Local Plan & CIL Viability Assessment

December 2019

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1. Introduction

Scope

1.1 Fenland District Council (FDC / the Council) is preparing a Local Plan that will set out the future spatial strategy for the District and will include sites for allocation. The first stage of this is the publication of an 'Issues and Options' consultation document. Responses to the Issues and Options document will inform the scope and direction of the draft Local Plan, which the Council intends to publish for consultation in –the summer of 2020.

1.2 This Viability Assessment has been commissioned to inform the further development of the Plan. HDH Planning & Development Ltd has been appointed to advise FDC in connection with several matters:

a. Review of Affordable Housing policy within the District (including tenure split).

b. Whole plan viability to consider all other standards and policy requirements.

c. To consider the scope for Community Infrastructure Levy (CIL).

1.3 This document sets out the methodology used, and the key assumptions adopted. It contains an assessment of the effect of the policies, which could be set out in the emerging Plan and in relation to the potential development sites to be allocated. This will allow FDC to further engage with stakeholders, to ensure that the new Plan is effective.

1.4 A consultation event was held on 19th September 2019. Representatives of the main developers, development site landowners, 'call for site' landowners, their agents, planning agents and consultants working in the area and housing providers were invited.

1.5 In the several years before this report, various Government announcements were made about changes to the planning processes. The Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework, (2018 NPPF), and published new Planning Practice Guidance (PPG) in July 2018. In February 2019 the NPPF was further updated (2019 NPPF), although these changes did not impact on viability. In May 2019 the viability sections of the PPG were updated again. In addition to these changes, the CIL Regulations and accompanying guidance (within the PPG) were also updated from 1st September 2019. The methodology used in this report is consistent with the 2019 NPPF, the CIL Regulations (as amended) and the updated PPG.

1.6 It is important to note, at the start of a study of this type, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened.

Report Structure

1.7 This report follows the following format:

Chapter 2 The reasons for, and approach to viability testing, including a review of the requirements of the CIL Regulations, 2019 NPPF and updated PPG.

Chapter 3 The methodology used.

Chapter 4 An assessment of the housing market, including market and Affordable Housing, with the purpose of establishing the worth of different types of housing in different areas.

Chapter 5 An assessment of the non-residential market.

Chapter 6 An assessment of the costs of land to be used when assessing viability.

Chapter 7 The cost and general development assumptions to be used in the development appraisals.

Chapter 8 A summary of the various policy requirements and constraints that influence the type of development that come forward.

Chapter 9 A summary of the range of modelled sites used for the financial development appraisals.

Chapter 10 The results of the appraisals and consideration of residential development.

Chapter 11 The results of the appraisals and consideration of non-residential development.

Chapter 12 Conclusions in relation to the deliverability of development.

HDH Planning & Development Ltd (HDH)

1.8 HDH is a specialist planning consultancy providing evidence to support planning and housing authorities. The firm's main areas of expertise are:

a. District wide and site-specific viability analysis.

b. Community Infrastructure Levy.

c. Housing Market Assessments.

1.9 The findings contained in this report are based upon information from various sources including that provided by FDC and by others, upon the assumption that all relevant information has been provided. This information has not been independently verified by HDH. The conclusions and recommendations contained in this report are concerned with policy requirements, guidance and regulations which may be subject to change. They reflect a Chartered Surveyor's perspective and do not reflect or constitute legal advice.

1.10 No part of this report constitutes a valuation and the report should not be relied on in that regard.

Compliance

1.11 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principle pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Financial Viability in planning (1st edition), RICS guidance note 2012*.

1.12 *Financial Viability in planning (1st edition), RICS guidance note 2012* is currently subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (May 2019). As part of the review, *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance has been followed in full.

a. HDH confirms that in preparing this report the firm has acted with objectivity, impartially and without interference and with reference to all appropriate available sources of information.

b. HDH is appointed by FDC and has followed a collaborative approach involving the LPA, developers, landowners and other interested parties. There has not been agreement on all points by all parties, it has therefore been necessary to make a judgment when making assumptions in this report.

c. The specification under which this project is undertaken is included as **Appendix 1** of this report.

d. HDH confirms it has no conflicts of interest in undertaking this project.

e. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.

f. The presumption is that a viability assessment should be published in full. HDH has prepared this report on the assumption that it will be published in full.

g. HDH confirms that a non-technical summary has been provided (in the form of Chapter 12). Viability in the plan-making process is a technical exercise that is undertaken specifically to demonstrate compliance (or otherwise) with the NPPF and PPG. It is firmly recommended that this report only be published and read in full.

h. HDH confirms that adequate time has been taken to allow engagement with stakeholders through this project. Initially, the time for stakeholders to comment was limited, due to the overall timetable for the production of the new Local Plan. To accommodate the concerns of consultees the consultation period was extended.

There was some concern from some consultees that that all the appraisals for all the scenarios were not available at the time of the September 2019 consultation. The purpose of the September 2019 consultation was to establish a general consensus on the inputs to the appraisals and to agree a methodology. It would have been inappropriate (and disproportionate) to undertake all the detailed analysis (running over 2,000 development appraisals) before stakeholders had the opportunity to comment on the fundamentals of the methodology and the assumptions.

i. This assessment incudes appropriate sensitivity testing in Chapter 10. This includes the effect of different tenures, different Affordable Housing requirements against different levels of developer contributions, and the impact of price and cost change.

j. The Guidance includes a requirement that, '*all contributions to reports relating to assessments of viability, on behalf of both the applicants and authorities, must comply with these mandatory requirements. Determining the competency of subcontractors is the responsibility of the RICS member or RICS-regulated firm*'. Much of the information that informed this Viability Assessment was provided by FDC. This information was not provided in a subcontractor role and, in accordance with HDH's instructions, this information has not been challenged nor independently verified.

Metric or Imperial

1.13 The property industry uses both imperial and metric data – often working out costings in metric (£/m^2) and values in imperial (£/acre and £/sqft). This is confusing so metric measurements are used throughout this report. The following conversion rates may assist readers.

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m
1m^2	=	10.76 sqft	1sqft	=	0.0929m^2
1ha	=	2.471acres	1acre	=	0.405ha

1.14 A useful broad rule of thumb to convert m^2 to sqft is simply to add a final zero.

2. Viability Testing

2.1 Viability testing is an important part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF), and is a requirement of the CIL Regulations. In each case the requirement is slightly different, but they have much in common. Over several years in the run up to this report various national consultations have been carried out about different aspects of the plan-making process. These have included references to, and sections on, viability.

2019 National Planning Policy Framework

2.2 Paragraph 34 of the 2019 NPPF says that Plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the plan.

> *Plans should set out the contributions expected from development. This should include setting out the levels and types of affordable housing provision required, along with other infrastructure (such as that needed for education, health, transport, flood and water management, green and digital infrastructure). Such policies should not undermine the deliverability of the plan.*

2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The 2019 NPPF does not include detail on the viability process, rather stresses the importance of viability. The main change is a shift of viability testing from the development management stage to the plan-making stage.

> *Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.*
>
> *2019 NPPF Paragraph 57*

2.4 Careful consideration has been made to the updated PPG (see below). This Viability Assessment will become the reference point for any viability assessments submitted through the Development Management process.

2.5 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2019 NPPF. The following, updated, definition is provided:

> ***Deliverable**: To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*
>
> *a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for*

example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).

b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.

2019 NPPF Glossary

2.6 Under the heading *Identifying land for homes*, the importance of viability is highlighted:

Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:

a) specific, deliverable sites for years one to five of the plan period[32]; and

b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.

2019 NPPF Paragraph 67

2.7 Under the heading *Making effective use of land*, viability forms part of ensuring land is suitable for development:

Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them. This should include identifying opportunities to facilitate land assembly, supported where necessary by compulsory purchase powers, where this can help to bring more land forward for meeting development needs and/or secure better development outcomes.

2019 NPPF Paragraph 119

2.8 The 2019 NPPF does not include technical guidance on undertaking viability work. This is included within the PPG, the viability sections of which were updated in July 2018 and again in May 2019. The CIL sections of the PPG were updated in September 2019.

Planning Practice Guidance

2.9 The viability sections of the PPG (Chapter 10) have been completely rewritten. The changes provide clarity and confirm best practice, rather than prescribe a new approach or methodology. Having said this the emphasis of viability testing has been changed significantly. The, now superseded, requirements for viability testing were set out in paragraphs 173 and 174 of the 2012 NPPF which said:

173 ... 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.

174 ... 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...

2.10 The test was whether or not the policy requirements were so high that development was threatened. Paragraphs 10-009-20190509 and 10-009-20190509 change this:

> *... ensure policy compliance and optimal public benefits through economic cycles...*
>
> *10-009-20190509*
>
> *and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *10-009-20190509*

2.11 The purpose of viability testing is now to ensure that '*maximum benefits in the public interest*' has been secured. This is a notable change in emphasis.

2.12 Through the September 2019 consultation concern was raised that the guidance seemed to be '*drafted with rich London boroughs in mind*'. We can understand this concern, but that highlights the importance of getting the base assumptions correct so a new Local Plan can be drafted that will deliver the Plan's objectives.

2.13 The core requirement to consider viability links to paragraph 56 of the 2019 NPPF:

> *Plans should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards including the cost implications of the Community Infrastructure Levy (CIL) and planning obligations. Viability assessment should not compromise sustainable development but should be used to ensure that policies are realistic, and the total cumulative cost of all relevant policies will not undermine deliverability of the plan.*
>
> *23b-005-20190315*

2.14 This assessment takes a proportionate approach to considering the cumulative impact of policies and planning obligations.

2.15 The updated PPG includes 4 main sections:

Section 1 - Viability and plan making

2.16 The overall requirement is that:

> *...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106...*
>
> *PPG 10-001-20190509*

2.17 This study takes a proportionate approach, building on the Council's existing evidence, and considers all the local and national policies that will apply to new development.

> *It is the responsibility of plan makers in collaboration with the local community, developers and other stakeholders, to create realistic, deliverable policies. Drafting of plan policies should be iterative and informed by engagement with developers, landowners, and infrastructure and affordable housing providers.*
>
> *PPG 10-002-20190509*

2.18 Consultation has formed part of this study.

> *Policy requirements, particularly for affordable housing, should be set at a level that takes account of affordable housing and infrastructure needs and allows for the planned types of sites and development to be deliverable, without the need for further viability assessment at the decision making stage.*
>
> *PPG 10-002-20190509*

2.19 A range of levels of affordable housing have been tested against a range of levels of developer contributions.

> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies.*
>
> *PPG 10-002-20190509*

2.20 The site selection process is underway however (as at December 2019) no strategic sites have been chosen. When this process has progressed further, the potential Strategic Sites (or broad locations for development) will be tested individually and FDC will specifically engage with the promoters of the potential Strategic Sites in the Plan. The Council recently (October / November 2019) carried out a call for sites, the results of which are currently being processed, so at this stage the modelling is based on the current allocations and sites within the five year land supply, on the assumption that sites brought forward in the future are not going to be very different to those coming forward now. In due course it may be necessary to revisit this when the actual preferred allocations have been selected.

> *Assessing the viability of plans does not require individual testing of every site or assurance that individual sites are viable. Plan makers can use site typologies to determine viability at the plan making stage. Assessment of samples of sites may be helpful to support evidence. In some circumstances more detailed assessment may be necessary for particular areas or key sites on which the delivery of the plan relies.*
>
> *PPG 10-003-20180724*

2.21 This study is based on typologies[1] that have been developed by having regard to the potential sites that are most likely to be identified through the emerging Plan. A number of options are being explored so the different scenarios (for example around density) are considered.

> *Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers*

[1] The PPG provides further detail at 10-004-20190509:

> *A typology approach is a process plan makers can follow to ensure that they are creating realistic, deliverable policies based on the type of sites that are likely to come forward for development over the plan period.*
>
> *In following this process plan makers can first group sites by shared characteristics such as location, whether brownfield or greenfield, size of site and current and proposed use or type of development. The characteristics used to group sites should reflect the nature of typical sites that may be developed within the plan area and the type of development proposed for allocation in the plan.*

can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.

PPG 10-004-20190509

2.22 This study draws on a wide range of data sources, including those collected through the development management process. Outliers have been disregarded.

It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.

PPG 10-005-20180724

2.23 As and when specific Strategic Sites are identified, they will be considered separately.

Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.

It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.

PPG 10-006-20190509

2.24 Consultation has formed part of the preparation of this study. This study specifically considers the total cumulative cost of all relevant policies.

Section 2 - Viability and decision taking

2.25 It is beyond the scope of this study to consider viability in decision making. It is however important to note that this study will form the starting point for future development management consideration of viability.

How should a viability assessment be treated in decision making?

Where a viability assessment is submitted to accompany a planning application this should be based upon and refer back to the viability assessment that informed the plan; and the applicant should provide evidence of what has changed since then.

The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and viability evidence underpinning the plan is up to date, and site circumstances including any changes since the plan was brought into force, and the transparency of assumptions behind evidence submitted as part of the viability assessment.

> *Any viability assessment should reflect the government's recommended approach to defining key inputs as set out in National Planning Guidance.*
>
> *PPG10-008-20190509*

Section 3 - Standardised inputs to viability assessment

2.26 The general principles of viability testing are set out under paragraph PPG 10-010-20180724.

> *Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.*
>
> *This National Planning Guidance sets out the government's recommended approach to viability assessment for planning. The approach supports accountability for communities by enabling them to understand the key inputs to and outcomes of viability assessment.*
>
> *Any viability assessment should be supported by appropriate available evidence informed by engagement with developers, landowners, and infrastructure and affordable housing providers. Any viability assessment should follow the government's recommended approach to assessing viability as set out in this National Planning Guidance and be proportionate, simple, transparent and publicly available. Improving transparency of data associated with viability assessment will, over time, improve the data available for future assessment as well as provide more accountability regarding how viability informs decision making.*
>
> *In plan making and decision making viability helps to strike a balance between the aspirations of developers and landowners, in terms of returns against risk, and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *PPG 10-010-20180724*

2.27 This study sets out the approach, methodology and assumptions used. These have been subject to consultation and have drawn on a range of data sources. Ultimately, the Council will use this report to judge the appropriateness of the new policies in the emerging Local Plan and the deliverability of the potential allocations.

> *Gross development value is an assessment of the value of development. For residential development, this may be total sales and/or capitalised net rental income from developments. Grant and other external sources of funding should be considered. For commercial development broad assessment of value in line with industry practice may be necessary.*
>
> *For broad area-wide or site typology assessment at the plan making stage, average figures can be used, with adjustment to take into account land use, form, scale, location, rents and yields, disregarding outliers in the data. For housing, historic information about delivery rates can be informative.*
>
> *PPG 10-011-20180724*

2.28 The residential values have been established using data from the Land Registry and other sources. These have been averaged as suggested. Non-residential values have been derived though consideration of capitalised rents as well as sales.

