

Subject:	Provision of Viability Consultancy Advice to the Planning Service		
Date of Meeting:	16th January 2020		
Report of:	Executive Director Environment, Economy & Culture		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report seeks approval for the Head of Planning to secure suitable arrangements for the council to continue to access high quality and timely advice on the provision of independent development viability assessment reviews. Reviews verify affordable housing levels associated with applications for new developments seeking planning permission.
- 1.2 Members have recently expressed some concerns about the viability assessments undertaken by the current provider, the District Valuers Service (DVS.) This relates to the percentage of affordable homes being deemed acceptable in viability terms relative to the levels recommended in City Plan Part One (Policy CP20 – Affordable Housing). Further to this a question was raised at full council by Councillor Fishleigh and it was agreed that work would be undertaken and a report prepared to address this

2. RECOMMENDATIONS:

- 2.1 That the Head of Planning be authorised to establish a panel of suitably experienced and qualified viability consultants for the council to utilise to undertake independent viability assessment reviews of evidence submitted by planning applicants.
- 2.2 That the Committee agree that the viability reviews undertaken by the consultants utilise a standard model and set parameters (for profit levels, contingencies, professional fees etc) as agreed and reviewed by the Planning Committee Cross Party Members' Working Group.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 When an applicant for a development (over 5 dwellings), submits a planning application, their proposal is required to make provision for the appropriate number of affordable units in accordance with the adopted City Plan Part One policy for affordable housing (CP20 – Affordable Housing.)

The applicant can submit the results of a viability assessment to demonstrate that the proposed development cannot support the full policy requirement for affordable housing provision (either fully/partially) and remain a viable investment proposition for the developer. The assessment of viability is a specialist role usually undertaken by a chartered (RICS) estates surveyor. The content and format of viability assessments are broadly prescribed by national guidance.

- 3.2 The majority of major applications (for 10+ units) for housing developments made each year (circa 20) are submitted with a viability study.
- 3.3 BHCC Planning Authority currently commissions the DVS to review the submitted viability assessment and provide independent advice on the level of affordable housing that the development should support. This is then used by planning officers to negotiate the level of actual provision, which is then secured legally through a S106 agreement linked to the planning approval.
- 3.4 The DVS has not been able to deliver viability assessment reviews in a timely way during periods of peak workload and resource shortages. This elongates the overall period taken to decide planning applications and impacts on planning performance. Currently the DVS is unable to take any new instructions for cases so an interim measure, with an alternative provider, has been implemented on a few applications.
- 3.5 The viability assessment review examines the following key financial areas of the development:

Development Value	The likely scheme value realised from the potential sales (or rental value) of all market units and values for affordable housing units and any other scheme elements.
Construction Costs	The estimated costs of building the dwellings, all ancillary works (car parks, gardens) and all associated fees (professional & statutory)
Acquisition Costs	The costs that the applicant paid to acquire the site, including fees and taxes
S106 Obligations	Contributions the council requires to mitigate the impact of a development (education, transport, art, greenspace, affordable housing)
Profit	The level of profit that the development will generate for the applicant (after overheads, finance costs etc.)

It should be noted that the cost to the council of independent viability advice is paid for by the applicant in addition to the standard planning application fees.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 A benchmarking exercise (Appendix One) has been undertaken to compare the policy targets for and the percentage of affordable housing achieved over 5 years (ending 2016/17) by similar unitary authorities in Southern England. This shows that there is no established link between the way viability advice is procured and the level of housing achieved.

- 4.2 The option to replace the current arrangement with a panel of suitable consultants has been explored. The potential operating model is outlined below:

Number of Providers – Up to six	Firms would be selected solely through a quality selection questionnaire
Conflict of Interest	Selected firms would have appropriate arrangements in place to identify any conflict and their main income stream should be generated through advising public sector clients
Viability Model	BHCC would specify the standard model and set parameters (profit, contingency etc) that all providers use to ensure consistency across assessments
Selection	The developer would select the consultant to appoint from the panel. The Planning Service would retain the right to veto the consultant proposed by the developer based on the information included in their proposal for undertaking the commission.
Appointment	Firms would be appointed jointly with the fee payment made directly by the applicant (reducing risks and administrative costs for the council.)

