



Replacement Local Development Plan (RLDP) (2022-2037)

Call for Candidate Sites: Financial Viability Assessment Guidance Note

May 2023

Executive Summary

*This document is available in Welsh
Mae'r ddogfen hon ar gael yn Gymraeg*

1. Introduction

1.1 National planning guidance in Planning Policy Wales 11th Edition, February 2021 (PPW11) makes it very clear that the deliverability of sites, including the financial viability of a proposal, should be demonstrated at the Candidate Site stage of Local Development Plan preparation. The Financial Viability Assessment Guidance Note is published to inform potential site proposers regarding the Council's requirements for Financial Viability Assessment as part of the Candidate Sites Assessment process. It has been published in advance of the RLDP Call for Candidate Sites to give maximum time for consideration. If a site fails to provide such evidence or if the evidence demonstrates that the site is unviable, the site will not be considered for allocation within the Replacement Local Development Plan (RLDP). Additional useful documents are the Council's:

- Candidate Sites Assessment Methodology (May 2023)
- Call for Candidate Sites: Submission Guidance Note (May 2023)
- Revised Planning Obligations SPG (adopted Feb 2023).

2. Overview of the Candidate Sites Process

2.1 In accordance with the Local Development Plan Regulations, the Council will undertake a Call for Candidate Sites comprising an eight-week period during which submissions will be invited from interested parties who wish to have land considered for inclusion within the RDLP, either for development, re-development or protection from development. Sites can be submitted for a wide range of land use purposes including housing, employment, community facilities, tourism, green infrastructure, waste, health, education, social care, Gypsy and Traveller provision, retail, recreation, renewable energy, biodiversity, transport infrastructure and minerals.

2.2 A Second Call for Sites and Call for Additional Supporting Evidence will be undertaken in conjunction with the public consultation of the Preferred Strategy.

2.3 The Call for Sites Submission Guidance Note advises on the supporting information to be submitted. This must include a Stage 1 viability assessment. An inadequate level of information to demonstrate the deliverability of a site (including financial viability) is a valid reason for rejecting a site from Stage 1 of the assessment process.

2.4 A Second Call for Sites will accept new sites and provide existing site proposers the opportunity to submit additional supporting evidence to address any outstanding issues. A Stage 2 viability assessment and ecological surveys will also be required at this time. It is not expected that the Council will accept any new Candidate Sites following the close of the Second Call for Sites.

3. Stage 1 Financial Viability Assessment

3.1 DPM3 (2020) provides guidance in relation to demonstrating financial viability of sites. Key sites and strategic allocations that are critical to the delivery of the plan's strategy must be supported by a detailed site-specific viability appraisal. To accompany an initial site submission at the Call for Sites stage, the Council is asking for a Financial Viability Statement as follows:

- Confirmation that there is development potential for the proposed use. The site should be generally attractive to the market for development at the proposed location;
- Confirmation that the site can accommodate the broad levels of affordable housing, other policy / Section 106 requirements and infrastructure costs set out by the LPA; and
- Where there are financial shortfalls inhibiting development from coming forward, funding mechanisms are, or can be secured to make the site financially viable.

3.2 The Statement can be submitted in any form but must specifically confirm that the site proposer is satisfied that, considering likely planning obligations, and current / anticipated market conditions that a developer could return an acceptable profit margin. This Statement is mandatory.

4. Stage 2 Financial Viability Assessment: Development Viability Model (DVM)

4.1 A Second Call for Sites and Call for Additional Supporting Information will be carried out alongside public consultation on the Preferred Strategy. At this time, a Stage 2 Financial Viability Assessment will be required for those sites which are progressing to the Stage 2 Candidate Site Assessment process. New Candidate Sites submitted as part of the Second Call for Sites will also have to submit a Stage 2 Financial Viability Assessment at this time.

4.2 DPM3 (2020) sets out detailed advice on viability testing in Chapter 5 'Viability Testing for a Development Plan' including guidance on core assumptions, viability components, modelling and inputs for both high level and site specific appraisals.