2.29 PPG paragraph 10-012-20180724 lists a range of costs to be taken into account.

- *build costs based on appropriate data, for example that of the Building Cost Information Service*

- *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*
- *site-specific infrastructure costs, which might include access roads, sustainable drainage systems, green infrastructure, connection to utilities and decentralised energy. These costs should be taken into account when defining benchmark land value*
- *the total cost of all relevant policy requirements including contributions towards affordable housing and infrastructure, Community Infrastructure Levy charges, and any other relevant policies or standards. These costs should be taken into account when defining benchmark land value*
- *general finance costs including those incurred through loans*
- *professional, project management, sales, marketing and legal costs incorporating organisational overheads associated with the site. Any professional site fees should also be taken into account when defining benchmark land value*
- *explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return*

2.30 All these costs are taken into account. Through the September 2019 consultation concern was raised about using averages and high-level assumptions when it is the site specifics that apply to specific schemes. This is noted, however the purpose of the assessment is reflect the generality rather than the specific, and ensure that generally the policy burden on new development is appropriate.

2.31 The PPG then sets out how land values should be considered, confirming the use of the Existing Use Value Plus (EUV+) approach.

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*
>
> *PPG 10-013-20190509*

2.32 The PPG goes on to set out:

> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should*

be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

PPG 10-014-20190509

2.33 The approach adopted in this study is to start with the EUV. The 'plus' element is informed by the price paid for policy compliant schemes to ensure an appropriate landowners' premium.

Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.

PPG 10-015-20190509

2.34 This report has applied this methodology to establish the EUV.

2.35 The PPG sets out an approach to the developers' return

Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.

For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

PPG 10-018-20190509

2.36 As set out in Chapter 7 below, this approach is followed.

Section 4 - Accountability

2.37 This is a new section in the PPG. It sets out new requirements on reporting. These are covered outside this report.

2.38 In line with paragraph 10-020-20180724 of the PPG that says that '*practitioners should ensure that the findings of a viability assessment are presented clearly. An executive summary should be used to set out key findings of a viability assessment in a clear way*', Chapter 12 of this report is written as a standalone non-technical summary that brings the evidence together.

Community Infrastructure Levy Regulations and Guidance

2.39 The Council has not adopted CIL. The CIL Regulations are broad, so it is necessary to have regard to them and the CIL Guidance (which is contained within the PPG) when undertaking a plan-wide viability assessment and considering the deliverability of development. The CIL Regulations came into effect in April 2010 and have been subject to several subsequent amendments[2]. CIL Regulation 14 (as amended) sets out the core principle for setting CIL. It is necessary to consider the CIL Regulations as they do impact on the wider plan-making process.

> *Setting rates*
>
> *(1) In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—*
>
> *(a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and*
>
> *(b) the potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.*
>
> *(2) In setting rates …*

2.40 Viability testing in the context of CIL is to assess the '*effects*' on development. Ultimately the test that will be applied to CIL is as set out in the examination section of the PPG. On preparing the evidence base on economic viability, the Guidance says:

> *A charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging*

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[2] **SI 2010 No. 948**. The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987**. The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918**. The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975**. The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th February 2014, Coming into force 24th February 2014.* **S1 2015 No. 836**. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015*. **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **2019 No. 1103** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 *Made 9th July 2019. Coming into Force 1st September 2019*.

> *authorities will need to summarise their viability assessment. Viability assessments should be proportionate, simple, transparent and publicly available in accordance with the viability guidance. Viability assessments can be prepared jointly for the purposes of both plan making and preparing charging schedules. This evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the viability of development across the authority' s area. Where the levy is introduced after a plan has been made, it may be appropriate for a local authority to supplement plan viability evidence with assessments of recent economic and development trends, and through working with developers (e.g. through local developer forums), rather than by procuring new evidence.*
>
> *PPG 25-019-20190901*

2.41 This study has drawn on the existing available evidence. In due course, this study will form one part of the evidence that FDC will use if a decision is made to pursue CIL further. The Council would also need consider other 'existing available evidence', the comments of stakeholders and wider priorities.

2.42 From April 2015, councils were restricted in relation to pooling S106 contributions from more than five developments[3]. These 'pooling' restrictions were lifted from 1st September 2019. Payments requested under the s106 regime must be (as set out in CIL Regulation 122):

a. necessary to make the development acceptable in planning terms;

b. directly related to the development; and

c. fairly and reasonably related in scale and kind to the development.

2.43 A local authority which wishes to introduce CIL must to set out in a Charging Schedule the types of development to be charged (and any exceptions) and the rates of charge to be applied. CIL, once introduced, is mandatory on all developments within the categories and areas where the levy applies. This is unlike s106 agreements (including Affordable Housing) which are negotiated with developers on a site by site basis (subject to the restrictions in CIL Regulation 122 and within paragraphs 10-007 and 10-008 of the PPG). This means that CIL must not prejudice the viability of most sites.

Wider Changes Impacting on Viability

2.44 There have been a number of changes at a national level since FDC's existing viability work.

2.45 Paragraph 63 of the 2019 NPPF now sets out national thresholds for the provision of Affordable Housing:

> *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.*

[3] CIL Regulations 123(3)

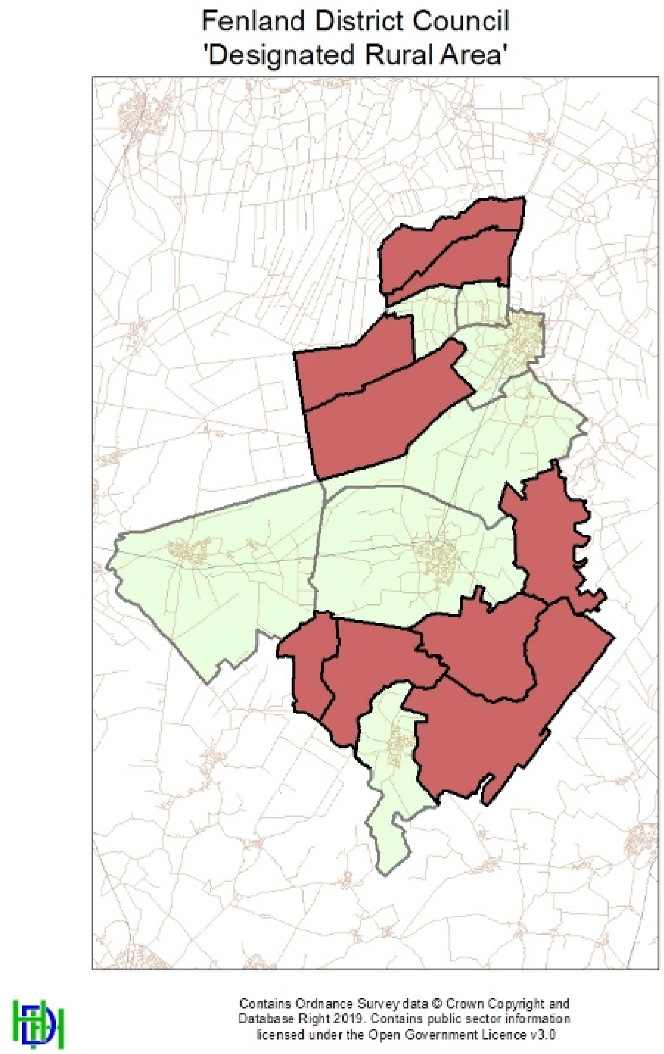
2.46 In this context, major development is as set out in the Glossary to the 2019 NPPF:

> ***Major development:*** *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

2.47 Fenland has 16 parishes, of which just over half are designated rural areas:

Benwick	Christchurch	Doddington
Manea	Newton	Parson Drove
Tydd St Giles	Wimblington	Wisbech St Mary.

Figure 2.1 Designated Rural Area (for Affordable Housing) - Red



Source: FDC (August 2019)

2.48 A threshold of 6 units is assumed to apply within the designated rural area and a threshold of 10 units is assumed to apply elsewhere.

Low Cost Home Ownership

2.49 The amended Community Infrastructure Levy Regulations include provisions which exempt Starter Homes from the Levy where the dwelling is sold to individuals whose total household annual income is no more than £80,000 (£90,000 in Greater London).

2.50 The 2019 NPPF (paragraph 64) sets out a policy for a minimum of 10% affordable home ownership units on larger sites.

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[4], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*
>
> *Paragraph 64, 2019 NPPF*

2.51 This is assumed to apply.

Affordable Housing

2.52 Prior to the Summer 2015 Budget, Affordable Rents were set at up to 80% of open market rent and generally went up, annually, by inflation (CPI) plus 1%, and Social Rents were set through a formula, again with an annual inflation plus 1% increase. Under arrangements announced in 2013, these provisions were to prevail until 2023, and formed the basis of many housing associations' and other providers' business plans. Housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little more relative to inflation.

2.53 In the Budget, it was announced that Social Rents and Affordable Rents would be reduced by 1% per year for 4 years. This change reduced the value of Affordable Housing. In October 2017 the Government announced that Rents will rise by CPI +1% for five years from 2020. The values of Affordable Housing have been considered in Chapter 4 below.

[4] Footnote 29 of the 2018 NPPF clarifies as '*As part of the overall affordable housing contribution from the site*'.

Environmental Standards

2.54 The Government confirmed within the *Fixing the foundations productivity report*[5] its intention not to proceed with the zero carbon buildings policy, which was initially announced in 2007.

> *… repeat its successful target from the previous Parliament to reduce net regulation on housebuilders. The government does not intend to proceed with the zero carbon Allowable Solutions carbon offsetting scheme, or the proposed 2016 increase in on-site energy efficiency standards, but will keep energy efficiency standards under review, recognising that existing measures to increase energy efficiency of new buildings should be allowed time to become established*

2.55 There was no uplift to Part L of the Building Regulations during 2016 and both the 2016 zero carbon homes target and the 2019 target for non-domestic zero carbon buildings will be dropped, including the Allowable Solutions programme.

2.56 As this report was being written (November 2019), the Government launched a consultation on 'The Future Homes Standard'[6]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. At this stage a policy has not been drafted but is likely to include provisions to encourage reduced energy usage. This is considered in Chapter 8 below.

Biodiversity

2.57 In March 2019 the Government announced that new developments must deliver an overall increase in biodiversity. Following a consultation, the Chancellor confirmed in the Spring Statement that the Government will use the forthcoming Environment Bill to mandate 'biodiversity net gain'.

2.58 At this stage no details have been published, however biodiversity net gain requires developers to ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

2.59 Improvements on-site are encouraged, but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

2.60 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation as a survey will need to be carried out. The

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[5] https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation

[6] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

Government's impact assessment[7] suggest an average cost in the region of £20,000 per hectare. This would represent a modest increase in the site costs. We have increased the site cost assumption to reflect this.

2.61 In Chapter 7 the main development cost assumptions were set out and these included an allowance for fees. Having considered this policy (and the other policies) the base assumption has been increased from 8% to 9%.

Viability Guidance

2.62 There is no specific technical guidance on how to test viability in the 2019 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions[8] that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[9] (known as the **Harman Guidance**). This contains the following definition:

> *An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place and generates a land value sufficient to persuade the land owner to sell the land for the development proposed. If these conditions are not met, a scheme will not be delivered.*

2.63 The planning appeal decisions, and the HCA good practice publication[10] suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is now specified in the PPG (see above).

2.64 The Harman Guidance and *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) which was published during August 2012 (known as the **RICS Guidance**) set out the principles of viability testing[11]. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities.

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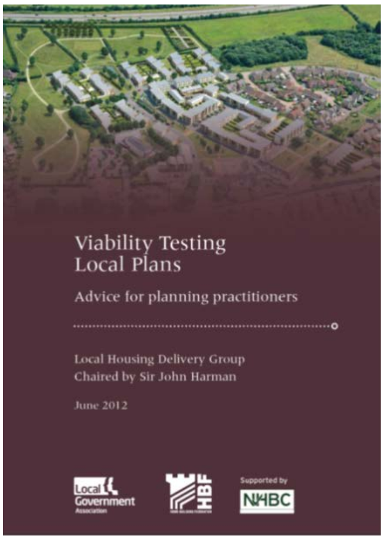
[7] https://www.gov.uk/government/consultations/biodiversity-net-gain-updating-planning-requirements

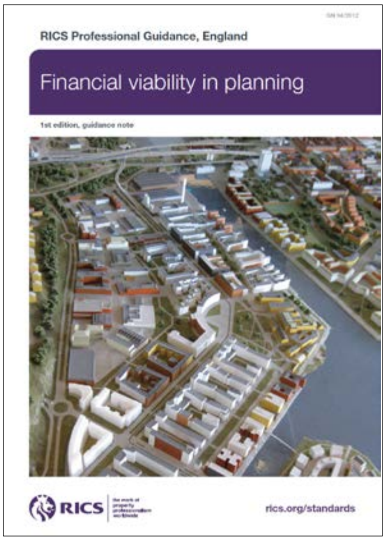
[8] Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve; APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/ A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338, Former Territorial Army Centre, Parkhurst Road, Islington APP/V5570/W/16/3151698, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437.

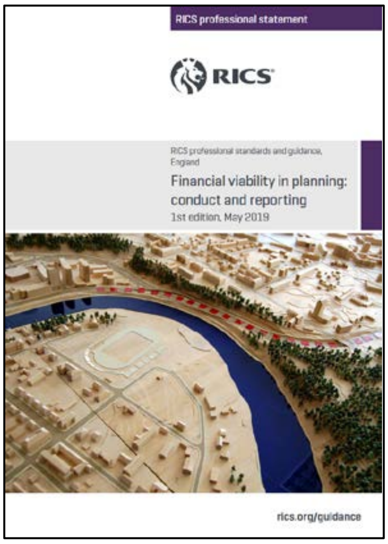
[9] Viability Testing in Local Plans has been endorsed by the Local Government Association and forms the basis of advice given by the, CLG funded, Planning Advisory Service (PAS).

[10] *Good Practice Guide*. Homes and Communities Agency (July 2009).

[11] There are two principle pieces of relevant guidance; *Draft Financial viability in planning: conduct and reporting RICS professional statement, England (October 2018)* and *Financial Viability in planning (1st edition), RICS*







2.65 There is considerable common ground between the 2012 RICS Guidance and the Harman Guidance, but they are not consistent. The RICS Guidance recommends against the 'EUV plus a margin' – which is the methodology recommended in the Harman Guidance.

> *One approach has been to exclusively adopt current use value (CUV) plus a margin or a variant of this, i.e. existing use value (EUV) plus a premium. The problem with this singular approach is that it does not reflect the workings of the market as land is not released at CUV or CUV plus a margin (EUV plus)…..*
>
> *Financial viability in planning, RICS guidance note, 1st edition (GN 94/2012)*

2.66 The Harman Guidance advocates an approach based on Threshold Land Value (Threshold Land Value is equivalent to Benchmark Land Value as referred to in the updated PPG):

> *Consideration of an appropriate **Threshold Land Value** needs to take account of the fact that future plan policy requirements will have an impact on land values and landowner expectations. Therefore, using a market value approach as the starting point carries the risk of building-in assumptions of current policy costs rather than helping to inform the potential for future policy. Reference to market values can still provide a useful 'sense check' on the threshold values that are being used in the model (making use of cost-effective sources of local information), but it is not recommended that these are used as the basis for the input to a model.*
>
> *We recommend that the Threshold Land Value is based on a premium over current use values and credible alternative use values (noting the exceptions below).*
>
> *Viability Testing in Local Plans – Advice for planning practitioners. (June 2012)*

2.67 The RICS Guidance dismisses a Threshold Land Value approach as follows:

> *Threshold land value. A term developed by the Homes and Communities Agency (HCA) being essentially a land value at or above that which it is assumed a landowner would be prepared to sell. It is not a recognised valuation definition or approach.*

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guidance note 2012. The 2012 guidance note, is subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (July 2018) so relatively little weight is given to this.

