

**Executive Summary to Knowsley Local Plan
Economic Viability Assessment**

**Prepared on Behalf of
Knowsley Council
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EXECUTIVE SUMMARY

Knowsley Council is currently working towards the production of a Core Strategy, which once completed will form the central strategy of the Knowsley Local Plan and provide strategic planning policy for the development of Knowsley over a 15 year plan period.

The Council prepared a Core Strategy Preferred Options Report which was published for consultation in summer 2011. To inform this Preferred Options Report a wide range of evidence and supporting documentation was prepared. It is intended that this study will also be used as evidence to inform the final version of the Knowsley Core Strategy in the first instance, and also support any Community Infrastructure Levy (CIL) or other planning obligation work undertaken by Knowsley Council as part of the formation of the Core Strategy and other Local Plan policies.

Keppie Massie, in conjunction with Tweeds Quantity Surveyors (part of the WYG Group) and ARUP, have been commissioned by Knowsley Council to consider the economic viability of new development in the Borough. Our work seeks to determine the likely profitability of each form of typical future development set within the existing planning policy framework. This will establish the baseline viability position and consider the level of development “surplus” or “headroom” that is available to meet planning policy obligations.

This study and then considers the key policies in the Core Strategy that have implications for financial viability. It seeks to assess the likely cost to development of these policy options and provide conclusions and recommendations about which policy options could be taken forward, including the potential introduction of a CIL tariff, without undermining the viability of future development.

The National Planning Policy Framework (NPPF)¹ (paragraph 173) states that:-

“Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.”

In addition to the above, the NPPF (paragraph 174) states that:-

“Local Planning Authorities should set out their policy on local standards in the Local Plan, including requirements for affordable housing. They should assess the likely cumulative impacts on development in their area of all existing and proposed local standards, supplementary planning documents and policies that support the development plan, when added to nationally required standards. In order to be appropriate, the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle. Evidence supporting the assessment should be proportionate, using only appropriate available evidence.”

This report provides an analysis of the deliverability and economic viability (satisfying the requirements of the NPPF) of the development specific policies contained within the emerging Knowsley Core Strategy (together with any other possible future policies identified by the Council), which the Council are likely to want to include within the final Core Strategy.

¹ National Planning Policy Framework (CLG 2012)

We also consider the Community Infrastructure Levy (CIL) which was introduced by the Planning Act 2008. According to CLG's CIL Summary², *"the CIL is a new levy that local authorities in England and Wales can choose to charge on new developments in their area"* in order to fund infrastructure that the Council, local community and neighbourhoods want. In setting CIL rates Local Authorities, *'must aim to strike what appears to the charging authority to be an appropriate balance between' the desirability of funding infrastructure from CIL and 'the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area'*.

CIL rates should therefore be related to what the property market can afford to pay, given the economic viability of development within the subject Charging Authority boundary.

0.1 Evidence Base

In preparing this Economic Viability Assessment, we have considered the existing planning framework including the Knowsley Replacement Unitary Development Plan, and in particular adopted supplementary planning documents such as the Greenspace Standards and New Development SPD and the Ensuring a Choice of Travel SPD. We have also had regard to emerging Local Plan Core Strategy Policies and in support of this, the existing and emerging Core Strategy evidence base – including the SHLAA, the SHMA, the Joint Employment Land and Premises Study and the Knowsley Town Centres and Shopping Study. We have considered the findings of the draft Knowsley and Sefton Green Belt Study which identified the ability of land currently located within the Knowsley Green Belt to contribute to delivering new residential and employment development in the longer term.

² Community Infrastructure Levy Summary (CLG, 2010)

With regard to this evidence base and to the conclusions of our own market research, we have then formulated development typologies both residential and non-residential that are reflective of the form and location of development that is likely to be undertaken in the Borough over the life of the Core Strategy. Given the varying characteristics of land within the Borough, we have also had regard to differing land types such as previously developed urban sites and Green Belt locations and addressed the implications of these differing land types for development in our viability appraisals.

We have also compiled a significant property market evidence base which reflects capital values, rents and yields for residential and non-residential development and also land values.

Having regard to the results of our property market research, we have considered whether there are likely to be differences in property and land values across the Borough with respect to both use and location. In considering residential property values, a pattern of value emerged across the Borough which led us to undertake viability testing based on three distinct zones which are shown in figure 1.