4.3 The Council has worked in partnership with other Councils across the region, alongside Town Planning and Development consultants Burrows-Hutchinson Ltd, to establish the Development Viability Model (DVM) assessment tool. The DVM has been created as a comprehensive, user-friendly model that can be used by site promoters and decision makers for the purpose of assessing the financial viability of a development proposal.

Site promoters must submit a financial viability assessment using the DVM as part of the Stage 2 Candidate Site Assessment process. The fees for the provision of a copy of the DVM are as follows:

- Sites of 1-9 units - £195 plus VAT
- Sites of 10-50 units - £345 plus VAT
- Sites 51-100 units - £495 plus VAT
- Sites of more than 100 units - cost to be agreed with Council depending on size and complexity of proposal

4.4 To obtain a site-specific copy of the DVM, together with the user guide and videos, or to discuss any matters relating to the DVM, please contact us on ldp@torfaen.gov.uk .

5. Overview of Common Requirements

5.1 Planning obligations will be likely where there would be a detrimental impact upon the site or local community as a result of the proposed development that can be mitigated. A summary of the most common obligation requirements is set out in Table 1 below.

Table 1: Summary of Common Requirements			
Type of Obligation	Residential development threshold	Commercial development threshold	Obligation
Affordable Housing	3 dwellings or 0.1 ha (10 dwellings or 0.33 ha) ¹	N/A	Site Specific - On site provision for an RSL and / or commuted sum: - <ul style="list-style-type: none"> ▪ up to 5% in North Torfaen² ▪ up to 25% in Pontypool ▪ up to 20% in Cwmbran West & North ▪ up to 30% in Cwmbran South & East
Highways & Transport	No Threshold	No Threshold	Site Specific - Highways Infrastructure Works and / or Sustainable Transport Works according to need
Educational Facilities	10 dwellings	N/A	Site Specific - Provision for additional capacity according to need
Community Facilities & Regeneration	25 dwellings	1 ha or 1,000 m ²	Site Specific - Provision for additional capacity according to need
Biodiversity, Geodiversity & Ecological Resilience	No Threshold	No Threshold	Site Specific - Mitigation and / or compensation according to impact
Recreation, Open Space & Allotments	3 dwellings or 0.1 ha or loss of such facility	Loss of such facility	Site Specific - Provision of additional capacity and / or compensatory provision according to need (adopted FiT, Council, NRW and allotments Standards and / or LDP Policy)

Notes:

¹ Following a viability review (as part of the 2015 Torfaen LDP AMR reported to Council 15th December 2015), the threshold for affordable housing provision in the North Torfaen

(Blaenavon & Abersychan), Pontypool and Cwmbran North & West Housing Sub-Market Areas (HSMAs) has been raised to 10 dwellings (or 0.33 ha).

- ² The Council also resolved (on 15th December 2015) to reduce the amount of affordable housing sought with the North Torfaen HSMA from ‘up to 10%’ to ‘up to 5%’.

Affordable Housing

- 5.2 In accordance with the Torfaen LDP, associated Revised Planning Obligations SPG and the latest 2020 Torfaen Local Housing Market Assessment, the Council will seek 75% Social Rented and 25% Intermediate (Low Cost Home Ownership) Affordable Housing on residential sites (see Table 2 below). A developer will receive the relevant ‘Social Rented Unit Tariff’ based upon Welsh Government’s affordable housing Standard Viability Model (SVM) for the Social Rented units (see Table 3 below); and 50% of Market Value for the Intermediate units.