2.68 As set out in Chapter 1 above, *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) is not consistent with the 2019 NPPF and updated PPG so is subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG. Relatively little weight is given to this RICS Guidance in this regard at this stage.

2.69 In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the value of the land both with and without the benefit of planning.

2.70 This approach is in line with that recommended in the Harman Guidance (as endorsed by LGA, PAS) – and also broadly in line with the main thrust of the RICS Guidance of having reference to market value.

2.71 In September 2019 the House Builders Federation (HBF) produced further guidance in the form of *HBF Local Plan Viability Guide* (Version 1.2: Sept 2019). This guidance draws on the Harman Guidance and the 2012 RICS Guidance, (which the RICS is updating as it is out of date), but not the more recent May 2019 RICS Guidance. This HBF guidance stresses the importance of following the guidance in the PPG and of consultation, both of which this report has done. We do have some concerns around this guidance as it does not reflect '*the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission*' as set out in paragraph 10-009-20190509 of the PPG. The HBF Guidance raises several 'common concerns'. Regard has been had to these under the appropriate headings through this report.

3. Methodology

Viability Testing – Outline Methodology

3.1 This report follows the Harman Guidance and was put to the consultation event on 19th September 2019. The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)

LESS

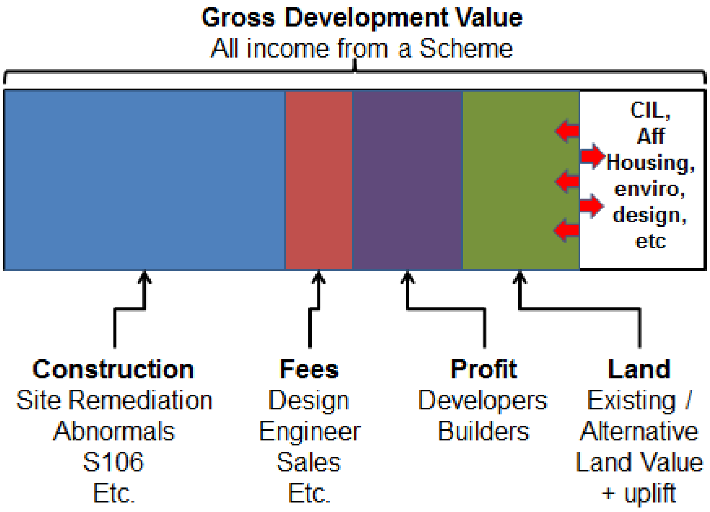
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

RESIDUAL VALUE

3.2 The result of the calculation indicates a land value, the Residual Value. The Residual Value is the top limit of what a developer could offer for a site and still make a satisfactory return (i.e. profit).

3.3 In the following graphic, the bar illustrates all the income from a scheme. This is set by the market (rather than by the developer or local authority). Beyond the economies of scale that larger developers can often enjoy, the developer has relatively little control over the costs of development, and whilst there is scope to build to different standards the costs are largely out of the developer's direct control – they are what they are.



3.4 The essential balance in viability testing is around the land value and whether or not land will come forward for development. The more policy requirements and developer contributions a planning authority asks for, the less the developer can afford to pay for the land. The purpose of this assessment is to quantify the costs of FDC's policies and to assess the effect of these and then make a judgement as to whether or not land prices are squeezed to such an extent that the Plan is not deliverable.

3.5 The land value is a difficult topic since a landowner is unlikely to be entirely frank about the price that would be acceptable, always seeking a higher one. This is one of the areas where an informed assumption has to be made about the 'uplift' above the 'EUV' which would make the landowner sell.

3.6 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the 2019 NPPF and CIL Regulations.

Limitations of viability testing in the context of the NPPF

3.7 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind and they will proceed even if a 'loss' is shown in a conventional appraisal. By way of example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is actually worth, a community may extend a village hall even though the value of the facility in financial terms is not significantly enhanced or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

3.8 This is a challenge when considering policy proposals. It is necessary to determine whether or not the impact of a policy requirement on a development type that may appear only to be marginally viable will have any material impact on the rates of development or whether the developments will proceed anyway. Some development comes forward for operational reasons rather than for property development purposes.

The meaning of Landowner Premium

3.9 The phrase '*landowner premium*' is new in the updated PPG. Under the 2012 NPPF, and the superseded PPG, the phrase 'competitive return' was used. This is at the core of a viability assessment. The 2012 RICS Guidance includes the following definition:

> ***Competitive returns*** *- A term used in paragraph 173 of the NPPF and applied to 'a willing land owner and willing developer to enable development to be deliverable'. A 'Competitive Return' in the context of land and/or premises equates to the Site Value as defined by this guidance, i.e. the Market Value subject to the following assumption: that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan. A 'Competitive Return' in the context of a developer bringing forward development should be in accordance with a 'market risk adjusted return' to the developer, as defined in this guidance, in viably delivering a project.*

3.10 Whilst this is useful it does not provide guidance as to the size of that return. The updated PPG says:

Benchmark land value should:

- *be based upon existing use value*
- *allow for a premium to landowners (including equity resulting from those building their own homes)*
- *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*

Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.

This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.

In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.

PPG 10-014-20190509

3.11 There has been much discussion as to what may and may not be a landowner premium. The term has not been given a firm definition through the appeal, planning examination or legal processes. 'Competitive return' was considered at the Shinfield Appeal (January 2013)[12] and the case is sometimes held up as a firm precedent, however as confirmed in the Oxenholme Road Appeal (October 2013)[13] the methodology set out in Shinfield is site specific and should only be given limited weight. More recently further clarification has been provided in the Territorial Army Centre, Parkhurst Road, Islington Appeal (June 2017)[14], which has subsequently been confirmed by the High Court[15]. This notes the importance of comparable data but stresses the importance of the quality of the comparable. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

3.12 This study is about the economics of development however, viability brings in a wider range than just financial factors. The following graphic is taken from the Harman Guidance and illustrates some of the non-financial as well as financial factors that contribute to the

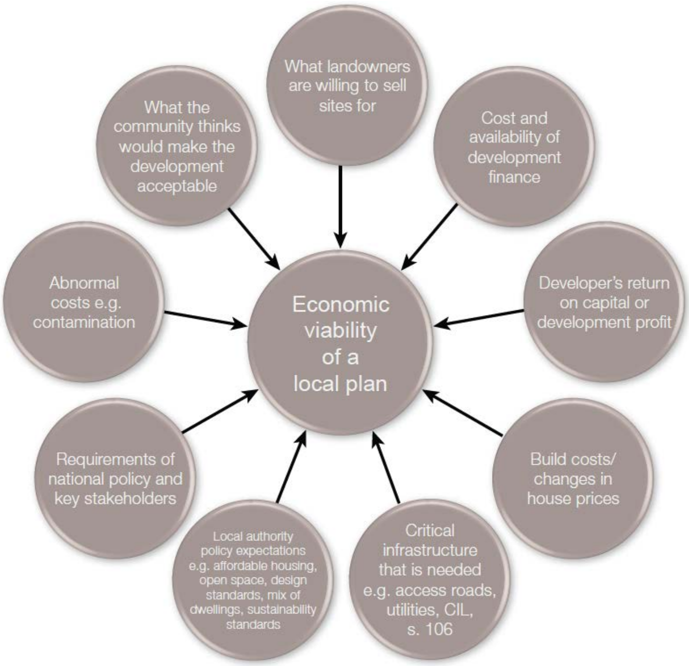
[12] APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

[13] APP/M0933/ A/13/ 2193338 (Land to the west of Oxenholme Road, Kendal, Cumbria)

[14] APP/V5570/W/16/3151698 (Former Territorial Army Centre, Parkhurst Road, Islington, London, N7 0LP)

[15] Parkhurst Road Limited v Secretary of State for Communities and Local Government and The Council of the London Borough of Islington [2018] EWHC 991 (Admin)

assessment process. Viability is an important factor in the plan-making process, but it is one of many factors.



Existing Available Evidence

3.13 The 2019 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from FDC has been reviewed. This falls into three broad types:

3.14 Firstly, is that which has been prepared earlier in the plan-making process and to inform the setting of CIL. These studies were subject to consultation and include:

a. *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014).

b. *St Edmundsbury Borough Council, Forest Heath District Council, East Cambridgeshire District Council, Fenland District Council, Local Development Framework: Affordable Housing Economic Viability Assessment 2009/10* (Adams Integra, 2010).

3.15 Through the September 2019 consultation it was suggested that the 2014 study has no relation to the current study. This is not accepted, the Harman Guidance is clear that an assessment of viability should build on the existing available evidence.

3.16 Secondly, is that which FDC holds, in the form of development appraisals[16] that have been submitted by developers in connection with specific developments – most often to support

[16] These are not referred to specifically in this report as some were submitted to the Council on a confidential basis.

negotiations around the provision of Affordable Housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it so that it can then be used as a sound base for setting the Affordable Housing target and the levels of CIL. It is important to note that these figures are the figures submitted by developers for discussion at the start of the viability process, and are not necessarily the figures agreed between the parties.

Table 3.1 Review of Development Management Viability Appraisals.

		2015	2015	2015	2016	2016	2017	2018	2018	2018
Scheme										
	Ha	0.8	0.3	0.74	5.54	5.46	3.4	0.45	8.23	1.18
	Units	30	35	11	95	139	80	19	221	28
	Affordable									
	GIA (m2)	2,181	2,100	1,437	9,174	15,711	7,118	1,543	20,981	5,137
Values										
	Residential	£1,725	£3,072	£1,638	£2,131	£1,801	£1,918	£2,560	£1,952	£1,842
	Affordable				40% / 2.75%pa		63.8% OMV		67% OMV	
					£959					
Construction										
	All In					£914		£1,659	£1,076	
		Between LQ and Median	£1,151	£1,012	Mean		£1,050 market/ £987 aff			
	Abnormals					0.50%				
	Site		9%		15%	29%				
	s106 / unit	£4,000		£5,874	£11,321	£16,690	£4,000	£4,737	£13,320	£28,900
Fees										
	Professional	8%	8%	8.60%	10%	1%	8%	10%	8%	8%
	Sales	1.50%	6%	4.50%	3.00%	1%	1.50%	2.50%	1.50%	1.50%
	Legal	£600	£600	£500			£600	£750	£600	
Other										
	Contingency	2.50%		2.50%		3%	2.50%			
	Interest	4.30%	7.70%		6%	4.75%				
	Dev Return	20% / 17.5%	20%				20% Value	20% Value	20%	20%
	Aff Return	5%					6% costs	6% costs	5%	
Land										
	Price Paid					£1,250,000				
	EUV	£428,000	£425,000				£1,000,000		£3,800,000	£600,000
	EUV/ha	£535,000	£1,416,667		£20,235		£2,222,222		£461,725	£176,471
	BLV				£20,235					

Source: Review of appraisals submitted through Development Management.

3.17 Through the September 2019 consultation some frustration was expressed that the location of the schemes were not shown. The development appraisals were prepared for the development management process, sometimes on a confidential basis. It was therefore felt inappropriate to publish the full details of the appraisals.

3.18 Thirdly, FDC also holds evidence of what is being collected from developers under the s106 regime. This is being collected outside this study[17].

Stakeholder Engagement

3.19 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A consultation event was held on the 19th September 2019. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited. **Appendix 2** includes the details of those invited and the attendees, and **Appendix 3** includes the presentation given. **Appendix 4** includes a summary of notes taken.

3.20 The event was divided into three parts:

a) A recap of viability testing in the context of the 2019 NPPF and updated PPG.

b) The main assumptions for the viability assessments were set out including development values, development costs, land prices, developers' and landowners' returns.

c) The consultants and consultees talked through the main points.

3.21 The comments of the consultees are reflected through this report and the assumptions adjusted where appropriate.

3.22 The main points from the consultation event and subsequent comments received were:

a) That the general methodology and approach was appropriate (being in line with the PPG and other Guidance).

b) That some of the values may be a little high.

c) That prices do vary quite significantly across the District.

3.23 A wide range of other points of detail were also made. Following the event, copies of the presentation and an early iteration of this study were circulated to all those invited, and the stakeholders were asked to make any further representations by email. Four written

---

[17] Paragraphs 10-020-20180724 to 10-028-20180724 of the PPG introduce reporting requirements in this regard. In particular 10-027-20180724 says:

> *How should monitoring and reporting inform plan reviews?*
>
> *The information in the infrastructure funding statement should feed back into reviews of plans to ensure that policy requirements for developer contributions remain realistic and do not undermine deliverability of the plan.*
>
> *Paragraph: 027 Reference ID: 10-027-20180724*

responses were received in addition to the comments made at the event. One of these was very substantial and was made on behalf of 8 local developers.

3.24 There was some concern from some consultees that that all the appraisals for all the scenarios were not available at the time of the September 2019 consultation. The purpose of the September 2019 consultation was to establish a general consensus on the inputs to the appraisals and to agree a methodology. It would have been inappropriate (and disproportionate) to undertake all the detailed analysis (running over 2,000 development appraisals) before stakeholders had the opportunity to comment on the base inputs. It was inevitable that the assumptions would change as result of the consultation (that is the nature of consultation). The full working model of the appraisals in the pre-consultation draft were made available to consultees following the September 2019 consultation event.

