to ensure that the IDP fulfils the requirements of Local Investment Plans as promoted by the HCA.

Exploratory meeting

An exploratory meeting has been arranged for 13 May at which a number of matters will be explored with GNDP, including affordable housing. The agenda note by the Inspectors reads as follows:

Preliminary soundness concerns arise around whether the AH-related proposals of the JCS are based on robust and credible evidence meeting the requirement of PPS3 (para 29, bullet 4), that 'Local Planning Authorities will need to undertake an informed assessment of the economic viability of any (proposed) thresholds and proportions of AH...'

This requirement is reinforced by the Blythe Valley (BV) judgement of the Court of Appeal. LJ Keene said '...an informed assessment of viability of any such percentage figure is a central feature of the PPS3 policy on affordable housing. It is not peripheral, optional or cosmetic. It is patently a crucial requirement of the policy'.

Specific viability testing on the current definition has only been undertaken in the case of the City of Norwich. It has not been undertaken in the case of Broadland and South Norfolk.

In the case of Norwich (document H5) the testing covered the 'proportion' (40%) but did not overtly test sites below the proposed 'threshold' of 5, despite this being lower than the national indicative figure of 15. The 6 sites appraised in the Drivers Jonas study were all larger than 15, ranging from 25 to 151 units.

In assessing the 'proportion', the study considered 'strong & weak' market conditions and 'with & without' grant scenarios. It was found that even in the peak market, full viability of the 6 schemes required the availability of grant. Without grant, only 3 were viable and another was marginally so. Of these 3, two were sites with possibly unusually low established use value (allotments and private sports pitches).

Even though Norwich is said to have been more than averagely successful in attracting grant it is unclear how far this relative success has extended to the JCS or Norwich Policy Areas as a whole or what grant availability will be in future.

In response to the Inspectors' query about viability testing of AH across the JCS area (Q13), GNDP has stated that affordable housing viability testing has been undertaken in the context of the general high-level testing of AH and tariffs at part 16 of the EDAW/Drivers Jonas Infrastructure Study (document INF1), but it is unclear that this evidence is sufficiently focussed to satisfy the Blythe Valley test.

According to INF1, housing grant is likely to be necessary to meet funding gaps in the Growth Triangle (in unstated market conditions); in the Norwich and mid-South Norfolk HMAs of South Norfolk (even in strong market conditions) and in the 'Rest of South Norfolk HMA (in weak market conditions).

INF1 p217 states "...the issue of grant support is critical to securing tariff based on an affordable housing target of 40%".

Summary *The above suggests that there is no specific evidence about the viability of a reduced threshold, or (in Broadland and South Norfolk) about the 40% proportion, although it is clear that heavy reliance would have to be placed on grant availability. Even within Norwich it is not entirely clear that 40% AH was viable even in the unsustainable state of market boom prevailing in 2007, still less now, and particularly without grant.*

Questions for the technical advisor

It would be helpful to have a preliminary assessment of the questions set out below by Tuesday 11 May (pm). This will enable me to gain a better 'in principle' understanding of whether or not the evidence is capable of passing the PPS3/Blythe Valley tests and is/is not a subject needing more consideration/work by GNDP.

If the examination proceeds it may be helpful to have access to the advisor on more detailed aspects of the policy/evidence.

In the meantime, the immediate questions are:

- 1 Do the relevant parts of the EDAW/Drivers Jonas report (INF1) adopt a reasonable method of assessment? Does this approach provide robust and convincing evidence to underpin policy 4 and satisfy the PPS3/Blythe Valley tests?
- 2 Is the report sufficiently focused on the viability of affordable housing?
- 3 Does the report assume unrealistic levels of captured land value?
- 4 Does the evidence place an unrealistic emphasis on the availability of past average levels of grant per AH unit bearing in mind the policy requirement to substantially increase the proportion/quantity of AH units provided?

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