Table 2: Affordable Housing Requirements Across Torfaen

Housing Sub-Market Area (HSMA)	Social Rented Housing	Intermediate Housing	Total Affordable Housing Requirement	Dwellings (Area) Threshold
North Torfaen (NP4 7 and NP4 9)	4%	1%	5%	10 (0.33ha)
Pontypool (NP4 0, NP4 5, NP4 6 and NP4 8)	19%	6%	25%	10 (0.33ha)
Cwmbran North and West (NP44 1, NP44 4 and NP44 5)	15%	5%	20%	10 (0.33ha)
Cwmbran South and East (NP18 1, NP44 2, NP44 3, NP44 6, NP44 7 and NP44 8)	23%	7%	30%	3 (0.1ha)

Table 3: S106 ‘Social Rented Unit Tariff’ (April 2023)

Houses			Flats			Bungalows		
Type	GIA m ²	Tariff	Type	GIA m ²	Tariff	Type	GIA m ²	Tariff
7P 4B H	114	£92,224	3P 2B F	65	£50,330	3P 2B B	58	£73,588
6P 4B H	110	£91,709	2P 1B F	53	£43,875			
5P 3B H	94	£78,542						
4P 3B H	88	£77,935						
4P 2B H	83	£73,213						

- 5.3 A mix of affordable dwelling types and sizes will be required on all sites in order to create balanced sustainable communities. All affordable dwellings are required to meet Welsh Development Quality Requirements: Creating Beautiful Homes and Places (WDQR2021), July 2021 (especially the ‘three detailed requirements’ (1. Homes should be of high quality, innovative and sustainable; 2. Homes should be flexible, responsive to the changing needs of the occupants, meet the changing needs of a variety of households who will occupy the building over its life and be of sufficient size; and 3. Homes should be safe and secure) and the ‘space standards’ of Appendices A and B) or any subsequent WG Standard.

Highways and Transport

- 5.4 The Council's approach to addressing the growing demand for transport is to ensure that all new developments minimise demand for access by car while maximising opportunities for access by sustainable transport modes, especially walking, cycling and public transport. As such, obligations will contain an emphasis on maximising opportunities for additional trips to be made by public transport, walking or cycling as well as ensuring that the highway network is capable of accommodating road traffic movements associated with a development in a safe and efficient manner. A planning obligation relating to highways and transport may apply to any scale and any type of development, according to the specific characteristics of the proposed site and the potential impact from the proposed development. Sites will be considered on a case-by-case basis. There is no standard threshold or trigger.
- 5.6 Developers will be expected to provide parking and access, including any works to the highway necessary to construct access to the site and connection with any adjacent footway. Development will also be required to include pedestrian and cycle access, in addition to any principal access where these would provide more direct and convenient routes to and from the development for cyclists and people on foot. This will include providing links to existing footways and cycleways including the National Cycle Route and making access to nearby transport stops and other local facilities as convenient as possible. Wherever possible, obligations will be sought towards specific measures within the immediate vicinity of the site that may be required to enhance access to local facilities by sustainable modes.
- 5.7 Proposed obligations should demonstrate that such provision mitigates the effect of the development and provides sufficient transport capacity / improvements to the network to accommodate movement generated by the development in line with PPW11's Sustainable Transport Hierarchy.

Education Facilities

- 5.8 A planning obligation in relation to educational facilities will be required where a proposed development is likely to result in the generation of additional pupil numbers in excess of that which local catchment schools can accommodate. This policy guidance applies to residential units only and exemptions comprise one bedroom dwellings and studio flats, sheltered / elderly person housing, care homes, rest homes and nursing homes, hostels and student accommodation on the basis that such developments are unlikely to house children of school age. Contributions will be sought where:-
- a) the pupils potentially arising from the development will cause the surplus capacity of local schools within the catchment area to be exceeded; or
 - b) existing surplus capacity exists to accommodate some or all of the pupils potentially arising from the development, but refurbishment is required to make those places 'fit for use'.
- 5.9 The current Section 106 SPG methodology for calculating an Education Facilities Payment is based upon the anticipated yield of the development multiplied by costs per pupil for the provision of the additional facilities.

Community Facilities and Regeneration

- 5.10 Planning obligations in relation to community facilities will be required where a proposed development is likely to result in the generation of additional households or work force so that the likely additional population would exceed the existing or planned

capacity of local facilities. Such facilities may include community centres / halls and meeting places (at a minimum standard of 0.75m² per dwelling (and a Qtr2 2023 cost of £2,145m²)), community learning facilities, libraries, leisure centres and medical practices.