3.25 The consultation process has been carried out fully in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance

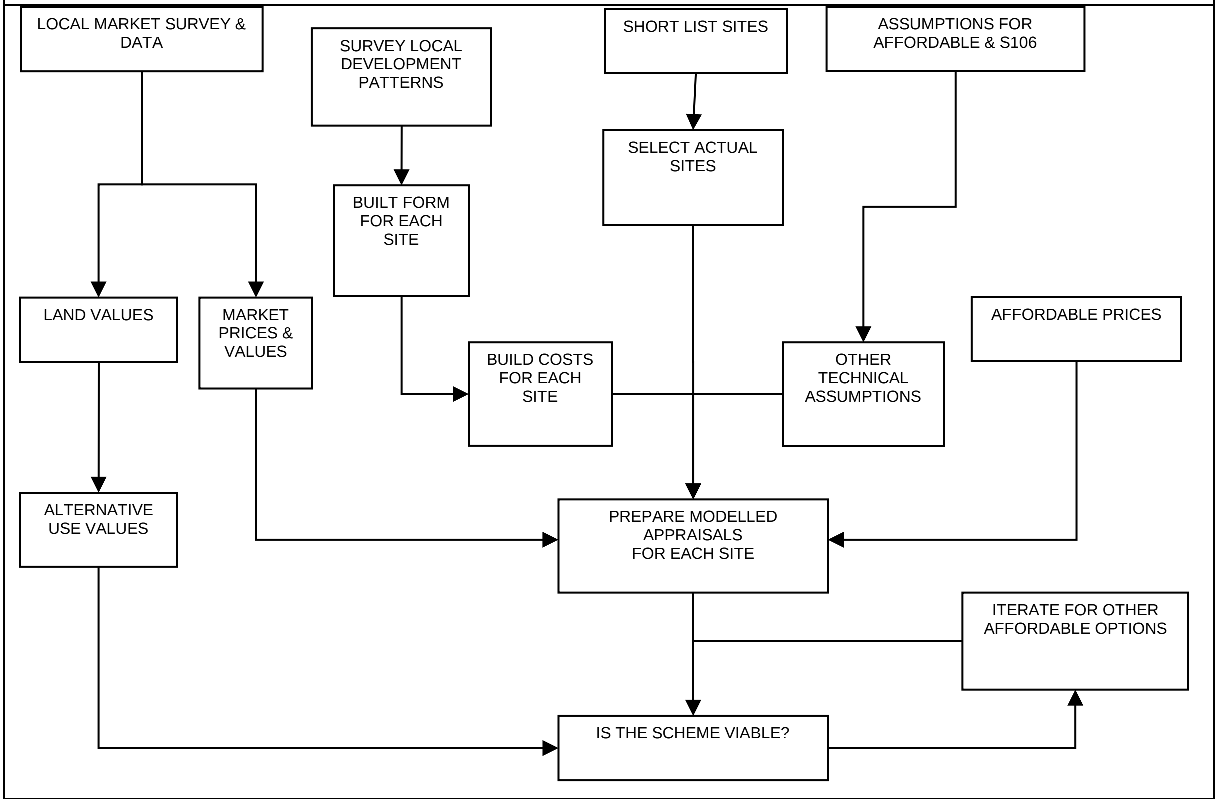
Viability Process

3.26 The assessment of viability as required under the 2019 NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'.

3.27 The basic viability methodology is summarised in the figure below. It involves preparing financial development appraisals for a representative range of 'typologies', and using these to assess whether development, generally, is viable. The typologies were modelled based on discussions with Council officers, the existing available evidence supplied to us by the Council, and on our own experience of development. Details of the modelling are set out in Chapter 9. This process ensures that the appraisals are representative of typical development in the FDC area over the plan-period.

3.28 In addition to modelling a range of representative sites, the Strategic Sites will be modelled when they have been identified later in the plan-making process.

Figure 3.1 Viability Methodology



Source: HDH 2019

3.29 The local housing markets were surveyed to obtain a picture of sales values. Land values were assessed to calibrate the appraisals and to assess EUVs. Alongside this, local development patterns were considered, to arrive at appropriate built form assumptions. These in turn informed the appropriate build cost figures. Several other technical assumptions were required before appraisals could be produced. The appraisal results were in the form of £/ha 'residual' land values, showing the maximum value a developer could pay for the site and still make an appropriate return. The Residual Value was compared to the EUV for each site. Only if the Residual Value exceeded the EUV, and by a satisfactory margin (the Landowners' Premium), could the scheme be judged to be viable. The amount of margin is a difficult subject and is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

3.30 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The emerging Plan is still at an early stage, so the policy topics used in this assessment may be subject to changes. For appropriate sensitivity testing a range of options including different levels of Affordable Housing provision and different levels of developer contribution are tested. If the Council allocates different types of site or develops significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of those further or different requirements.

3.31 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing as required by the 2019 NPPF and CIL Regulations[18] is used. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality and to provide high level advice to assist FDC in assessing the deliverability of the Local Plan and to assist the Council in considering CIL.

Additional Profit

3.32 To assess whether or not a contribution to CIL can be made, a calculation needs to be undertaken to establish the Additional Profit. Additional Profit is the amount of profit over and above the normal profit made by the developers having purchased the land (alternative land value plus uplift), developed the site and sold the units (including providing any Affordable Housing that is required). The approach to calculating additional profit is to complete the appraisal using the same base cost and price figures and other financial assumptions as used to establish the Residual Value, except for the current rates of CIL. Instead of calculating the Residual Value, the cost of the land (the Benchmark Land Value as EUV +) is incorporated into the cost side of the appraisal to show the resulting profit (or loss).

3.33 The amount by which the resulting profit exceeds the target level of profit, represents the additional profit, and provides a measure of the scope for contributing to CIL without impairing development viability. CIL contributions can be paid out of this additional profit. The following formula was used:

Gross Development Value
(The combined value of the complete development
including x% Affordable Housing)

LESS

Cost of creating the asset, including a profit margin
(land* + construction + fees + finance charges + developers' profit)
including mitigation measures, and Affordable Housing commuted sums

=

Additional Profit
* Where 'land' is the Benchmark Land Value.

[18] This Viability Model is used as the basis for the Planning Advisory Service (PAS) Viability Workshops. It is made available to Local Authorities, free of charge, by PAS and has been widely used by Councils across England (and, to a lesser extent, Wales).

4. Residential Market

4.1 This chapter sets out an assessment of the housing market, providing the basis for the assumptions on house prices. The study is concerned not just with the prices but the differences across different areas. Market conditions will broadly reflect a combination of national economic circumstances, and local supply and demand factors, however, even within a town there will be particular localities, and ultimately site-specific factors, that generate different values and costs.

Fenland's Residential Market

4.2 Fenland is a largely rural area comprising much of the area between Peterborough, King's Lynn and Cambridge. The majority of the area is sparsely populated. The main settlements are the market towns of Wisbech, March, Whittlesey and Chatteris.

a. The economy is built on agriculture, with food production / processing / packing having become more important in recent years. There are other areas of industry, such as brickmaking to the very west of the District and a range of engineering sectors.

b. The Port of Wisbech on the River Nene is an active port with access to the Wash. It handles a range of dry goods.

c. The transport links to the District are adequate for servicing the District, with train stations on the Peterborough to Ely line (March and Whittlesey) and a reasonable network of main roads, however the area does not benefit from a mainline or motorways.

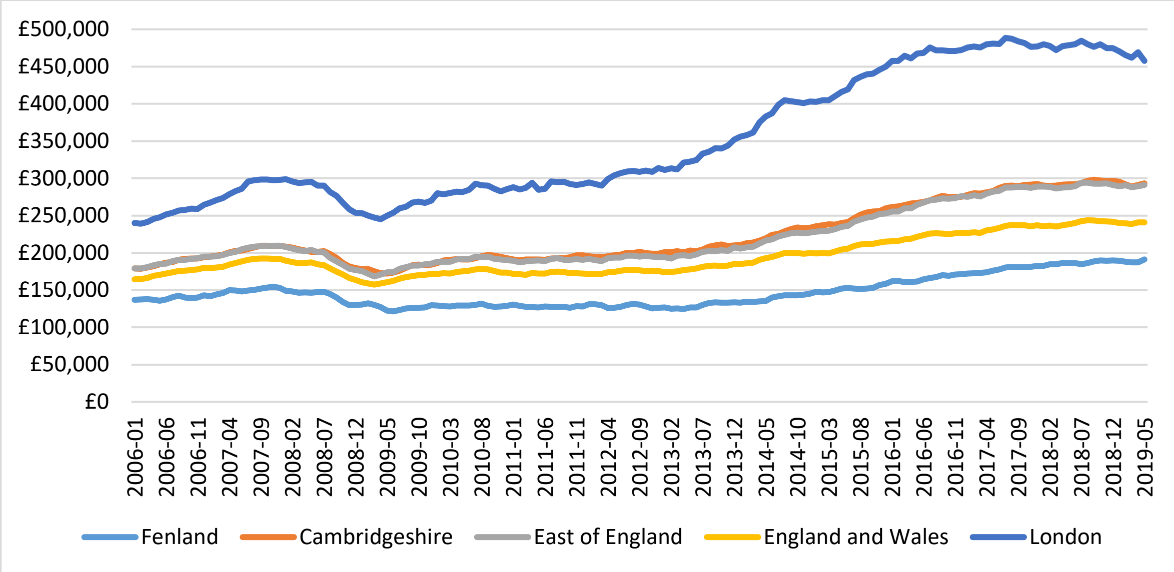
d. The rural area and attractive countryside make the area popular will commuters working in Peterborough and, to a lesser extent, Cambridge.

4.3 Overall the market is perceived to be mixed, with a strong market for the right scheme in the right place. Having said this, there is no doubt that some areas remain challenging and the relatively low house prices areas do lead to some areas seeing relatively little development coming forward. Through the September 2019 consultation concerns over 'Brexit' were raised (see below) and that prices were falling for larger units, but stable for smaller units.

National Trends and the relationship with the wider area

4.4 The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'. Average house prices across England and Wales have recovered to their pre-recession peak, this is strongly influenced by London.

Figure 4.1 Average House Prices (£)



Source: Land Registry (August 2019)

4.5 Prices in Fenland are now about 24% above their November 2007 peak which is in line with the increase in England and Wales (about 25%). House prices in Cambridgeshire and the wider East of England have increased very much more than this at about 40%. The increase in London over the same period is more at about 55%. Through the September 2019 consultation it was suggested that Fenland's housing was closely related to the London market. We do not recognise this characterisation. As with most markets away from the metropolitan centres and large conurbations, fluctuations in the market are much less than seen in London and the Home Counties.

4.6 Up to the pre-recession peak of the market, the long-term rise in house prices had, at least in part, been enabled by the ready availability of credit to home buyers. Prior to the increase in prices, mortgages were largely funded by the banks and building societies through deposits taken from savers. During a process that became common in the 1990s, but took off in the early part of the 21st Century, many financial institutions changed their business model whereby, rather than lending money to mortgagees that they had collected through deposits, they entered into complex financial instruments and engineering through which, amongst other things, they borrowed money in the international money markets, to then lend on at a margin or profit. They also 'sold' portfolios of mortgages that they had granted. These portfolios also became the basis of complex financial instruments (mortgage backed securities and derivatives etc.).

4.7 During 2007 and 2008, it became clear that some financial institutions were unsustainable, as the flow of money for them to borrow was not certain. As a result, several failed and had to be rescued. This was an international problem that affected countries across the world – but most particularly in North America and Europe. In the UK, the high-profile institutions that were rescued included Royal Bank of Scotland, HBoS, Northern Rock and Bradford and Bingley. The ramifications of the recession were an immediate and significant fall in house prices, and a complete reassessment of mortgage lending with financial organisations becoming averse to taking risks, lending only to borrowers who had the least risk of default and those with large deposits.

4.8 It is important to note that, at the time of this report, the housing market is actively supported by the Government through products and initiatives such as Help-to-Buy. In addition, the historically low Bank of England's base rates, since the recession, have contributed to the wider economic recovery, including a rise in house prices.

4.9 There is a degree of uncertainty in the housing market as reported by the RICS. The October 2019 RICS UK Residential Market Survey[19] said:

> *The October 2019 RICS Residential Market Survey continues to depict a relatively subdued sales market backdrop, evidenced by negative readings for indicators covering new buyer enquiries, agreed sales and new instructions. That being said, near term expectations for sales activity did improve to a certain degree, and a broadly stable trend is now anticipated to emerge across most parts of the country over the next three months.*

4.10 When ranked across England and Wales, the average house price for FDC is 250th (out of 348) at about £202,805[20]. To set this in context, the Council at the middle of the rank (174 – Herefordshire), has an average price of £264,989. It is relevant to note that FDC's median price is a lower than the mean at £185,000[21].

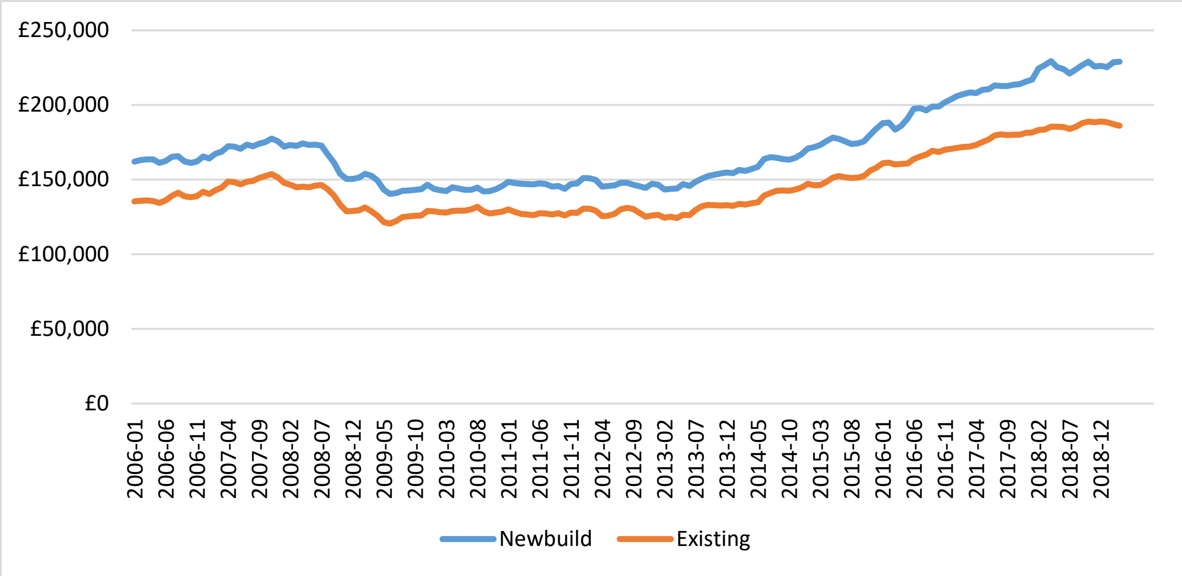
4.11 The figure above shows that prices in the FDC area have seen a significant recovery since the bottom of the market in mid-2009. A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes in Fenland (£229,105) is about £43,000, or 23% higher than the average price paid for existing homes (£186,046).

[19] https://www.rics.org/globalassets/rics-website/media/knowledge/research/market-surveys/uk-residential-market-survey---october-2019.pdf

[20] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 26th June 2019).

[21] Median house prices for administrative geographies: HPSSA dataset 9 (Release 26th June 2019)

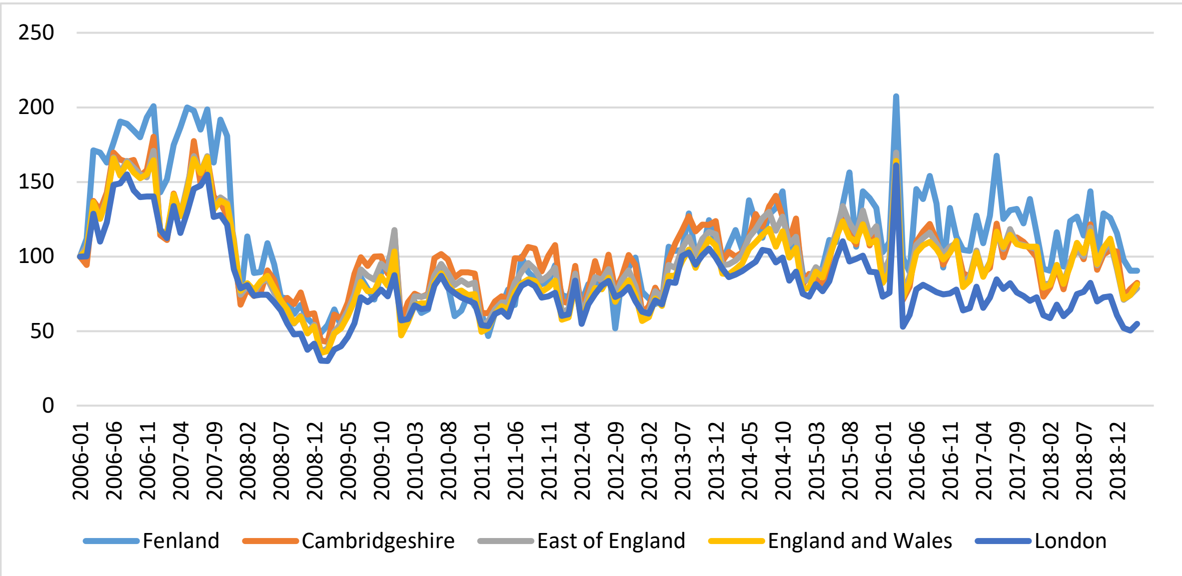
Figure 4.2 Change in House Prices. Existing v Newbuild – Fenland



Source: Land Registry (August 2019)

4.12 The rate of sales (i.e. sales per month) in the FDC area is a little greater than the wider country, underlining the fact that the local market is an active market.