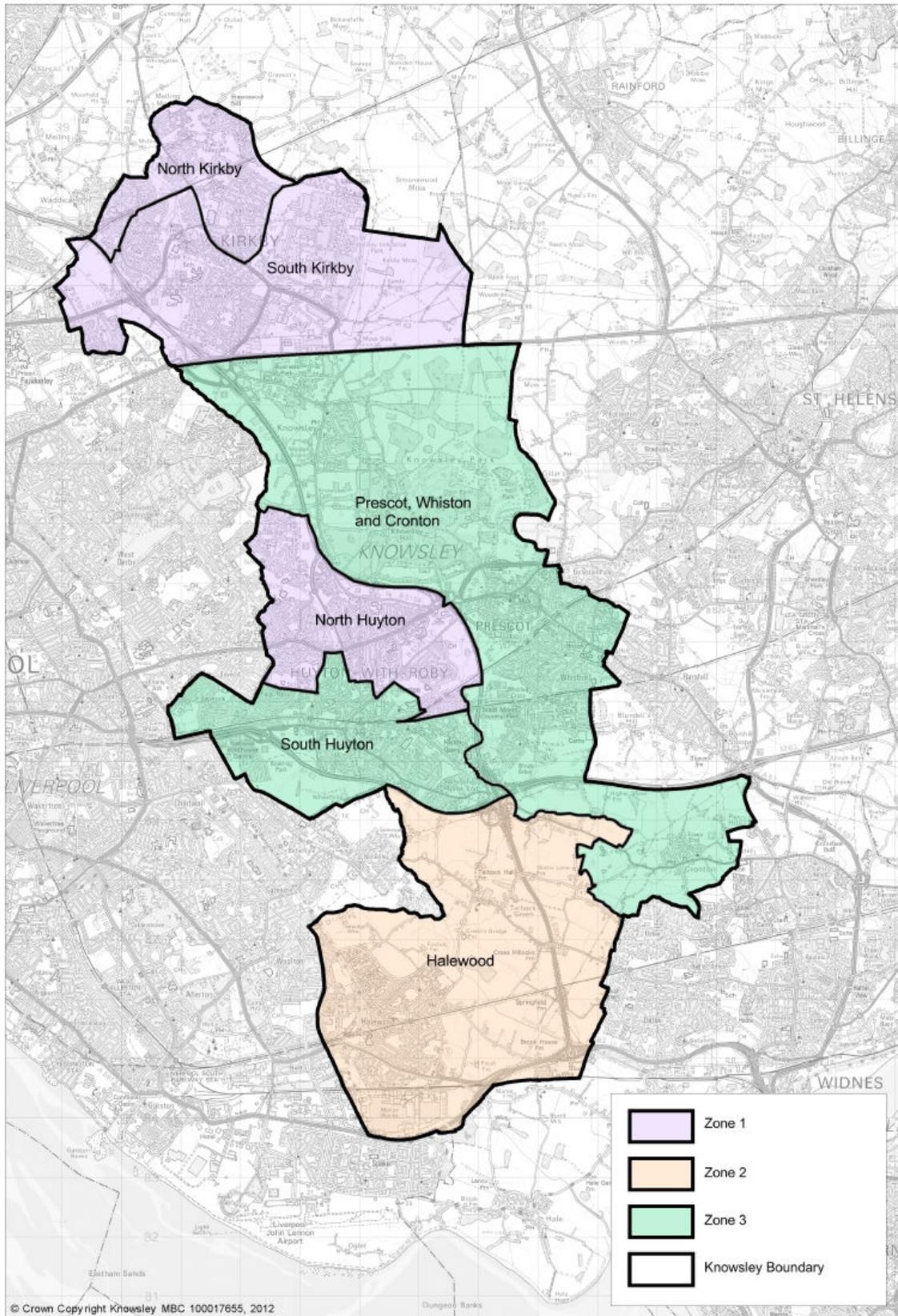


Figure 1 – Map of Residential Value Bands in Knowsley

Our research in relation to commercial property values also indicated variations in value with reference to use and in particular the differences between office, industrial and retail values. To a lesser degree we also identified some variations in value with respect to location, particularly in respect of retail and office uses.

In formulating our appraisals for testing viability, we have also considered the construction costs appropriate to the particular form of development, including a recognition of additional costs which may be incurred having regard to the characteristics of the particular land type. We have adopted typical development market rates for appraisal variables such as finance and developer profit.

Our baseline appraisals reflect the costs associated with the currently adopted planning policy framework, incorporating the requirements and contributions contained in the Greenspace Standards and New Development SPD and the Ensuring a Choice of Travel SPD adopted by the Council.

0.2 Methodology

Having prepared appropriate typologies for testing and compiled an appropriate evidence base both in terms of cost and revenue we have then adopted a residual valuation approach to determine the viability of development in the Borough. This methodology is recognised and supported by the Royal Institution of Chartered Surveyors together with the Local Housing Delivery Group and is where the value of the completed development is assessed and the cost of undertaking the development (including the cost of land, finance and planning obligations) is deducted, along with a target developer's profit return. The residual sum that is left represents the development surplus or "headroom" which if positive, is an indication of viability. It also represents the extent of additional sums which may be available to meet policy requirements arising from the Local Plan.