- 5.11 As a general guide, obligations may apply to residential development comprising a net increase of 25 or more dwellings or commercial development with a net increase of 1,000 m² floorspace or a site area exceeding 1 ha. In assessing which community facilities the development may impact upon, the catchment areas of local facilities will be considered in relation to the proposed development site.

Biodiversity, Geodiversity and Ecological Resilience

- 5.12 A contribution relating to ecology and biodiversity may apply according to the specific characteristics of the proposed site and the potential impact from the proposed development. This includes both direct and indirect impacts on the site and linked areas (e.g. water corridors, green corridors, foraging areas). Site proposers are expected to undertake the required ecological survey work to determine the extent of species / habitats on site. This survey work will assist in determining necessary mitigation measures. The over-riding principle with regard to ecology and biodiversity is to ensure a net benefit in line with the Section 6 duty set out in the Environment Act (Wales) 2016.

Recreational Facilities, Open Space & Allotments

- 5.13 The Council will seek an obligation to address any detrimental impact on the standard of provision of open space and recreation facilities relating to a development site. The obligation may comprise the direct provision of facilities, off-site provision on land controlled by the developer and / or a financial contribution (Open Space and Recreation Payment) in lieu of direct provision. Management of the facilities provided should be addressed either by the establishment of an appropriate management company; or by way of transfer of the land to the Council and payment of a commuted sum equivalent to the management costs for 20 years.
- 5.14 Standards of provision are determined by the Fields in Trust (FiT) benchmark standards (2015) of 2.4 hectare / 1000 population; the Natural Green Space Standard devised by Countryside Council for Wales (CCW) (2006); the Council's adopted SPG 'Development and its Incorporation within the Landscape: A Guide for Developers' (2000) which requires open space standards equivalent to 9.16 m² per dwelling. Torfaen minimum provision of allotments is 25 standard (250 square metres) plots per 1,000 households, i.e. 7.4m² of gross allotment space per dwelling which could take the form of community growing space or espaliers where appropriate
- 5.15 Requirements will be calculated using an approximate population generation approach based upon average household occupancy of 2.3 persons along with an assessment of existing provision in the locality. Therefore, the requirements for formal and informal outdoor space per dwelling in Torfaen is calculated as follows:

Total provision: 55.2 m² per dwelling

Sub-divided as follows:

**Outdoor Sport (Adult Provision) 36.8 m² / dwelling
(of which 26.3 m² should be for pitch sports)**

Children's Play Space 18.4 m² / dwelling

(of which 5.8 m2 should be equipped / designated children’s play space and 12.6 m2 should be casual / informal children’s play space)

Table 4: Capital and Maintenance Costs for Recreation and Open Space Provision (Feb 2023)

Typology	Cost per dwelling		
	Capital	Maintenance	Total
Public Open Space	£247	£177	£424
Local Area of Play (LAP)	£1,410	£1,728	£3,138
Local Equipped Area of Play (LEAP)	£364	£305	£669
Local Area of Play (LAP) / Local Equipped Area of Play (LEAP)	£366	£315	£681
Local Equipped Area of Play (LEAP) / Neighbourhood Equipped Area of Play (NEAP)	£103	£106	£209
Football Pitch	£1,486	£1,202	£2,688
Multi-Use Games Area (MUGA)	£935	£1,164	£2,099

5.16 Where there are existing facilities that are substandard, the Council will consider an Open Space and Recreation Payment in order to mitigate the impact of the development by way of upgrading the existing facilities as opposed to additional on-site provision.

6. Additional Information

6.1 Additional information within the Guidance Note to support Financial Viability Assessment includes:

- Default Net Site Density and Housing Type Mixes
- Gross to Net Site Area Ratio
- Default Market & Affordable Housing Dwelling Sizes
- Other Residential Development Costs to be used in the DVM
- Median BCIS Base Build Costs (£Gross/m2) (Qtr2 2023)
- Other Commercial Development Costs to be used in the DVM

Appendix 1: Overview of the Candidate Sites Process