Figure 4.3 Sales per Quarter – Indexed to January 2006



Source: Land Registry (August 2019)

4.13 This report is being completed after the United Kingdom voted to leave the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty. Negotiations around the details of the exit are underway but not concluded, so the future of trade with the EU and wider world are not yet known.

4.14 A range of views as to the impact on house prices have been expressed that cover nearly the whole spectrum of possibilities. The economy is in a period of uncertainly and, whilst it is not the purpose of this assessment, it is timely to provide a forecast of how house prices and values may change in the future. HM Treasury brings together some of the forecasts in its monthly *Forecasts for the UK economy: a comparison of independent forecasts* report[22].

[22] No 383, May 2019.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/801759/PU797_Forecast_for_the_UK_Economy_May_2019_covers.pdf

Table 4.1 Consolidated House Price Forecasts

House price inflation (annual average, %) 2019	2020	2021	2022	2023						Output gap (% of GDP) 2019	2020	2021	2022	2023
							City forecasters							
-	-	-	-	-	May	*	Bloomberg Economics	*	May	0.1	-0.1	0.0	0.0	0.0
1.0	1.5	2.0	-	-	May	*	Capital Economics	*	May	-	-	-	-	-
-	-	-	-	-	May	*	CEBR	*	May	-	-	-	-	-
-	-	-	-	-	May	*	Citigroup	*	May	-	-	-	-	-
0.9	1.2	3.2	1.0	0.7	May	*	Commerzbank	*	May	-0.5	-0.4	-0.3	-0.2	0.0
1.0	2.2	3.6	3.5	3.0	May	*	Daiwa CM	*	May	-0.2	-0.2	-0.3	-0.3	-0.3
-	-	-	-	-	Feb		Deutsche Bank		Feb	-	-	-	-	-
1.4	2.0	3.0	3.5	3.5	May	*	EY ITEM Club	*	May	-	-	-	-	-
-	-	-	-	-	Nov		HSBC		Nov	-	-	-	-	-
-	-	-	-	-	Aug		ING		Aug	-	-	-	-	-
-	-	-	-	-	May	*	Morgan Stanley	*	May	0.4	0.7	-	-	-
-	-	-	-	-	May	*	Natwest Markets	*	May	-0.5	-0.9	-1.2	-	-
-	-	-	-	-	Nov		Nomura		Nov	-	-	-	-	-
-1.1	3.8	4.9	4.5	4.0	May	*	Schroders Investment Management	*	May	-0.4	-0.3	0.1	0.5	0.7
-	-	-	-	-	May	*	Societe Generale	*	May	0.1	-0.1	0.0	0.0	0.0
-	-	-	-	-	Nov		UBS		Nov	-	-	-	-	-
							Non-City forecasters							
1.0	2.2	5.3	8.0	7.9	May	*	Beacon Economic Forecasting	*	May	-	-	-	-	-
-	-	-	-	-	Aug		EIU		Aug	0.7	0.8	1.0	0.9	-
3.4	3.5	3.4	4.0	4.3	May	*	Experian	*	May	-	-	-	-	-
1.8	2.0	-	-	-	May	*	Heteronomics	*	May	0.9	1.1	-	-	-
-	-	-	-	-	May	*	IMF	*	May	-0.3	-0.2	-0.1	0.0	0.0
-	-	-	-	-	May	*	Kern Consulting	*	May	-	-	-	-	-
-	-	-	-	-	May	*	Liverpool Macro Research	*	May	-	-	-	-	-
2.4	2.8	1.8	0.9	0.5	May	*	NIESR	*	May	-	-	-	-	-
0.1	1.5	3.3	3.5	3.6	May	*	Oxford Economics	*	May	-0.6	-0.5	-0.4	-0.2	0.0
1.2	2.3	3.4	3.6	3.4			Independent average			-0.1	-0.1	-0.3	0.0	0.0
1.2	2.3	3.4	3.6	3.4			New forecasts			-0.1	-0.1	-0.3	0.0	0.0
3.4	3.8	5.3	8.0	7.9			Highest			0.9	1.1	0.1	0.5	0.7
-1.1	1.2	1.8	0.9	0.5			Lowest			-0.6	-0.9	-1.2	-0.3	-0.3

Source: *Forecasts for the UK economy: a comparison of independent forecasts* No 383 (HM Treasury, May 2019. Table M9: Medium-term forecasts for house price inflation and the output gap

4.15 There is clearly uncertainty in the market, and it is not for this study to try to predict how the market may change in the coming years, and whether or not there will be a further increase in house prices. Generally, the expectation is that house prices return to grown relatively quickly.

4.16 Property agents Savills are predicting no change in the current year, a 2% increase next year and a 9.3% increase over the next 5 years in the mainstream East of England markets, with a 1% increase this year, 2% next year and 14.8% over the next 5 years in the prime Wider South residential markets[23]. These predictions are somewhat less than were being predicted before the Brexit referendum.

The Local Market

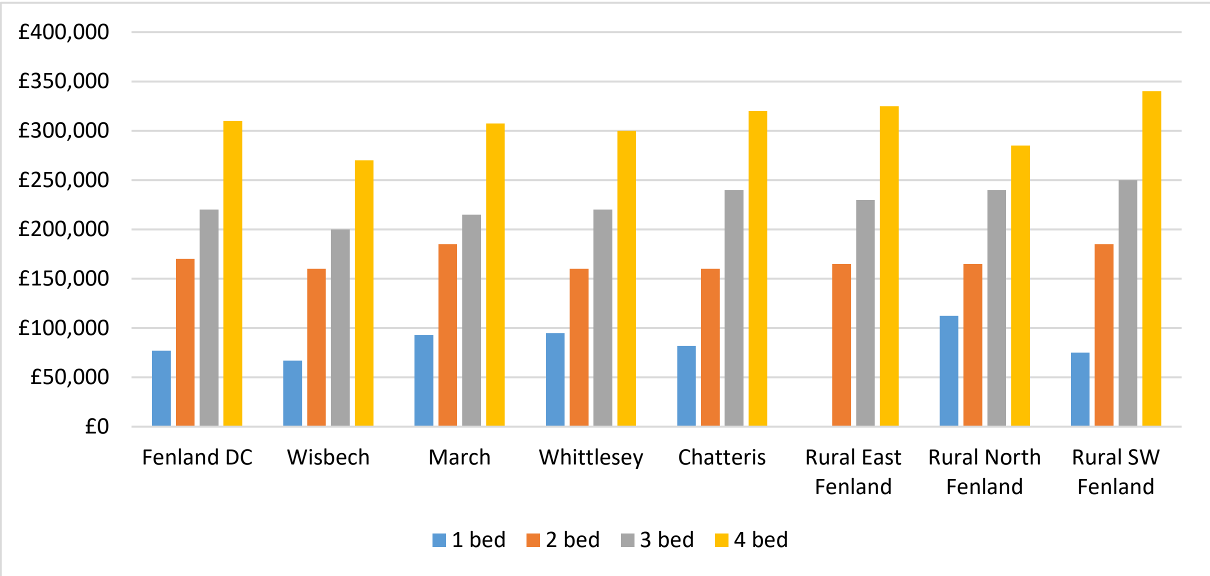
4.17 A survey of asking prices across the FDC area was carried out in August 2019. Through using online tools such as rightmove.co.uk and zoopla.co.uk, median asking prices were estimated. The data is based on the main settlements. The rural areas have been subdivided as follows:

a. North Fenland — North of the A47.

b. East Fenland — East of the A141 and south of the A47.

c. South West Fenland — West of the A141 and south of the A47

Figure 4.4 Median Asking Prices (£)

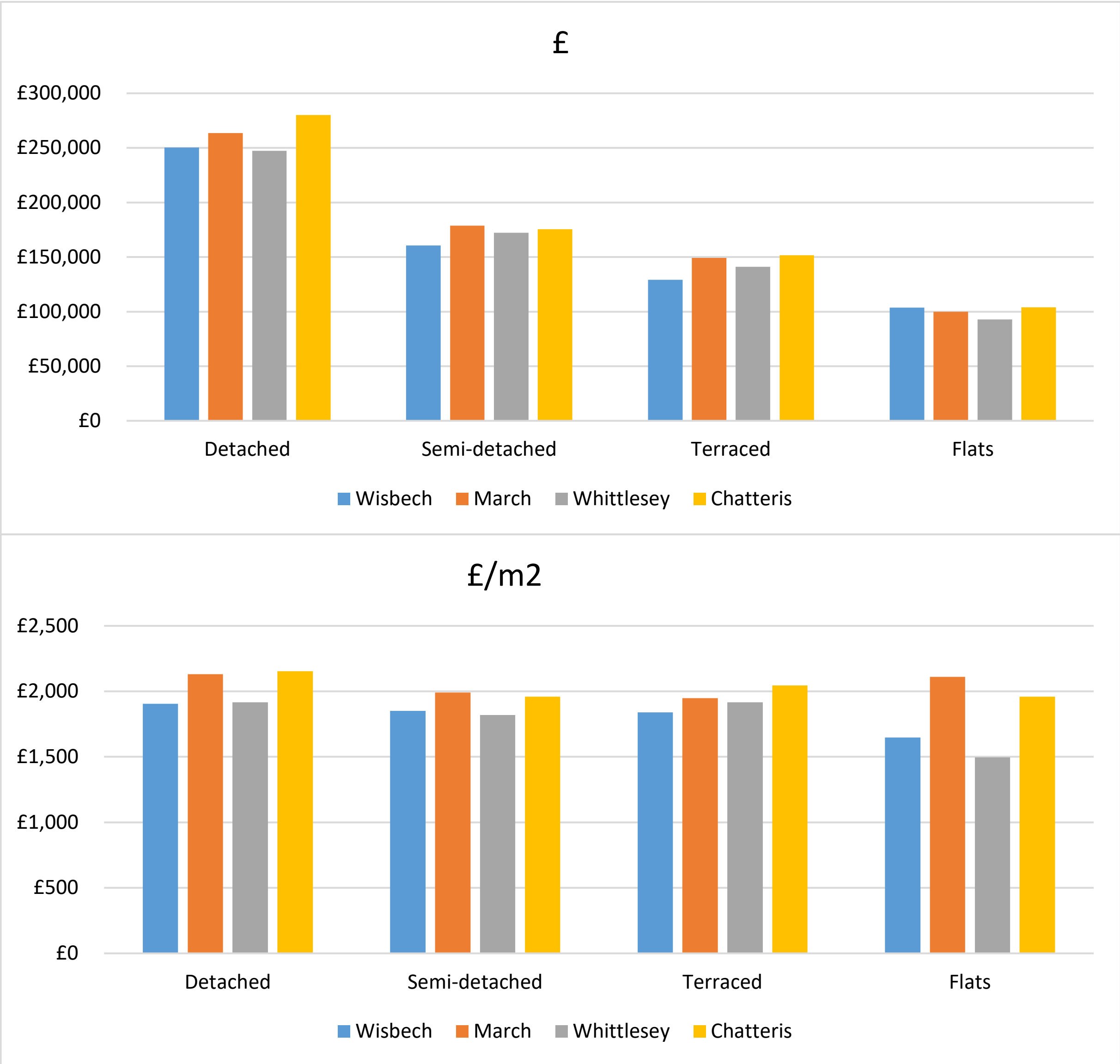


Source: Rightmove.co.uk (August 2019)

4.18 Through the September 2019 consultation it was highlighted that asking prices are rarely achieved. This is accepted, however in a study of this type it is necessary to draw on the widest range of data sources.

[23] https://pdf.euro.savills.co.uk/uk/residential---other/report---residential-property-forecasts---autumn-2018.pdf

Figure 4.5 Values (£/m²)



Source: Zoopla.co.uk (August 2019)

4.19 The Land Registry publishes data of all homes sold. Across the FDC area 2,632 home sales are recorded since the start of 2018[24]. These transactions (as recorded by the Land Registry) are summarised as follows.

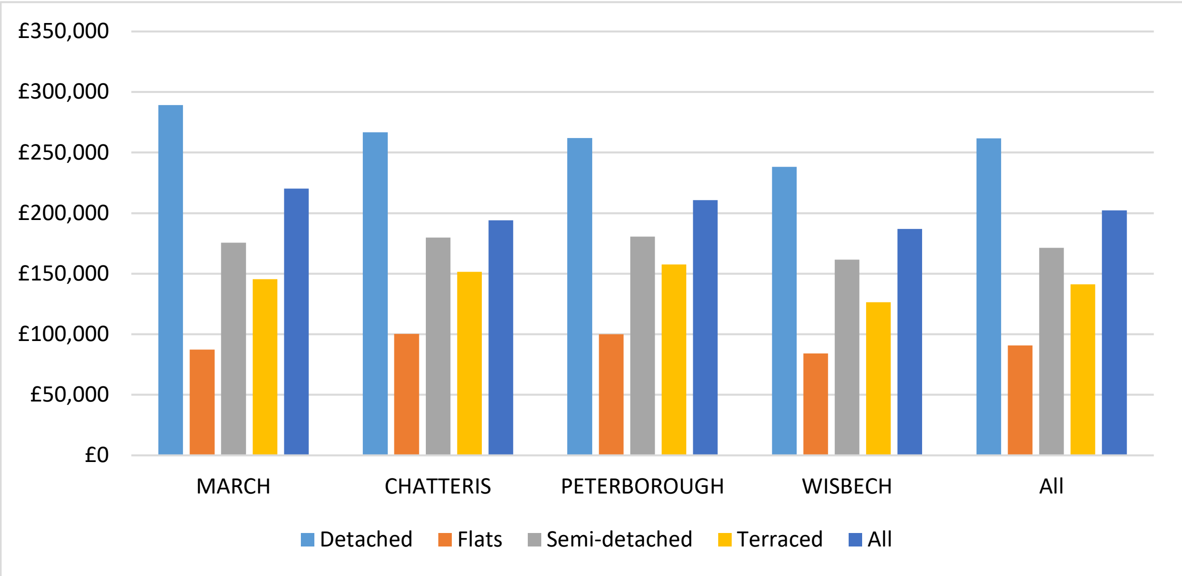
[24] The Land Registry makes all transactions available as and when they are registered via the 'beta' format tool at https://www.gov.uk/government/statistical-data-sets/price-paid-data-downloads. It does take some time for transactions to be registered – we estimate this to be about 4 to 6 months.