In preparing our residual valuations we have adopted a recognised industry standard appraisal model to derive this development surplus.

0.3 Results

The viability testing was undertaken to demonstrate the baseline viability position with regard to current planning policy. In summary our results indicated clear differences in viability with respect to use, scale, location and land type.

We tested 252 individual residential typologies, and in 68% of cases the development was viable. A pattern emerged in that viability improved in high value areas and also at higher density developments of 40 dwellings per hectare. Viability also improved with respect to size with the medium size residential development in the higher value areas of Zone 3 performing best and showing the greatest development surplus. Also, those schemes tested in Green Belt locations generated higher levels of surplus although it should be noted that this may be offset if significant monies are required to provide services and new infrastructure to these Green Belt sites to enable development. The least viable developments were in previously developed urban locations in Zones 1 and 2, where in a number of instances development was either unviable or marginal.

The non-residential results illustrated that at the present time B1 office developments and B2 and B8 industrial uses are not viable without funding assistance. Viability for office and industrial development did vary with location, form and land use, however in respect of offices even the most viable developments returned a deficit on cost of 18%. For industrial developments the most profitable form of development tested returned a deficit equivalent to 20% of costs. It is acknowledged however that these results tend to be reflective of speculative schemes and in respect of developments for owner occupation it is probable that the motivation provided by the specific circumstances of any occupier may make issues of viability less crucial.

In terms of the retail typologies tested, they indicated that retail development is generally viable with the exception of comparison retail in district and local centres and within Prescot town centre. The results from the leisure and miscellaneous uses tested are more mixed with food and drink and petrol station development generally viable across the Borough. Hotel development is marginal in certain instances and viable in Green Belt-greenfield locations. The results for a health clinic are also marginal whilst the development of car showrooms, bingo related facilities and residential institutions are not viable.

The Core Strategy is likely to remain in place for up to 15 years after implementation; we have therefore considered the robustness of the current economic viability testing that we have undertaken by considering possible future economic cycles, and their effect on the key variables that underpin economic viability. Having profiled likely economic cycles we have demonstrated that generally the current assessment levels used as a basis for the present viability testing represent a reasonable moderate to low position over a series of modelled economic cycles. As a result it is considered that the assessment represents a robust basis for policy consideration.

0.4 Core Strategy – Policy Options

Having established the baseline viability position for the Borough assuming existing policy requirements and anticipated future developments, we have then considered the effects on development and viability of the proposed policy options identified within the Core Strategy Preferred Options Report. This document represented the most up-to-date version of the Core Strategy available from the Council at the time of writing this report, meaning its draft policies were suitable for testing.

Policies which may impact on the cost of new development and hence viability include the following:-

- Transport Networks (CS7)
- Affordable Housing Provision (CS15)
- Design Standards, Quality and Accessibility In New Development (CS17 & 19)
- Urban Greenspaces (CS21)
- Sustainable and Low Carbon Development (CS22 & 23)
- Managing Flood Risk (CS24)
- Management of Mineral Resources (CS25)
- Planning For and Paying For New Infrastructure (CS27)

In many instances the identified policies are not necessarily capable of being quantified based on cost, whilst some, such as policies relating to greenspace and travel will be carried forward in the Core Strategy in the form of the existing adopted SPDs. The impact of these SPDs are already fully reflected in the baseline testing.

Other Core Strategy policy approaches are capable of substantive costing and evaluation. In particular with respect to residential development we have been able to consider the costs associated with the Code for Sustainable Homes, Building for Life and Lifetime Home Standards, varying levels of design standards and also the effect on viability of affordable housing provision. Some policy options are less generalised and are determined more by the characteristics of the development site and form of development. In these circumstances we have prepared a number of case studies to illustrate the effect of these policies on viability. By way of example we have considered the effect of decentralised energy networks, sustainable drainage systems and improved design standards for both residential and non-residential development.

To summarise the position we have prepared the Summary Tables 1-3 below illustrating the policy options which we have been able to model at a high level and which impact upon baseline viability.

The table tracks each of the schemes that we have assessed, being Scheme 1 (10 dwellings), Scheme 4 (100 dwellings) and Scheme 7 (1,000 dwellings) at two different densities (being 30 dph and 40 dph), across all value zones, and reviews in a basic form what policy options can be afforded which are presented on a cost/m². For Scheme 1, the affordable housing element has been excluded, as the policy would only apply to schemes of 25 dwellings or more. For Schemes 4 and 7, POS contributions have not been included, as they would be provided on site rather than through financial contributions.

