

Examination of the Reading Borough Local Plan Partial Update

Reading Borough Council Hearing Statement for Matter 11: Viability

January 2026

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Note: In all Council Hearing Statements, references to the Local Plan Partial Update (LPPU) are to the Pre-Submission Draft Local Plan Partial Update showing tracked changes [LP003b] unless otherwise specified.

Issue 1: Does the LPPU take a justified and effective approach to the viability and deliverability of sites and policies?

11.1 Taking account of the Local Plan Viability Testing Report: Independent Viability Review [EV004] (Viability Review), would the cumulative requirements of the LPPU's policies put the viability of plan implementation at serious risk? Have all of the LPPU's policy requirements been factored in? Specific reference should be made to Policies CC2, CC3, CC4, CC7, EN19, H3, H4, H5, H6, H15 and TR5, but all relevant policies should be outlined.

11.1.1 No, the viability report has modelled the costs associated with strategic policies and concluded that policies will not hinder deliverability. Costs and other appraisal inputs, such as developer profit, have been tested at the upper end of the currently identified National Planning Practice Guidance (NPPG) in order to ensure that the Plan is not being tested at the margins of viability. A further range of sensitivity testing using key appraisal inputs has been undertaken to ensure the findings are robust.

11.1.2 Table 1 summarises how cost implications have been considered for each policy:

Table 1: Summary of approach to each policy requirement

Policy	Associated viability considerations within EV004
Policies CC2 and H5 – requires sustainable design and construction in line with net zero targets	The study assumes a 15% increase on base build costs to cover a wide range of sustainable design and construction requirements for both residential and non-residential development. This is outlined in paragraph 4.31 and the first paragraph of Appendix 5 [EV004].
Policy CC4 requires developments of a certain size to establish a heat network or link into an existing or future heat network.	Feasibility of heat networks is very site-specific and therefore it is difficult to assign a specific cost increase to all sites for viability testing. In the absence of site-specific information, costs associated with CC4 are included within the 15% increase on base build costs associated with other sustainable design and construction as stated above.
Policy CC7 addresses requirements for high-quality design and improvements to the public realm.	No specific cost allowance has been made with regard to design as there are no specific requirements here that require testing. This is in line with the approach to the Local Plan. Costs will very much depend on the scale, location and design of

Policy	Associated viability considerations within EV004
	schemes. High quality design often helps to secure optimum sales value and is largely developer-led. Therefore, whilst costs may be higher, it will increase the value of schemes.
Policy EN19 requires a proportion of green over on-site to compliment mandatory BNG requirements.	An analysis of sites as described in the Council's Matter 5 Hearing Statement revealed that most schemes can meet these requirements at little or no cost. For others that may require further changes, this is addressed by the 15% increase on base build costs for sustainability policies generally.
Policy H2 sets out density requirements for a range of environments within the Borough.	This policy has informed assumptions made within the report estimating unit numbers and typologies within strategic sites. These are shown in Appendix 1 [EV004].
Policy H3 outlines requirements for affordable housing delivery.	The report [EV004] tests a range of affordable housing levels as set out in paragraphs 5.10 and 6.7. Alternative tenure mixes were also used in sensitivity testing.
Policy H4 states requirements for build-to-rent schemes.	These schemes have been viability tested extensively across a range of local authorities at application stage. This form of C3 use is often also viable at build for sale use (paragraphs 7.10 – 7.13). As there is no planning consent required to move units into sales tenure, these units have been modelled as part of the overall housing supply.
Policy H6 seeks to provide accommodation for vulnerable people.	The viability of these schemes is considered in paragraphs 7.6 – 7.9 [EV004].
Policy H15 states requirements for purpose-built shared living accommodation (PBSA).	Paragraph 2.2 identifies that the primary housing need with respect to shared housing is through PBSA. Paragraphs 7.1 – 7.5 considers the relative viability of PBSA in comparison to general market housing.
TR5 addresses car and cycle parking and electric vehicle charging.	Appendix 5 [EV004] identifies that specific costs allowances associated with TR5 have been included in the 15% increase on base build cost associated with sustainability policies generally.

11.1.3 Given that market conditions currently present difficulties, not all sites and typologies tested yielded positive viability results. It is therefore anticipated that the policy requirements in the Partial Update represent realistic objectives for most applicants and will serve as robust targets, particularly as markets improve. Given flexibility within the NPPG which allows for detailed viability consideration at application stage, it is considered reasonable that not all sites would show to be viable at this stage.