Table 4.2 Land Registry Price Paid Data by Town (with Count) From January 2018

	Detached	Flats	Semi-detached	Terraced	All
MARCH	£322,554 378	£88,488 40	£181,815 209	£151,532 160	£238,513 787
CHATTERIS	£279,620 92	£102,548 20	£180,773 97	£158,584 98	£198,215 307
HUNTINGDON	£442,500 2	£0 0	£0 0	£120,000 1	£335,000 3
PETERBOROUGH	£265,432 215	£104,124 8	£182,807 143	£162,081 90	£216,293 456
WISBECH	£239,051 471	£85,811 28	£167,052 335	£125,121 245	£186,851 1,079
ALL	£274,781 1,158	£91,939 96	£175,559 784	£143,347 594	£208,894 2,632

Source: Land Registry Data (August 2019) Contains HM Land Registry data © Crown copyright and database right 2019. This data is licensed under the Open Government Licence v3.0.

Figure 4.6 Land Registry Price Paid Data

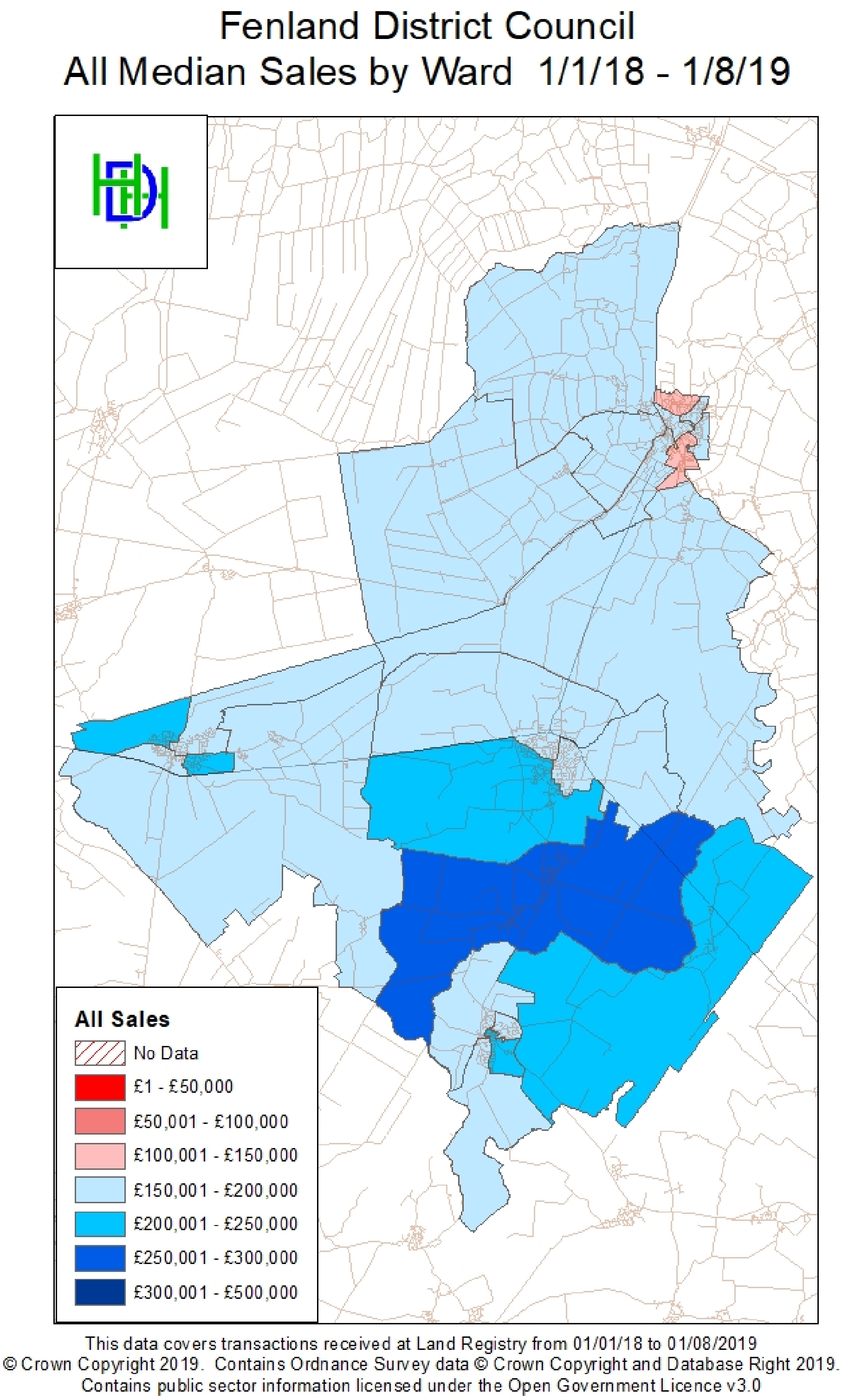


Source: Land Registry Data (August 2019)

4.20 The different types of dwelling have significantly different values. The differences between areas was stressed through the September 2019 consultation, and it was suggested that Wisbech and Whittlesey should be treated together as should March and Chatteris.

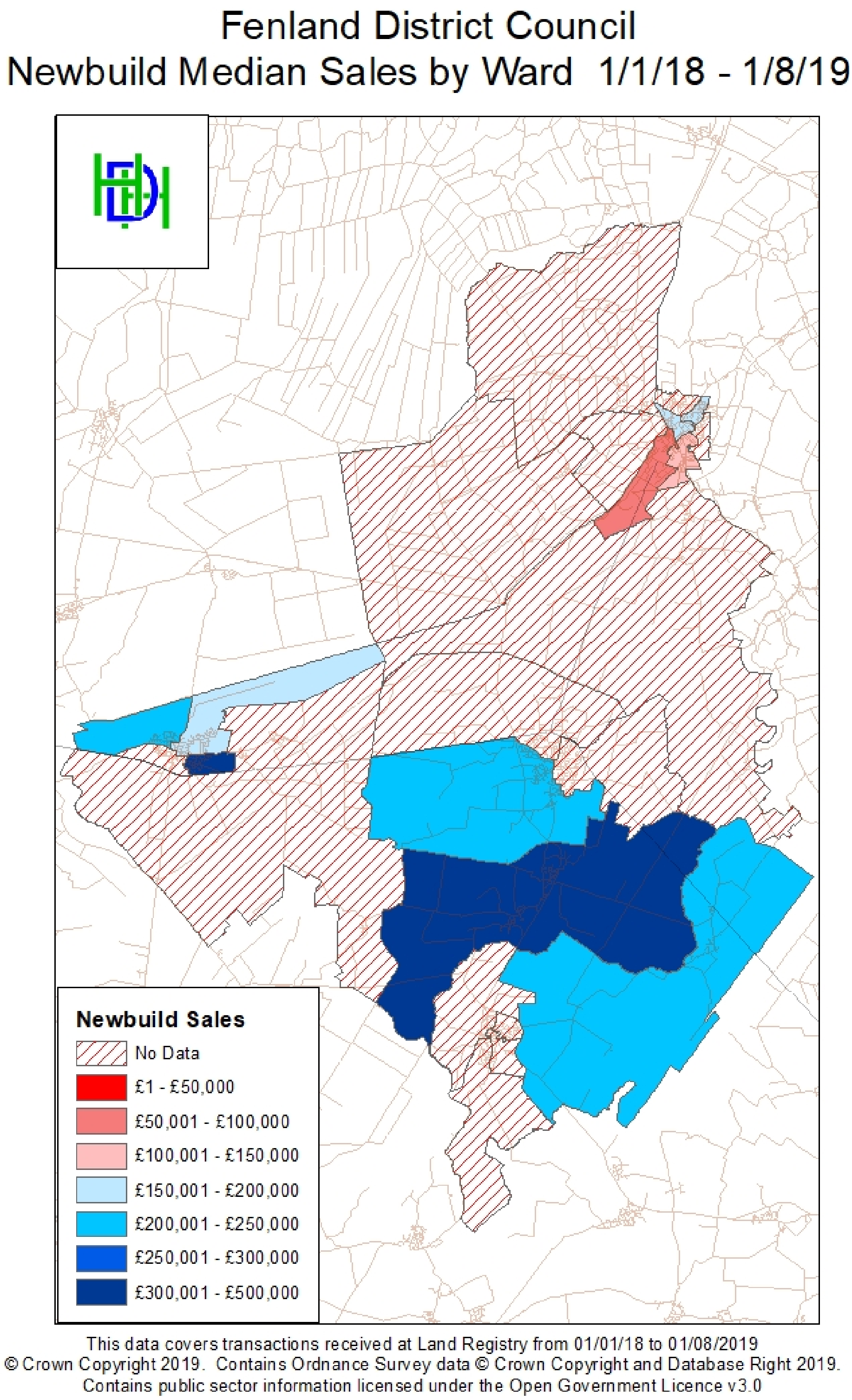
4.21 The geographical differences in prices are illustrated in the following maps showing the median price by ward, the first being for all properties and the second just for newbuild.

Figure 4.7 Median Prices – All Properties



Source: HDH based on Land Registry Price Paid Data

Figure 4.8 Median Prices – Newbuild Properties



Source: HDH based on Land Registry Price Paid Data

4.22 Further maps are included within **Appendix 5** that show the median prices, by ward, by house type (detached, semi-detached, terraced, flats).

Newbuild Sales Prices

4.23 This study is concerned with the development of residential property so the key input for the appraisals is the price of new units. Recent newbuild sales prices from the Land Registry have been reviewed and a survey of new homes for sale during July 2019 was carried out.

4.24 As set out above, the Land Registry publishes data of all homes sold. Across the FDC area 320 newbuild home sales are recorded since the start of 2017. These transactions (as recorded by the Land Registry) are summarised in the following table and detailed in **Appendix 6**.

4.25 Each dwelling sold requires an Energy Performance Certificate (EPC)[25]. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. This information is also included in **Appendix 6**.

4.26 The price paid data from the Land Registry has been married with the floor area from the EPC Register. The HBF raised concerns about the use of EPC data highlighting a discrepancy between unit sizes on the EPC Register saying:

> *Internal areas obtained from Energy Performance Certificates are used in revenue / coverage calculations. However, these generally do not represent actual Gross Internal Area as the calculation methodology is different.*

4.27 We understand that this relates, at least in part, to internal garages for the purpose of this study (which is mainly concerned with houses rather than flats). Internal garages are not included within the EPC area but can be included in the developers' own records. Whilst some new homes do have internal garages this is a minority (6 out of the 74 or so being advertised for sale at the time of this report). Bearing in mind the need to establish the values on a £/m^2 basis this data can still be given considerable weight.

4.28 Further concerns were raised that the EPC information was not reliable and understated the size of the buildings in question – with the consequence of overstating the value when considered on a £/m^2 basis. Whilst we note these concerns, we have checked the guidance for undertaking EPCs and this states[26]:

> *When undertaking internal dimensions measure between the inner surfaces of the external or party walls. Any internal elements (partitions, internal floors, walls, roofs) are disregarded.*

[25] https://www.epcregister.com/

[26] Page 6, Energy Performance Certificates for Existing Dwellings. RdSAP Manual. Version 8.0

In general, rooms and other spaces, such as built in cupboards, should be included in the calculation of the floor area where these directly accessible from the occupied dwelling. However, unheated spaces clearly divided from the dwelling should not be included.

4.29 Additionally, the DCLG guidance describes the floor area as follows[27]:

The total useful floor area is the total area of all enclosed spaces measured to the internal face of the external walls, that is to say it is the gross floor area as measured in accordance with guidance issued to surveyors:

a. the area of sloping surfaces such as staircases, galleries, raked auditoria, and tiered terraces should be taken as their area on the plan; and

b. areas that are not enclosed, such as open floors, covered ways and balconies, are excluded.

4.30 As set out in Chapters 2 and 3 above, the work in this study is based on existing available evidence and is proportionate. It is our firm view that the use of EPC data is appropriate in a study of this type. As with any dataset there are bound to be discrepancies and occasions where there is an element of human error, however the substantial sample size and use of averages should minimise this.

4.31 Whilst these comments were made, no quantitative data was provided to illustrate why this data may not be reliable.

4.32 The HBF also suggested that the Land Registry was not a good source for newbuild homes saying that it does not show the incentives that were included (such as Stamp Duty contributions, flooring, white goods, turfing, costs/losses associated with part exchange transactions, mortgage subsidy schemes run by some developers, etc). It is accepted that some developers offer incentives that are not reflected in the price recorded on the Land Registry. As set out below, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers.

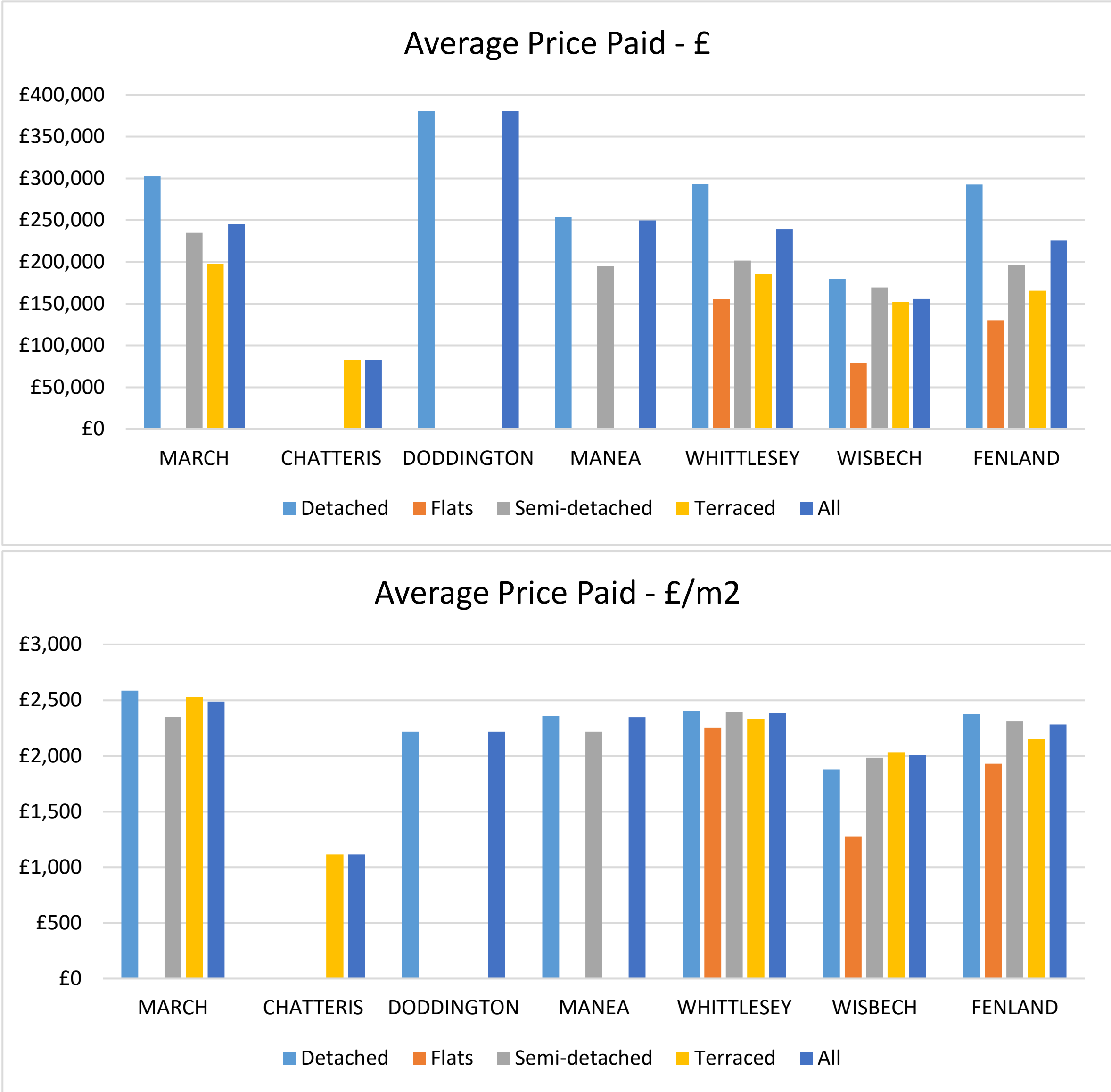
4.33 The Land Registry data can be broken down by house type and is summarised as follows:

[27] Improving the energy efficiency of our buildings. A guide to energy performance certificates for the marketing, sale and let of dwellings. April 2014, Department for Communities and Local Government.