- 4.3 The Head of Planning was also asked to explore options to self deliver specialist viability appraisal advice “in house.” The high level business case is included as Appendix Three.

- 4.4 The business case demonstrates that the income and volume of work currently generated would be insufficient to offset the costs of delivering the service direct.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The Chair of Planning Committee, in response to a question from Councillor Fishleigh at the Full Council Meeting on 25th July, agreed to ask the Head of Planning to review the existing arrangements and report the outcome and recommendations to this committee. The members of the Planning Committee have been informed of the scoping of the study and its conclusions.

- 5.2 Their comments have shaped how the viability assessments will be established, managed and regularly reviewed to ensure that robust advice is being provided to the council.

- 5.3 The Community Engagement Framework and Standards has not been used in this case as the service is mainly required by private sector developers who are based outside of the city.

6. CONCLUSION

- 6.1 There is no evidence that the viability advice being received from the DVS is a significant factor in the council not achieving fully compliant policy levels of affordable housing.

- 6.2 At present, there is not a sustainable business case for the council to self deliver viability consultancy services.
- 6.3 However, due to resource constraints within the DVS, the council needs to establish alternative supply arrangements in order to support the timely determination of major housing planning applications across the city.
- 6.4 This will be best achieved through the establishment of a panel of consultants as outlined in this report.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The value of undertaking independent viability assessment reviews will be dependent on the number and type of applications received, however based on historic averages, it is estimated that the value of would be in the region of £0.090m annually. The costs of these reviews are met from the planning applicant and will therefore not result in a net cost to the council
- 7.2 As detailed in the main body of the report, consideration has been given to alternative methods of delivery. The recommended panel of consultants is considered the most favourable option in terms of value for money, as it is expected to provide the required outcomes in the timeliest manner. An in house delivery option has been considered, and it is expected that the level of income and volume of work would be insufficient to offset the costs of delivering the service.

Finance Officer Consulted: Steven Bedford

Date: 11/12/19

Legal Implications:

- 7.3 The Council's legal advisors will advise to ensure that the procurement complies with the relevant legislation. Whilst the value of this contract means the decision could be taken by the Executive Director, the recommended course is a change of approach for the Council and Officers have therefore brought the report to Committee for approval.

Lawyer Consulted: Alice Rowland

Date: 06/01/20

Equalities Implications:

- 7.4 An EIA has not been prepared in this instance as the service is restricted to the provision of professional advice to the planning service.
- 7.5 All information relating to viability assessments is already published as part of the general transparency arrangements utilised in the determination of planning applications.

Sustainability Implications:

- 7.6 There are no sustainability implications in relation to the proposals contained in

the report.

Any Other Significant Implications:

- 7.7 Although commissions will be procured by the developer in conjunction with the council on a case by case basis, the creation, maintenance and monitoring of the panel will be managed by the Planning Service. A fair and transparent selection process will be undertaken to ensure suitably qualified consultants are admitted to the panel. This will ensure transparency for the arrangements, set out clear operating procedures and mechanisms to scrutinise the advice being provided by individual firms appointed.
- 7.8 The process for selecting the panel is in the process of being agreed with the timetable for this process being developed following approval of this report. The Head of Planning may therefore need to extend the existing use of an alternative provider for advice if the DVS are unable to undertake particular applications in the interim.

Corporate / Citywide Implications:

- 7.9 Provision of viability advice to the service helps to deliver the policy and objectives of the City Plan and other agreed strategies in the city.

SUPPORTING DOCUMENTATION

Appendices:

1. Benchmarking Exercise with other Unitary Councils in Southern England
2. High level business case for self delivery option

Background Documents

1. None.