The tables show for each form of development the baseline surplus /m² of built development. The columns on the right hand side of the table then show the cost in £/m² of delivering the identified individual policy option taken from the results of our viability testing. This is then compared with the baseline surplus individually and in isolation, to see whether it is less than the surplus and so is viable and hence shaded green, or exceeds the surplus so is unviable and shaded red.

Density	Zone		Baseline Surplus (per square metre)	S106/S 278 Highways	Off Site Public Open Space	Code Level				Affordable Housing			Design Standards			Building for Life/ Lifetime Homes
						3	4	5	6	5%	15%	25%	Low	Medium	High	
30dph	1	Urban-Previously Developed	-£6.43	£12	£21	£47	£71	£256	£352				£24	£49	£73	£71
		Urban-Greenfield	£17.93	£12	£21	£47	£71	£256	£351				£24	£49	£73	£71
		Greenbelt-Greenfield	£152.99	£18	£36	£47	£71	£259	£355				£24	£49	£73	£71
		Greenbelt- Previously Developed	£117.91	£18	£36	£47	£71	£259	£355				£24	£49	£73	£71
	2	Urban-Previously Developed	-£2.23	£12	£21	£47	£71	£261	£339				£24	£49	£73	£71
		Urban-Greenfield	£26.59	£12	£21	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt-Greenfield	£270.99	£18	£36	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt- Previously Developed	£235.91	£18	£36	£47	£71	£261	£353				£24	£49	£73	£71
	3	Urban-Previously Developed	£212.80	£12	£21	£47	£71	£261	£356				£24	£49	£73	£71
		Urban-Greenfield	£237.16	£12	£21	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt-Greenfield	£481.56	£18	£36	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt- Previously Developed	£446.48	£18	£36	£47	£71	£261	£353				£24	£49	£73	£71
40dph	1	Urban-Previously Developed	£63.97	£12	£21	£47	£71	£258	£354				£24	£49	£73	£71
		Urban-Greenfield	£87.36	£12	£21	£47	£71	£258	£354				£24	£49	£73	£71
		Greenbelt-Greenfield	£193.04	£18	£36	£47	£71	£260	£355				£24	£49	£73	£71
		Greenbelt- Previously Developed	£161.86	£18	£36	£47	£71	£260	£355				£24	£49	£73	£71
	2	Urban-Previously Developed	£115.12	£12	£21	£47	£71	£261	£356				£24	£49	£73	£71
		Urban-Greenfield	£138.51	£12	£21	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt-Greenfield	£323.28	£18	£36	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt- Previously Developed	£292.09	£18	£36	£47	£71	£261	£356				£24	£49	£73	£71
	3	Urban-Previously Developed	£325.70	£12	£21	£47	£71	£261	£356				£24	£49	£73	£71
		Urban-Greenfield	£349.09	£12	£21	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt-Greenfield	£533.85	£18	£36	£47	£71	£261	£356				£24	£49	£73	£71
		Greenbelt- Previously Developed	£502.67	£18	£36	£47	£71	£261	£356				£24	£49	£73	£71

Table 1 – Residential Results Summary – Scheme 1:10 units

Density	Zone		Baseline Surplus	S106/S278 Highways Contribution	Code Level				Affordable Housing			Design Standards			Building for Life/ Lifetime Homes
					3	4	5	6	5%	15%	25%	Low	Medium	High	
30dph	1	Urban-Previously Developed	£28.40	£11	£44	£66	£229	£320	£24	£71	£121	£23	£45	£68	£66
		Urban-Greenfield	£49.11	£11	£44	£66	£241	£318	£24	£71	£120	£23	£45	£68	£66
		Greenbelt-Greenfield	£185.55	£55	£44	£66	£241	£323	£24	£71	£120	£23	£45	£68	£66
		Greenbelt- Previously Developed	£153.14	£55	£44	£66	£241	£324	£24	£71	£120	£23	£45	£68	£66
	2	Urban-Previously Developed	£16.54	£11	£44	£66	£241	£329	£27	£81	£136	£23	£45	£68	£66
		Urban-Greenfield	£37.25	£11	£44	£66	£241	£329	£27	£81	£136	£23	£45	£68	£66
		Greenbelt-Greenfield	£279.12	£55	£44	£65	£241	£328	£27	£81	£136	£23	£45	£68	£65
		Greenbelt- Previously Developed	£247.12	£55	£44	£66	£241	£329	£27	£81	£136	£23	£45	£68	£66
	3	Urban-Previously Developed	£200.16	£11	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66
		Urban-Greenfield	£220.87	£11	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66
		Greenbelt-Greenfield	£463.15	£55	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66
		Greenbelt- Previously Developed	£430.74	£55	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66
40dph	1	Urban-Previously Developed	£100.97	£11	£44	£66	£241	£321	£24	£71	£133	£23	£45	£68	£66
		Urban-Greenfield	£121.67	£11	£44	£66	£241	£321	£24	£71	£120	£23	£45	£68	£66
		Greenbelt-Greenfield	£229.04	£55	£44	£66	£241	£324	£24	£71	£120	£23	£45	£68	£66
		Greenbelt- Previously Developed	£199.33	£55	£44	£66	£241	£325	£24	£71	£120	£23	£45	£68	£66
	2	Urban-Previously Developed	£128.68	£11	£44	£66	£241	£329	£27	£81	£136	£23	£45	£68	£66
		Urban-Greenfield	£149.39	£11	£44	£66	£241	£329	£27	£81	£136	£23	£45	£68	£66
		Greenbelt-Greenfield	£336.04	£55	£44	£66	£241	£329	£27	£81	£136	£23	£45	£68	£66
		Greenbelt- Previously Developed	£306.50	£55	£44	£66	£241	£329	£27	£81	£136	£23	£45	£68	£66
	3	Urban-Previously Developed	£312.30	£11	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66
		Urban-Greenfield	£333.00	£11	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66
		Greenbelt-Greenfield	£519.83	£55	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66
		Greenbelt- Previously Developed	£490.11	£55	£44	£66	£241	£329	£31	£93	£156	£23	£45	£68	£66