11.2 Has the Viability Review been subject to consultation/stakeholder engagement with regard to its assumptions and approach?

11.2.1 The Viability Testing Report [EV004] was not subject to any particular consultation or stakeholder engagement and the Council is not aware of a requirement to do so. Because the full report was not published at the start of Regulation 19 stage, a draft was shared privately with the Home Builders Federation on 5th December 2024 to allow for consideration.

11.2.2 Although the assumptions and approach were not specifically subject to consultation, each policy within the Partial Update that carries associated costs (particularly CC2, H5, H3 and others listed in the table above in paragraph 11.1.2) was consulted on extensively at two separate stages (Regulation 18 and Regulation 19) from November 2023 to December 2024. The costs associated with each policy in the Partial Update are in line with costs across other local authorities and are not considered to be exceptional.

11.3 Does the Viability Review adequately reflect the typologies, nature and circumstances of LPPU proposed allocations?

11.3.1 Section 2 of the report sets out how the site allocations and assessment of windfall sites, together with the identified housing need has informed the selection of strategic sites and typologies tested. The section establishes a clear framework, categorising sites by scale from strategic sites of over 500 units to micro sites of fewer than four units. This approach ensures that a full spectrum of development sizes anticipated in the LPPU is assessed.

11.3.2 In terms of sites, the review incorporates sites distributed across key postcode areas within Reading. This enables the viability assessment to reflect variations and across the Borough. The analysis includes a proportion of units and sites within each typology and location.

11.3.3 The review also acknowledges other residential uses, including care homes (C2), purpose-built student accommodation (PBSA), houses in multiple occupation (HMOs), and self-build plots. While these uses are not allocated within the Plan, their contribution to overall housing supply is factored into the viability considerations. Similarly, windfall sites, particularly small and micro sites, are also factored into the analysis as these make an important contribution to providing housing within the Borough.

11.3.4 Finally, the framework is explicitly linked to the LPPU's proposed allocations, including strategic sites and a range of smaller sites. This alignment ensures that the viability testing is based in the on-the-ground circumstances and policy ambitions of the LPPU.

11.4 Have affordable housing requirements been appropriately considered in testing sites, both in terms of the percentage and tenure mix?

- 11.4.1 Section 6 of the Viability Review demonstrates that affordable housing requirements have been appropriately considered in the testing of sites, both in terms of percentage provision and tenure mix. The table in Section 6.1 of the report clearly outlines the modelling of various levels of affordable housing with various tenure mixes.
- 11.4.2 In addition to percentage provision, the review addresses tenure mix by applying the policy-compliant split of affordable housing between social/affordable rent and intermediate products. This ensures that viability testing does not simply consider the quantum of affordable housing but also the composition. The assumptions used for tenure mix are aligned with current policy expectations and market evidence.
- 11.4.3 Furthermore, the review acknowledges the potential impact of affordable housing requirements on development viability, particularly for smaller sites and those with abnormal costs. Sensitivity testing is undertaken to examine scenarios where affordable housing provision may need to be adjusted to maintain deliverability.

11.5 Has adequate consideration been given to a) retirement living and extra-care housing, b) student accommodation, c) Build to Rent and d) non-residential uses within the Viability Review?

- 11.5.1 The report adequately considers each of these four types of housing. Section 7.6 – 7.9 provides specific viability analysis of retirement living schemes, noting higher construction costs and slower sales rates, but concludes that such schemes are viable albeit generally at the lower end.
- 11.5.2 Purpose-built student accommodation (PBSA) is addressed in section 7.1 – 7.5. The report estimates GDV based on Reading market rents and compares construction costs to conventional housing. It concludes that PBSA could form part of supply, but that viability is more challenging due to higher build costs and values towards the lower end.
- 11.5.3 Section 7.10 – 7.13 considers Build to Rent (BTR), noting its increasing role in the South East and potential to achieve values exceeding market housing sales in specific locations. The report concludes that while BTR schemes will be limited in number, they generally match or exceed the viability of build for sale schemes.
- 11.5.4 Non-residential uses are addressed in paragraphs 2.38 to 2.41. The report explains that commercial elements are either viable in their own right or ancillary to residential development and therefore do not materially affect overall viability. Community uses such as schools and leisure facilities are acknowledged as net costs requiring site-specific appraisal.