Table 4.3 Prices Paid – Newbuild Homes					
	Detached	Flats	Semi-detached	Terraced	All
MARCH					
Count	2	0	2	2	6
Average £	£302,500	£0	£234,995	£197,495	£244,997
Average £/m2	£2,585	£0	£2,350	£2,529	£2,488
CHATTERIS					
Count	0	0	0	1	1
Average £	£0	£0	£0	£82,500	£82,500
Average £/m2	£0	£0	£0	£1,115	£1,115
DODDINGTON					
Count	12	0	0	0	12
Average £	£380,579	£0	£0	£0	£380,579
Average £/m2	£2,217	£0	£0	£0	£2,217
MANEA					
Count	26	0	2	0	28
Average £	£253,779	£0	£195,000	£0	£249,580
Average £/m2	£2,357	£0	£2,216	£0	£2,347
WHITTLESEY					
Count	89	2	68	39	198
Average £	£293,275	£155,498	£201,523	£185,324	£239,109
Average £/m2	£2,401	£2,256	£2,390	£2,329	£2,382
WISBECH					
Count	1	1	17	56	75
Average £	£180,000	£79,000	£169,500	£152,250	£155,553
Average £/m2	£1,875	£1,274	£1,985	£2,031	£2,009
FENLAND					
Count	**130**	**3**	**89**	**98**	**320**
Average £	**£292,705**	**£129,998**	**£196,012**	**£165,624**	**£225,368**
Average £/m2	**£2,374**	**£1,929**	**£2,308**	**£2,151**	**£2,283**

Source: Land Registry and EPC Register (August 2019) Contains HM Land Registry data © Crown copyright and database right 2019. This data is licensed under the Open Government Licence v3.0.

Figure 4.9 Average Price Paid



Source: Land Registry and EPC Register (August 2019) Contains HM Land Registry data © Crown copyright and database right 2019. This data is licensed under the Open Government Licence v3.0.

4.34 The average price paid is £2,283/m^2, ranging from £1,115/m^2 to over £3,260/m^2. Care should be taken when considering the disaggregated data as some of the sample sizes are small. Across the area, flats are approximately 12% less expensive than houses, this is relatively unusual, generally flats (based on our experience from doing similar studies) have a higher value than houses.

4.35 The above data does show variance across the area, however it necessary to consider the reason for that variance. The principal driver of the differences is the situation rather than the location of a site. Based on the existing data, the value will be more strongly influenced by the specific site characteristics, the immediate neighbours and the environment, rather than in which particular ward or postcode sector the scheme is located.

4.36 At the time of this research (August 2019) there were about 70 new houses for sale (no flats) in the District. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £106,000 and going up to £725,000. The average is £310,000. These are summarised in the following table and set out in detail in **Appendix 7**.

Table 4.4 Summary of Newbuild Asking Prices

Agent	Scheme	Address	Address	Postcode	Minimum	Averge	Maximum
SW Fenland							
William H Brown		March Road	Wimblington	PE15 0RN	£2,143	2323	£2,510
William H Brown		Wood Street	Doddington	PE15 0SA	£2,804	3673	£4,196
Fine & Country	Askham Row	Benwick Road	Doddington	PE15 0UG		£2,172	
North Fenland							
Phoenix	Tydd Golf and Country Club	Kirkgate	Tydd St Giles	PE13 5NZ		£2,037	
Abbotts	Tydd Golf and Country Club	Kirkgate	Tydd St Giles	PE13 5NZ		£1,951	
William H Brown	Happy Close	Perry Road	Leverington	PE13 5AE	£2,857	£2,946	£3,036
William H Brown		Mill Road	Murrow	PE13 4HF			
William H Brown		Leverington Common	Leverington	PE13 5BW			
Sowerbys		Mill Road	Murrow	PE13 4HF			
William H Brown		Parsons Drove	Wisbech	PE13 4LF	£1,606	2236	£2,820
East Fenland							
William H Brown	Scholars Close	Manea	March/	PE15 0HF	£2,160	2585	£2,975
T Payne & Co	Orchard Way	Manea	March/	PE15 0JH			
William H Brown	Fridaybridge Road	Elm	Wisbech	PE14 0AT	£2,120		£3,917
Fine & Country		Begdale Road	Elm	PE14 0BE		£1,424	
Maxey Grounds		Pingle Wood Row	Manea	PE15 0FP		£1,201	
March							
Haart/ Osprey Develo	Golden Brick	Elliot Road	March	PE15 8BL			
Haart/		The Avenue	March				
CannonKirk Homes	Willow Green	Gaul Road	March/	PE15 9RQ	£2,338	2460	£2,571
Kavanagh Hayes	Spire View	Jobs Lane	March/	PE15 9QE	£2,242	2349	£2,507
Whittlesey							
Larkfleet Homes	Whittlesey Green		Whittlesey	PE7 2AJ	£2,737	2952	£3,127
David Wilson Homes	Buttercross Park	Snowley Park	Whittlesey	PE7 1JQ		£2,868	
Chatteris							
Wisbech							
William H Brown	Rockcliffe Gardens	Elm Road	Wisbech	PE13 2TA	£1,823		£2,044
William H Brown	Fenland Park	Lerowe Road	Wisbech	PE13 3QH		£2,870	

Source: Market Survey (August 2019)

4.37 When considered on a £/m^2 basis the average asking price for houses is £2,532/m^2. It is important to note that the average is lowered by the inclusion of the Tydd Golf and County Club properties that are subject to occupancy restrictions. Without these properties the averages would be somewhat higher.

4.38 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that the units were 'realistically priced' or that as there is strong demand, significant discounts are not available. When pressed, it appeared that the discounts and incentives offered equate to about 2.5% of the asking prices. It would be prudent to assume that prices achieved, net of incentives offered to buyers, are 2.5% less than the above asking prices.

Price Assumptions for Financial Appraisals

4.39 In the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014) the following values were used:

<table>
<tr><th colspan="5">Table 4.5 2014 Residential Value Assumptions
Indicative Settlement / Locality Relationship to Value Level (VL)</th></tr>
<tr><td colspan="2">Value (£/sq. m) – new build housing indications</td><td colspan="3">Example location – new-builds</td></tr>
<tr><td>VL1</td><td>£1,500</td><td rowspan="9">Overall Villages range</td><td rowspan="5">Chatteris, Wisbech, Whittlesey, March</td><td></td></tr>
<tr><td>VL2</td><td>£1,625</td><td></td></tr>
<tr><td>VL3</td><td>£1,750</td><td></td></tr>
<tr><td>VL4</td><td>£1,875</td><td rowspan="6">Manea, Wisbech St Mary, Doddington, Wimblington</td></tr>
<tr><td>VL5</td><td>£2,000</td></tr>
<tr><td>VL6</td><td>£2,125</td><td></td></tr>
<tr><td>VL7</td><td>£2,250</td><td></td></tr>
<tr><td>VL8</td><td>£2,500</td><td></td></tr>
<tr><td>VL9</td><td>£2,750</td><td></td></tr>
</table>

Source: Figure 6, FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7) (Dixon Searle, September 2014)

4.40 Through the September 2019 consultation it was suggested that this data has no relation to the current study. This is not accepted, the Harman Guidance is clear that an assessment of viability should build on the existing available evidence.

4.41 It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied), the following approach was defined as a result of comments made through the September 2019 consultation.

a) Brownfield Sites. In terms of value, the prices of the new homes developed are likely to be driven by the specific situation of the scheme rather than the general location. So the value will be more strongly influenced by the specific site characteristics, the immediate neighbours and environment, rather than in which particular ward or postcode sector the scheme is located. Development is likely to be of a higher density than the greenfield sites and be based around schemes of flats, semi-detached housing and terraces with a low proportion of detached units.

b) 'Urban' Flatted Schemes. This is considered to be a separate development type that is only likely to take place in the town centres. These are modelled as conventional development and on a Build to Rent basis (see below)

c) Large Greenfield Sites. These are the potential Strategic Sites, and large greenfield sites (over 200 units or so).

d) Medium Greenfield Sites. These are the greenfield sites in the range of 10 to 200 units that are likely to be brought forward by a single developer.

e) Small Greenfield Sites. These areas are in the smaller settlements and villages in the countryside. A premium value is applied to these.

4.42 Based on the asking prices from active developments, and informed by the general pattern of all house prices across the study area, and the assumptions used by developers in appraisals submitted through the development management process, the prices put to the consultation are as in the table below.

4.43 It is important to note that this is a broad brush, high level study to test FDC's policy as required by the NPPF. The values between new developments and within new developments will vary considerably. No single source of data should be used in isolation and it is necessary is draw on the widest possible sources of data.

Table 4.6 Pre-consultation Residential Price Assumptions (£/m^2)

	Higher Value	Lower Value
Larger Brownfield	£2,275	£2,100
Smaller Brownfield Sites	£2,500	£2,000
Urban Flatted Schemes	£2,000	£2,000
Large Greenfield Sites	£2,750	£2,750
Medium Greenfield Sites	£2,500	£2,400
Small Greenfield Sites	£2,750	£2,500

Source: HDH (September 2019)

4.44 Following the September 2019 consultation, the following points were made:

a. That asking prices are rarely achieved.

b. That prices do vary quite significantly across the District (lower in the North).

c. That some of the assumptions are somewhat above the Land Registry average values, and care should be taken if using higher than average values.

d. Consideration should be given to bungalows as they are typically worth 20% or so more than two story houses.

e. It was suggested that the local practice for deriving the value of Affordable Housing was to assume a blended value of 60% of market value across the different tenures, rather than applying different values to the different types of Affordable Housing.

f. That the demand for flatted development in Fenland is limited.

g. That values were influenced by density and the nature of development, rather than if the previous use of the land was greenfield or brownfield. This is accepted, the brownfield values are relabelled urban. The urban sites are more likely to be brownfield sites and be at a higher density than greenfield sites.

h. In this context the lack of demand from Registered Providers (RPs) for small numbers of units was stressed.

4.45 It was suggested that a detailed and nuanced approach should be taken to values and the following alternative values were put forward. It was also suggested that it was not appropriate to work on a £/m^2 basis as different sized unites have value plateaux and that units types should be valued separately for this reason.

Table 4.7 Alternative Value Assumptions

			Unit Size		North	South
Greenfield						
	Market Units					
		2 bed terrace	75		£2,067	£2,333
		3 bed terrace	95		£1,895	£2,263
		2 bed semi	85		£1,882	£2,118
		3 bed semi	107		£1,729	£2,056
		4 bed detached	135		£2,185	£2,407
		5 bed detached	150		£2,167	£2,333
	Bungalow					
		2 bed detached	70		£3,000	£3,214
		3 bed detached	90		£3,056	£3,333
Brownfield						
	Market Units					
		1 bed flat	45		£1,889	£2,667
		2 bed flat	65		£1,769	£2,308

Source: September 2019 Consultation

4.46 These are somewhat below the average values reported by the Land Registry.

4.47 In a high-level study of this type it is necessary to work on average values and make some high-level assumptions. We have continued to work on a £/m^2 basis, although the values have been revisited. The £/m^2 basis is widely used and allows comparisons to be made.

4.48 It is accepted that prices do vary across the District, with those in the south being 10% to 15% higher than those in the north. The dividing line is fuzzy and not all the data is consistent. For this assessment we have divided the District with the area to the north of where the A47 crosses the River Nene (by the Rings End Roundabout at Guyhirn) being a lowere value area. Through the September 2019 consultation it was suggested that Wisbech and Whittlesey should be treated together, as should March and Chatteris Whittlesey is most closely associated with Peterborough (benefiting from a station), and whilst we appreciate that some of the data suggests that the values here are not as strong as some of the other parts of the District, we do not consider it appropriate include Whittlesey in the lower value area.

4.49 Following the consultation, the residential value assumptions were updated as follows:

Table 4.8 Post-consultation Residential Price Assumptions (£/m^2)

	Higher Value	Lower Value
Urban Sites	£2,275	£2,050
Flatted Schemes	£2,500	£2,250
Large Greenfield Sites	£2,450	£2,200
Medium Greenfield Sites	£2,400	£2,160
Small Greenfield Sites	£2,750	£2,500

Source: HDH (November 2019)

Ground Rents

4.50 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents[28].

Build to Rent

4.51 The Council has not seen Build to Rent schemes coming forward however this is a growing development format. The Built to Rent sector is a different sector to mainstream housing.

4.52 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. Having said this, at present the Council have no policy reason nor justification to impose a planning condition restricting the use of a housing

[28] In October 2018 the Communities Secretary announced that majority of newbuild houses should be sold as freehold and new leases to be capped at £10. https://www.gov.uk/government/news/communities-secretary-signals-end-to-unfair-leasehold-practices

scheme to the PRS, and if it did it is difficult to see how it could maintain such a condition through a s78 appeal. This is quite different to Affordable Housing where there is evidence and policies to support restricting the use of some housing to Affordable Housing.