Table 2 – Residential Results Summary – Scheme 4:100 units

Density	Zone		Baseline Surplus	S106/S278 Highways Contribution	Code Level				Affordable Housing			Design Standards			Building for Life/Lifetime Homes
					3	4	5	6	5%	15%	25%	Low	Medium	High	
30dph	1	Urban-Previously Developed	£73.75	£8	£32	£48	£198	£277	£19	£55	£94	£16	£33	£49	£48
		Urban-Greenfield	£88.51	£8	£31	£47	£193	£281	£19	£55	£93	£16	£33	£49	£47
		Greenbelt-Greenfield	£214.85	£55	£31	£47	£187	£272	£19	£55	£92	£16	£33	£49	£47
		Greenbelt- Previously Developed	£192.52	£55	£31	£47	£194	£282	£19	£55	£93	£16	£33	£49	£47
	2	Urban-Previously Developed	£27.08	£8	£31	£46	£176	£252	£21	£62	£104	£16	£32	£48	£46
		Urban-Greenfield	£41.61	£8	£31	£46	£174	£248	£21	£62	£104	£16	£32	£48	£46
		Greenbelt-Greenfield	£273.65	£54	£31	£46	£172	£243	£21	£62	£103	£16	£32	£48	£46
		Greenbelt- Previously Developed	£251.58	£54	£31	£46	£174	£249	£21	£62	£104	£16	£32	£48	£46
	3	Urban-Previously Developed	£166.45	£8	£31	£46	£170	£233	£24	£71	£118	£16	£31	£47	£46
		Urban-Greenfield	£180.88	£8	£31	£46	£169	£232	£24	£71	£118	£16	£31	£47	£46
		Greenbelt-Greenfield	£412.88	£53	£31	£46	£169	£231	£24	£71	£118	£16	£31	£47	£46
		Greenbelt- Previously Developed	£390.86	£54	£31	£46	£169	£233	£24	£71	£118	£16	£31	£47	£46
40dph	1	Urban-Previously Developed	£140.82	£8	£31	£47	£194	£282	£19	£55	£93	£16	£32	£49	£47
		Urban-Greenfield	£154.23	£8	£31	£47	£189	£275	£19	£55	£93	£16	£32	£49	£47
		Greenbelt-Greenfield	£252.13	£54	£31	£47	£184	£267	£19	£55	£92	£16	£32	£49	£47
		Greenbelt- Previously Developed	£232.41	£55	£31	£47	£190	£276	£19	£55	£93	£16	£32	£49	£47
	2	Urban-Previously Developed	£133.64	£8	£31	£46	£174	£248	£21	£62	£104	£16	£32	£48	£46
		Urban-Greenfield	£146.89	£8	£31	£46	£173	£245	£21	£62	£103	£16	£32	£48	£46
		Greenbelt-Greenfield	£324.06	£54	£31	£46	£171	£240	£21	£62	£103	£16	£32	£48	£46
		Greenbelt- Previously Developed	£304.54	£54	£31	£46	£173	£245	£21	£62	£103	£16	£32	£48	£46
	3	Urban-Previously Developed	£272.91	£8	£31	£46	£169	£233	£24	£71	£118	£16	£31	£47	£46
		Urban-Greenfield	£286.08	£8	£31	£46	£169	£232	£24	£71	£118	£16	£31	£47	£46
		Greenbelt-Greenfield	£463.16	£53	£30	£46	£169	£231	£24	£71	£118	£16	£31	£47	£46
		Greenbelt- Previously Developed	£443.74	£53	£31	£46	£169	£232	£24	£71	£118	£16	£31	£47	£46

Table 3 – Residential Results Summary – Scheme 7:1000 units

Overall the results demonstrate that as the size of development increases it becomes cheaper in terms of the cost /m² to achieve the particular policy option.