11.6 Are the density and mix assumptions made in the Viability Review consistent with the density and mix requirements within Policy H2 and the density of proposed site allocations in the LPPU?

- 11.6.1 Section 4.27 of the report confirms that appraisals for both strategic sites and typologies reflect the target housing mix identified in Policy H2. This includes

maximising the provision of family homes and applying the minimum density standards set out in Policy H2. As stated in Policy H2, the report incorporates mix requirements, ensuring that developments outside the central area provide at least 67% of dwellings with three or more bedrooms, and district/local centres provide at least 20% of such dwellings.

- 11.6.2 The identified typologies and site-specific modelling (Strategic, Large, Medium, Small, Very Small, and Micro) are based on the actual capacity and distribution of sites within the LPPU. This ensures that density assumptions align with the scale and location of proposed allocations, including higher densities for central RG1 sites and lower densities for suburban areas. The densities and mixes below have been assumed for testing for the specific sites and the typologies. All of the mixes comply with relevant LPPU policies regarding minimum number of three-bedroom units. The density requirements do not always accord with the minima but this is because they utilise real world examples which often contain other uses other than residential.

Table 2: Density and mix assumptions in the Viability Assessment

Site	Density	Percentage of units with three bedrooms or more
Forbury Retail Park	195 dph	15%
North of Station	141 dph	15%
Hosier Street	205 dph	15%
Cattle Market	283 dph	15%
Land North of Manor Farm Road	75 dph	70%
Land at Madejski Stadium, Shooters Way	Approx. 33 dph	70%
South of Elgar Road Major Opportunity Area	93 dph	70%
Large - RG1	N/A	15%
Large - RG2	N/A	70%
Large - RG30	N/A	70%
Large - RG4	N/A	70%
Medium - RG1	N/A	15%
Medium - RG2	N/A	70%
Medium - RG30	N/A	70%
Medium - RG31	N/A	70%
Small - RG1	N/A	17%
Small - RG2	N/A	70%
Small - RG30	N/A	70%
Small - RG31	N/A	70%
Small - RG4	N/A	70%
Small - RG6	N/A	70%

Very small - RG1	N/A	14%
Very small - RG2	N/A	71%
Very small - RG30	N/A	71%
Very small - RG31	N/A	71%
Very small - RG4	N/A	71%
Very small - RG6	N/A	71%
Micro - RG1	N/A	0%
Micro - RG2	N/A	100%
Micro - RG30	N/A	100%
Micro - RG31	N/A	100%
Micro - RG4	N/A	100%
Micro - RG6	N/A	100%

11.7 The Viability Review indicates that development is not viable on some sites. Overall, is there evidence to show that the LPPU is deliverable?

- 11.7.1 Yes, there is clear evidence within the report that the LPPU is deliverable, despite some sites showing marginal or negative viability under current market conditions.
- 11.7.2 It is acknowledged that current market conditions present significant challenges for development viability. Setting policy targets at a level that guarantees deliverability across all sites would, in effect, require such targets to be reduced to the point where no meaningful policy objectives could be achieved. This would represent an unrealistic and unsustainable approach, as even under such circumstances some sites would remain unviable. Consequently, this would neither secure the delivery of sustainable development nor materially increase overall housing supply.
- 11.7.3 The report undertakes extensive sensitivity testing, showing that relatively modest improvements in sales values or reductions in build costs would enable more than half of all sites to achieve full viability (paragraph 6.9–6.12). This reflects the current position at the bottom of the economic cycle (paragraph 6.5) and supports the conclusion that viability will strengthen over the plan period. Moreover, Policy H3 provides a mechanism for viability review at application stage, ensuring that where sites face genuine viability constraints, obligations can be adjusted to prevent stalling (paragraphs 5.6 – 5.7).
- 11.7.4 Additionally, the 2022-2023 Annual Monitoring Report data referenced in the report confirms that 82% of housing delivery is expected from committed strategic sites, which have already demonstrated capacity to deliver under current policy requirements (paragraphs 2.20–2.22).
- 11.7.5 The conclusions of the Viability Review demonstrate that a substantial proportion of sites are capable of meeting the proposed policy objectives. Furthermore, the flexibility embedded within national planning guidance, which allows for negotiation of planning obligations on a case-by-case basis, ensures that the proposed policies do not constitute a barrier to delivery.