

# Welsh Government Response to Inspectors Questions

24/09/15

Neath Port Talbot Council has utilised the Development Appraisal Toolkit (DAT) as a development viability tool which is a common approach widely used by local authorities in Wales to assess residual land values. From the methodology set out in the AHVS (EB10) it would appear that the Council has broadly covered the costs that an applicant would reasonably be expected to incur. However, as raised in our previous hearing statements we highlighted certain assumptions that require further clarity; these were primarily in relation to abnormal/exceptional development costs, building regulations (sprinklers) and S106. **This still requires resolution.**

**In terms of the specific inputs, values and consequential unit percentages concluded through the application of the viability tool, this is a matter for the development industry to comment on, not the Welsh Government. It may be appropriate for a further hearing session to consider this particular point.**

MAC39 has amended the wording of the policy to seek a percentage of units, removing reference to GDV as previously stated. The WG does not disagree with the concept of converting the percentage of units achieved (following a robust methodology based on financial viability) into the equivalent financial sum, thereby placing the onus on the local authority to deliver affordable housing using this financial sum.

The authority has explained that such a financial sum received from development would then be used to deliver affordable housing units, reflecting the need identified in the LHMA. The authority claim this will result in an additional number of units being delivered, primarily predicated on the premise that smaller units can be delivered (matching the LHMA evidence) hence an increased numerical delivery rate.

This principle appears to merely be a process of converting units into an equivalent financial value; the Council utilising this money more responsively to facilitate an increased number of units on site, for the same financial value. It is claimed not to add an additional financial burden on an applicant; thereby not affecting the financial viability of development and therefore would not hinder development coming forward. **The Inspector will need to be content that the evidence reflects this position and does increase/alter the financial value being sought from proposed development.**

The authority's additional paper includes two tables which claim to demonstrate that from a notional example site comprising 35 dwellings, utilising the GDV method can deliver 9 affordable units as opposed to 7 using the percentage of units. It would assist clarity if financial values could be attributed to the different unit types in both examples to demonstrate that the total financial value of both the 7 and 9 unit layouts are identical, i.e. no additional financial burden on the applicant.

There several consequential issues arising from the current MAC39:

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- The MAC wording now refers to percentage of units. Applying this policy to an application would not enable the GDV principle to be considered as the policy only refers to percentage of units. It is unclear how the authority could negotiate on the principle of GDV. It would not be sufficient to rely on references in the reasoned justification; if it is being sought it needs to be in the policy itself.
- The delivery of units should be achieved on site to ensure community cohesion is maintained, not resulting in a more segregated approach. Therefore, the proposal needs to accommodate the additional units being sought in an integrated manner.
- The WG understands the concept of achieving an increased number of smaller units on sites for an equivalent amount of finance (assuming there are no fluctuations in build costs etc.) but it is unclear as to how this principle would work in reverse and how this balance applies to all proposals identified in the plan.
- The overall scale of affordable housing proposed to be delivered is predicated on a percentage of units averaged across the scale of housing provision. By indicating an increased number actually delivered through the authority's approach there would be a consequential increase in the affordable housing delivered which should be reflected in the plan.

It should be noted that **Policy AH1 will still require a further amendment to ensure that reference is made to the ability to negotiate on a site by site basis where financial circumstances do not support the delivery of the percentage specified in the policy.** This is a standard approach across the whole of Wales to ensure an element of flexibility in the policy and should be included here and accord with the Blyth case. A sentence reading; "Specific site targets may vary subject to viability and negotiation" would be satisfactory. This should be in the minority of circumstances, but is a necessary component of the policy. We have made this representation previously in our response to MAC 43.

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