There is a clear hierarchy in terms of the impact on the development surplus of the individual policy options. Achieving Code Levels 5 and 6 based on today's costs are the most expensive policy options to achieve. This is then followed by the requirement to provide on-site affordable housing at 25% and then 15%. The costs associated with Code Levels 4, Building for Life/Lifetime Homes, and then a high Design Standard create generally similar impacts on viability. The least expensive policy options considered relate to low and medium design standards, 5% affordable housing and Code Level 3. The results from testing S106/278 contributions differ dependent upon the characteristics of the site tested, however show this to be one of the cheaper policy options.

For ease of reference and transparency the results for each option are presented in isolation. It is anticipated that the Authority may seek multiple policy options for any particular scheme i.e. Code Level 4 combined with high design standards and 25% affordable housing. In such cases the results from the relevant cells would need to be combined to demonstrate the effect of combined policy options on the baseline surplus and hence development viability.

In terms of their effect on new residential development the majority of the Core Strategy Policies tested are viable in isolation from each other against the baseline position, except for development at Code Level 6 which in over 50% of the development typologies tested would immediately make the development unviable.

We have also considered the impact of cumulative policy options, and it is clear that in many Green Belt locations particularly in the higher value areas it is possible to take forward a number of cumulative requirements and still maintain development viability. However, it becomes difficult to achieve in lower value areas particularly for developments on previously developed land in urban locations.

For commercial development, the ability to deliver policy options through the Core Strategy will depend on the proposed use. For most forms of retail development we anticipate that they will be able to achieve higher design standards together with sustainable drainage systems and still remain viable. Offices and industrial development on the other hand are currently considered to be unviable having regard to the baseline position and so adding further policy requirements worsens the position to the extent that it becomes difficult to reconcile Core Strategy Options for these particular uses.

There is a mixed picture of the effect of policy options across the Borough. There will be issues in achieving some policy options for certain forms of development in some locations and in this respect it will not be possible to achieve all preferred policy options as set out in the Core Strategy Preferred Options Report for all developments in all locations. As a result flexibility will be required. The Local Planning Authority may therefore wish to consider a hierarchy of policy requirements. This may be influenced by National Policy to some degree as the requirements of the Code for Sustainable Homes for example or BREEAM are taken forward and incorporated within Building Regulations over time. As a result these requirements are likely to be unavoidable and will form the highest tier of policy for any new development. These policies are therefore likely to form the first call on any development surplus in the future, albeit in its current form the Code for Sustainable Homes Policy CS22 does allow for payment in lieu of on-site provision towards a compensation fund on viability grounds.

The Council's policies in relation to Urban Greenspace and the Ensuring a Choice of Travel SPD will be taken forward in the new planning framework and so will continue to ensure that policy standards rigorously applied. Again, in the Preferred Options Report and current SPDs, there is no flexibility with respect to these particular requirements and so in their current form they will also form a first call on the development surplus, hence being integrated as part of our baseline testing.

Transportation requirements in relation to strategic infrastructure and also the servicing of Green Belt sites could be recovered as part of a Section 106 Agreement on a site by site basis or for strategic infrastructure, a Community Infrastructure Levy charge. If CIL is introduced to meet the cost of future strategic infrastructure requirements then as the level of tariff is fixed and there are few exemptions this is likely to become part of the top tier of policy requirements.

The Core Strategy requires the use of Sustainable Drainages Systems (SuDS) except if due to the site characteristics it is not feasible. It is also mandatory through national guidance. Given the range of policy solutions provided by SuDS technology, the costs associated with this will affect viability albeit to a relatively limited extent and again can be considered to be a first tier policy.

Having regard to the suite of policy options there appears to be an element of flexibility in relation to decentralised energy where the proposed policy indicates that if the construction of a decentralised energy system is not viable for major developments then a contribution to a compensation fund can be made instead.

Similarly, design standards are likely to be required to higher levels in certain locations with high quality design and improvement to the urban fabric. We anticipate however that in certain instances this policy may prove to be more aspirational and an element of flexibility could be introduced. In the context of design standards, Building for Life and Lifetime Homes could also prove to be a more flexible policy unless they are taken forward as part of National Policy requirements.

The Council's policy option in relation to affordable housing does allow a relaxation from the maximum 25% requirement on viability grounds on a case-by-case basis, in accordance with current guidance and case law. This is reflective of the need for a flexible approach, given the relative ability of different schemes to meet affordable housing requirements while remaining financially viable. This is also reflective of the restrictions on affordable housing policy as being outside the scope of CIL.

0.5 Policy Hierarchy

The policy options that we have considered, costed and modelled in viability terms will fall into two groups, those fixed by National Policies, legislation or regulations, such as Building Regulations, where there will not be any degree of flexibility in relation to the implementation. Those policy options that contain a degree of flexibility include affordable housing, design standards and the introduction of decentralised energy systems; these policies can be set locally and hence these are likely to form a second call on any financial surplus. In accordance with the findings of this study, there will still be a judgment call for the Council in deciding on a hierarchy within this second group, particularly in instances where viability is limited. This process will need to accurately reflect the risks associated with affecting financial viability of new development, as well as the opportunity available to the Council to seek to deliver an appropriate range of developer contributions.

0.6 Solutions

The costs of different policy requirements vary dramatically. However for some policies cost is not a consideration for the policy as they are either statutory legislative or regulatory requirements or so integral to the plan that they cannot be removed. Some policies are so prohibitively expensive that insisting on their delivery would result in too much of a risk to the plan. Therefore there is a need to consider treating all policies in one of five ways, namely:-

1. Include the policy requirement with no negotiation as it is statutory;
2. Include the policy requirement with no negotiation on viability grounds, as it is central to the delivery of the plan or no negotiation policy tools are available;
3. Include the policy requirement with option of developer / Council negotiation, based on number of possible criteria (including viability and technical feasibility);
4. Include a policy as “encourage” – therefore it is up to the developer to decide;
5. Do not include the policy ask.

With this in mind we have discussed alternative policy solutions with Council Officers and the following table 2 has been developed to illustrate some suggested solutions, with a commentary about key issues and some potential shortcomings where relevant.

Policy Title	Planning Obligations	Solution No	Explanation	Potential Issues
CS7 - Transport Networks	<ul style="list-style-type: none"> Transport Projects Parking standards (SPD) Miscellaneous accessibility standards 	<ul style="list-style-type: none"> 2 2 2 	<ul style="list-style-type: none"> Need to amend policy to point to potential of schemes to contribute towards achievement of transport projects (through CIL). Point to CS27 for mechanisms. Not expected to involve negotiation as parking standards are set as maxima. Non-negotiable on minimum parking standards (disabled, bikes). Non-negotiable on viability grounds. 	<ul style="list-style-type: none"> Policy and proposed solution provides clear hierarchy with transport projects being directly linked to IDP. Use of CIL for Strategic transport projects should ensure the Council has more time and resource to negotiate other potential areas for developer contributions.
CS9 – 14 – Regeneration	<ul style="list-style-type: none"> Project specifics - various 	<ul style="list-style-type: none"> 2 	<ul style="list-style-type: none"> Non-negotiable on viability grounds. 	<ul style="list-style-type: none"> Some issues could arise with regards to regeneration area Policy CS11 Knowsley Industrial and Business Parks, whereby some elements of the planned decentralised energy infrastructure (ie. the CHP plant / energy centre and the primary heat network pipe network) would be eligible for CIL, whilst the more local expansion and connection to the network would be a development/site specific planning obligation).

Policy Title	Planning Obligations	Solution No	Explanation	Potential Issues
CS15 – Affordable Housing	<ul style="list-style-type: none"> Affordable Housing 	<ul style="list-style-type: none"> 3 	<ul style="list-style-type: none"> Negotiable on a site-by-site basis based on viability. Only available option at the moment. Good as one of the more costly elements. 	<ul style="list-style-type: none"> The approach allows for targeted affordable housing provision. The approach could be resource intensive for all parties, particularly the Council given resource constraints resulting in delays in delivering affordable and open market housing.
CS17 – Housing Sizes and Design Standards	<ul style="list-style-type: none"> Code for Sustainable Homes Building for Life Lifetime Homes 	<ul style="list-style-type: none"> n/a 2 2 	<ul style="list-style-type: none"> Point to CS22. Non-negotiable on viability grounds. Non-negotiable on viability grounds. 	<ul style="list-style-type: none"> In CS17 and CS19 pointing to CS22 the policies should provide explanation of how forms of decentralised energy such as CHP district heating can be a low cost way of meeting or exceeding Code / BREEAM standards, particularly if this relates to a development merely having to connect into an existing heat network such as one identified in a Priority Zone. Therefore the policy should also point to Policy CS23.
CS19 – Design Quality and Accessibility in New Development	<ul style="list-style-type: none"> Refers to CS17 and CS22 Miscellaneous design standards 	<ul style="list-style-type: none"> N/A 2 	<ul style="list-style-type: none"> Point to CS17 and CS22. Non-negotiable on viability grounds. 	
CS21 – Urban Greenspaces	<ul style="list-style-type: none"> Public Open Space provision (SPD) 	<ul style="list-style-type: none"> 3 	<ul style="list-style-type: none"> Could eventually be included in CIL (and hence non-negotiable on viability grounds). However in short term needs to be negotiation on viability. Continue to point to SPD in short term. 	<ul style="list-style-type: none"> In the short-term the approach could be resource intensive for all parties, particularly the Council given resource constraints and other negotiation requirements for policies where CIL is not an option.

Policy Title	Planning Obligations	Solution No	Explanation	Potential Issues
CS22 – Sustainable and Low Carbon Development	<ul style="list-style-type: none"> • Code for Sustainable Homes /CEF & BREEAM / CEF • Decentralised Energy 	<ul style="list-style-type: none"> • 1/3/4 • 3 	<ul style="list-style-type: none"> • Elements of code and BREEAM are statutory (Building Regs) and therefore are non-negotiable. • Include reference to CEF only where Building Regs cannot be met for technical or viability reasons – as part of “Allowable Solutions”. Mention could be part of CIL. • Change rest to “encourage” due to prohibitive cost and lack of local evidence to support policy. • Negotiation based on technical feasibility and viability basis. Up to developer to demonstrate. No scope for financial compensation if not feasible. 	<ul style="list-style-type: none"> • The use of Allowable Solutions will be needed in order to meet the higher standards required for Code for Sustainable Homes (typically Code Level 6 but in some cases Code level 5) and BREEAM (typically excellent rating). This is where building and on-site solutions will not be sufficient to provide Carbon Compliance standards. Where on-site solutions are not technically feasible and /or viable then the Council should work with the developer to identify buildings and areas where solutions could be delivered due to their superior setting/ location and ability to provide a lower cost solution to reducing carbon emissions. • The identification of Priority Zones will assist the Council in “encouraging” developers to meet higher standards by clearly identifying where the best opportunities exist.

Policy Title	Planning Obligations	Solution No	Explanation	Potential Issues
CS24 – Managing Flood Risk	<ul style="list-style-type: none"> SuDS 	<ul style="list-style-type: none"> 1 	<ul style="list-style-type: none"> Non-negotiation on viability grounds. Required that some form of SuDS will be provided, type dependent on practicalities not viability. Up to developer to demonstrate which form is appropriate. 	<ul style="list-style-type: none"> The policy would benefit from setting out options in supporting text and / or SPD.
CS27 – Planning and Paying for New Infrastructure	<ul style="list-style-type: none"> Miscellaneous – IDP Projects 	<ul style="list-style-type: none"> 2 	<ul style="list-style-type: none"> Leave options open for CIL. Add section which explains negotiation for non-CIL policy asks. 	<ul style="list-style-type: none"> The policy could be enhanced / supported through the preparation of a Planning Obligation / CIL SPD or guidance document.

Table 2- Policy Solutions

Overall we believe that the prospects for achieving all of the identified Core Strategy policy options are more likely for new residential development and in the context of non-residential development, retail schemes rather than office or industrial development. The Council will need to consider carefully their preferred hierarchy in policy terms; certainly flexibility will be required given that the property market conditions are poor at present. It will also be necessary to be mindful of the future prospects for the introduction of a CIL charge which by its nature will be a fixed tariff and not capable of reduction on viability grounds.

0.7 Community Infrastructure Levy

The Council may consider implementing a CIL charge. Our study has provided guidance and a credible evidence base on which to review the prospects for the introduction of a CIL charge. The results indicate that whilst viability is mixed across the Borough, there is an opportunity to introduce a CIL levy without undermining development viability in certain instances.

Inevitably there will be exceptional sites which may be severely hampered by the costs associated with redevelopment i.e. heavily contaminated sites. It is not possible in the generic testing that has been undertaken to fully reflect these factors and as a result a degree of caution may be required in these instances when considering the application of any charge. This could mean the Council recognising the additional costs of development in these locations, while recognising that they cannot be the lowest common denominator in setting a CIL charge. This points to the potential use of a variable charge.

0.8 Conclusion

The study has been prepared as part of the evidence base to inform the Knowsley Core Strategy and support any CIL or other planning obligation work undertaken by Knowsley Council as part of the formation of the Core Strategy and other Local Plan policies. Using the evidence gathered through the study we have been able to consider the viability of all types of new development in the Borough, and against this demonstrate the deliverability of new development against a range of policy options. The study has been undertaken based on a clear methodology and transparent assumptions. As a result the study provides a robust and fully supported evidence base for the Authority to justify its approach to developer contributions within its Core Strategy and to use in formulating future approaches to developer contributions.