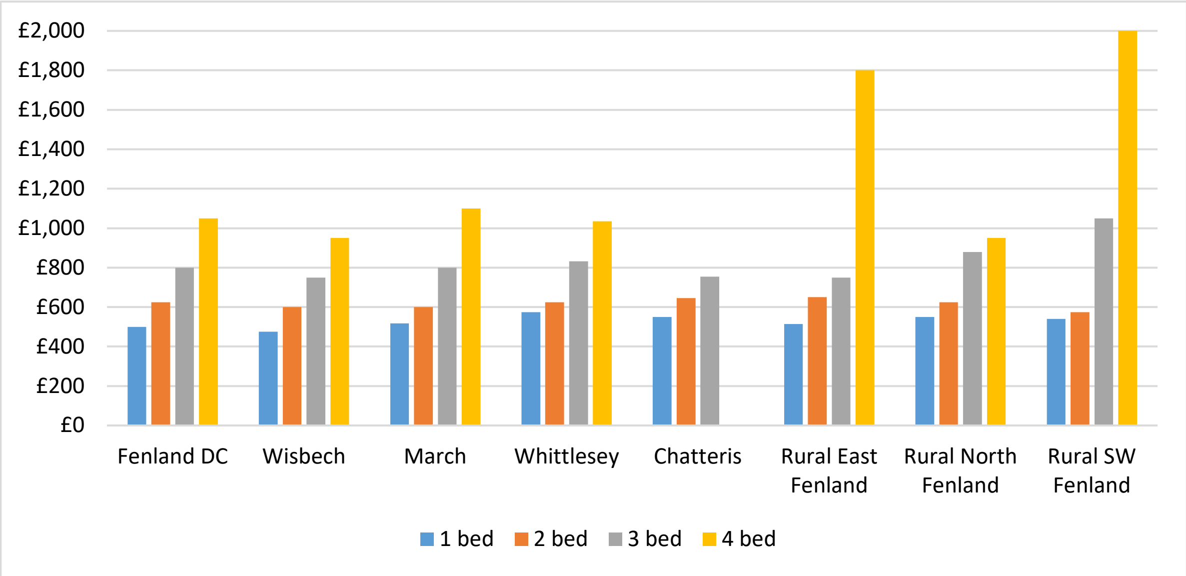
4.53 The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor would pay for the completed unit. This will depend on the amount of the rent and the cost of managing the property (letting, voids, rent collection, repairs etc.). This is well summarised in *UNLOCKING THE BENEFITS AND POTENTIAL OF BUILD TO RENT*, A British Property Federation report commissioned from Savills, academically reviewed by LSE, and sponsored by Barclays (February 2017):

> *A common comment from BTR players is that BTR schemes tend to put a lower value on development sites than for sale appraisals. Residential development is different to commercial in that it has two potential end users - owners and renters. Where developers can sell on a retail basis to owners (or investors paying retail prices - i.e. buy to let investors) this has been the preferred route to market as values tend to exceed institutional investment pricing, which is based on a multiple of the rental income. This was described as "BTR is very much a yield-based pricing model.*

4.54 In estimating the likely level of affordable rent, we have undertaken a survey of market rents across the FDC area:

Table 4.9 Rents Reported by Rightmove (£/month)

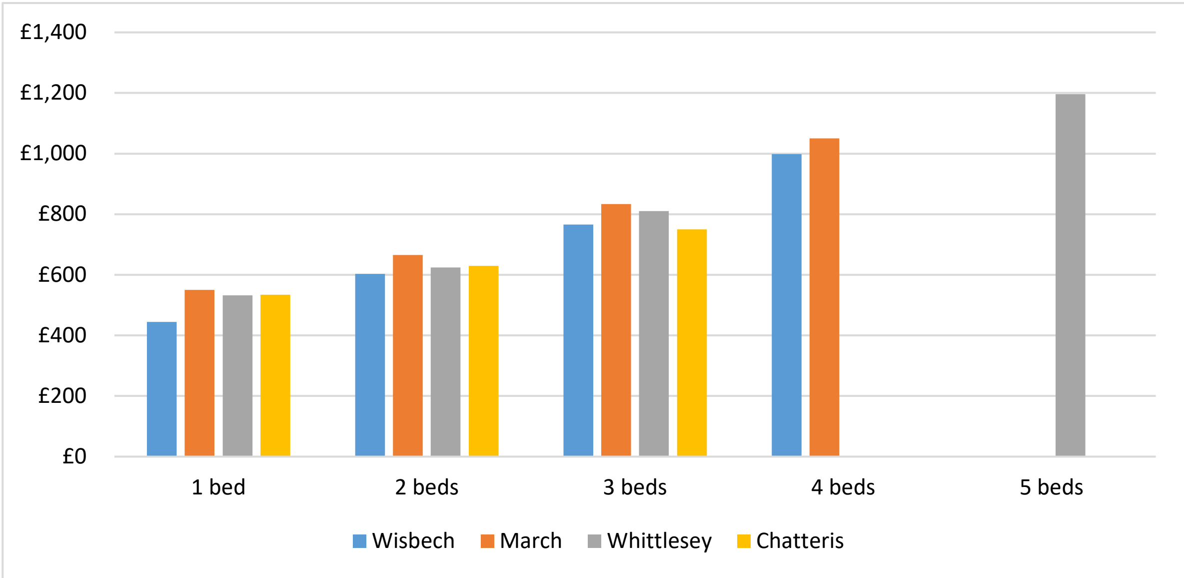
	1 bed	2 beds	3 beds	4 beds
Fenland DC	£500	£625	£800	£1,050
Wisbech	£475	£600	£750	£950
March	£517	£600	£800	£1,100
Whittlesey	£575	£625	£832	£1,035
Chatteris	£550	£645	£755	
Rural East Fenland	£515	£650	£750	£1,800
Rural North Fenland	£550	£625	£880	£950
Rural SW Fenland	£540	£575	£1,050	£2,000
Fenland DC	£500	£625	£800	£1,050



Source: Rightmove.co.uk (August 2019)

Table 4.10 Median Asking Rents Reported by Zoopla (£/month)

	1 bed	2 beds	3 beds	4 beds
Wisbech	£445	£603	£766	£998
March	£550	£665	£834	£1,050
Whittlesey	£532	£624	£810	
Chatteris	£534	£630	£750	



Source: Zoopla.co.uk (August 2019)

4.55 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed.

4.56 Savills in their *Investing in Private Rent* (Savills, 2018) report a North-South divide:

> *Net initial yields on BTR deals averaged 4.3 per cent between 2015 and 2017. But that hides substantial regional variation. While half that investment took place in London, where yields averaged 3.8 per cent, across Scotland and the north of England the average yield was 4.9 per cent. In London and the South, the income returns from funding deals are higher than on standing investments, as you might expect. In the North, this is not necessarily the case, given issues over the quality of some of the existing rental stock and the rental covenant attached to it, all limited by the fact that we're yet to see any of the purpose-built kit trade yet. As investors focus more on the potential growth of the income stream and less on the track record of local house price growth, we expect yields from purpose-built assets to show less regional variation.*

4.57 Knight Frank in their *Residential Yield Guide* (February 2018) reported a 4.0% to 4.24% yield in Prime Regional Cites and 5.0% to 5.25% in Secondary Regional Cities.

4.58 Having considered a range of sources a net yield of 5% has been assumed. It is also assumed that such development will be flatted and in or close to the town centres.

4.59 Through the September 2019 consultation it was suggested that the above data overstates local rents. We have checked the above against research by the Valuation Office Agency. The VOA conduct detailed research into local rents in connection to Local Housing Allowance caps, this is carried out by 'Broad Rental Market Area[29]', Fenland is partly within The Peterborough BRMA and partially within the Kings Lynn BRMA.. Based on a survey of rents they have established the '30th percentile' (which is the level of the LHA cap). It is possible to estimate the median from the graphs on the VOA Website[30].

Table 4.11 VOA Rental Data

	30th Percentile	Median
King's Lynn		
One Bedroom	£393	£477
Two Bedrooms	£501	£607
Three Bedrooms	£578	£672
Four Bedrooms	£728	£888
Peterborough		
One Bedroom	£411	£520
Two Bedrooms	£514	£628
Three Bedrooms	£591	£693
Four Bedrooms	£752	£953

Source: VOA (November 2019)

4.60 In considering the rents to use in this assessment it is necessary to appreciate that much of the exiting rental stock is relatively poor so new PRS units are likely to have rental values that are well in excess of the averages. Having reconsidered the evidence in this regard the assessment of values has been updated as follows:

[29] Across England there are 152 Broad Rental Market Areas. These are set by the Valuation Office Agency (VOA) and are used to define the amount of support a household might be able to claim to support their housing costs, known as Local Housing Allowance. The boundaries of the broad rental market areas and Local Housing Allowance rates are shown in the Cambridgeshire Atlas, BRMAs http://atlas.cambridgeshire.gov.uk/housing/brma/atlas.html.

[30] https://lha-direct.voa.gov.uk/ListofRents.aspx?SearchResultsPageParameters=true&LocalAuthorityId=179&LHACategory=999&Month=11&Year=2019&SearchPageParameters=true&BrmaId=101 & https://lha-direct.voa.gov.uk/ListofRents.aspx?SearchResultsPageParameters=true&LocalAuthorityId=179&LHACategory=999&Month=11&Year=2019&SearchPageParameters=true&BrmaId=100

Table 4.12 Capitalisation of Private Rents				
	1 bed	2 bed	3 bed	4 bed
Gross Rent (£/month)	£510	£625	£680	£900
Gross Rent (£/annum)	£6,120	£7,500	£8,160	£10,800
Net Rent	£4,896	£6,000	£6,528	£8,640
Value	£97,920	£120,000	£130,560	£172,800
m^2	50	70	84	97
£/m^2	£1,958	£1,714	£1,554	£1,781

Source: HDH (November 2019)

4.61 In this study we have assumed a value for private rent, in all areas, of £1,750/m^2.

Affordable Housing

4.62 Policy LP5 of the adopted Fenland Local Plan (May 2014) seeks the following:

Part A – Affordable Housing

On all housing development sites (whether as new-build or conversion) of 5 dwellings or more, the Council will seek provision of the following:

(a) on sites of 5-9 dwellings, 20% of dwellings to be affordable housing. In practice, this means the following affordable housing provision:

- *a site of 5 dwellings: 1 dwelling to be affordable*
- *a site of 6 dwellings: 1 dwelling to be affordable, plus the payment of a financial contribution* to the Council, of broadly equivalent value to the provision of 0.2 of a further affordable home on that site, to enable some housing need to be met elsewhere (unless the scheme provides more than one affordable home on site);*
- *a site of 7 dwellings: as 6 dwellings, but a 0.4 financial contribution;*
- *a site of 8 dwellings: as 6 dwellings, but a 0.6 financial contribution;*
- *a site of 9 dwellings: as 6 dwellings, but a 0.8 financial contribution.*

(b) on sites of 10 or more dwellings, 25% of the dwellings as affordable houses (rounded to the nearest whole dwelling);

Of the affordable dwellings provided, the exact tenure mix should be informed by and be compatible with the latest government guidance and an up-to-date local Strategic Housing Market Assessment (SHMA). This should form the basis of a S106 Agreement to accompany the submission.

4.63 The Council is in the process of commissioning a fresh Housing Market Assessment. The most recent study is the *2013 Cambridge housing sub-region SHMA*[31]. This suggests the following housing mix:

[31] The Cambridge housing sub-region is made up of seven district councils; five in Cambridgeshire and two in Suffolk: Cambridge, East Cambridgeshire, Fenland, Huntingdonshire, South Cambridgeshire, Forest Heath (Suffolk), St Edmundsbury (Suffolk).

Table 4.13 Recommended Housing Mix		
	Market Housing	Affordable Housing
Bedsit	0%	
Flat/house with one bedroom	3%	
Flat/house 2 bedrooms	14%	
Flat/house with 2 bedroom and 2 reception rooms, or 3 bedrooms and 1 reception room	31%	
Flat/house with 3 bedrooms and 2 reception rooms	26%	
House with 3 bedrooms and 3 reception rooms or 4 bedrooms and 2 reception rooms	16%	
House with 4, 5 or more bedroom	10%	

Source: 2013 Cambridge housing sub-region SHMA. Table 5. Dwelling mix required: converting numbers into percentages

4.64 This mix forms the base modelling. As set out later in this report, a range of tenure mixes have been tested (informed by the wider evidence base).

4.65 In this study it is assumed that such housing is constructed by the site developer and then sold to a Registered Provider (RP). This is a simplification of reality as there are many ways in which Affordable Housing is delivered, including the transfer of free land to RPs for them to build on or the retention of the units by the scheme's overall developer.

Affordable Housing Values

4.66 Prior to the Summer 2015 Budget, Affordable Rents were set at up to 80% of open market rent and generally went up, annually, by inflation (CPI) plus 1%, and Social Rents were set through a formula, again with an annual inflation plus 1% increase. Under arrangements announced in 2013, these provisions were to prevail until 2023, and formed the basis of many housing associations' and other providers' business plans. Housing associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them attractive as each year the rent would always be a little more relative to inflation.

4.67 In the Budget, it was announced that Social Rents and Affordable Rents would be reduced by 1% per year for 4 years. This change reduced the value of Affordable Housing. In October 2017 the Government announced that Rents will rise by CPI +1% for five years from 2020. The values of Affordable Housing have been considered in Chapter 4 below.

4.68 We have considered the value of Affordable Housing in this context, so the value of Affordable Housing has been reconsidered from first principles.

4.69 *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014) the following approach to value was taken:

2.3.14 In broad terms, the transfer price assumed in this study varies between approximately 30% and 75% of market value (MV) dependent on tenure, unit type and value level. For affordable rented properties we introduced a revenue level cap by assuming that the Local Housing Allowance (LHA) levels will act as an upper level above which rents will not be set – i.e. where the percentage of market rent exceeds the Local Housing Allowance (LHA) rate. The average LHA rate for the two Broad Rental Market Areas (BRMAs) that cover Fenland District for the varying unit types was used as our cap for the affordable rental level assumptions.

Social Rent

4.70 The value of a social rented property is a factor of the rent – although the condition and demand for the units also have an impact. Social Rents are set through a national formula that smooths the differences between individual properties and ensures properties of a similar type pay a similar rent (this data was updated following the September 2019 consultation following the 2018-2019 data release):

Table 4.14 FDC Social Rent (£/week)

Unit Size	Net Rent	Social Rent Rate	Service Charge	Gross Rent	Unit Count
Non-self-contained	£0.00	£0.00	£0.00	£0.00	0
Bedsit	£73.88	£64.68	£4.02	£76.56	12
1 Bedroom	£78.83	£75.43	£4.32	£80.54	1,007
2 Bedroom	£87.96	£84.95	£4.49	£89.78	1,873
3 Bedroom	£97.08	£93.51	£2.87	£97.66	1,406
4 Bedroom	£106.91	£103.52	£2.27	£107.63	117
5 Bedroom	£103.05	£106.18	£0.00	£103.05	1
6+ Bedroom	£0.00	£0.00	£0.00	£0.00	0
All Self-Contained	£89.25	£85.97	£4.08	£90.62	4,416
All Stock Sizes	**£89.25**	**£85.97**	**£4.08**	**£90.62**	**4,416**

Source: Table 9, RSH SDR 2019 – Data Tool[32]

4.71 This study concerns only the value of newly built homes. There seems to be relatively little difference in the amounts paid by RPs for such units across the area. In this study, the value of Social Rents is assessed assuming 10% management costs, 4% voids and bad debts and 6% repairs. These are capitalised at 4.5%.

[32] https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019

Table 4.15 Capitalisation of Social Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/week)	£78.83	£87.96	£97.08	£106.91
Gross Rent (£/annum)	£4,099	£4,574	£5,048	£5,559
Net Rent	£3,279	£3,659	£4,039	£4,447
Value	£72,874	£81,314	£89,745	£98,832
m^2	50	70	84	97
£/m^2	£1,457	£1,162	£1,068	£1,019

Source: HDH (November 2019)

4.72 Through the consultation it was questioned whether these figures are based on rents and service charges or just rents. We confirm that these figures are based on rents.

4.73 On this basis, a value of £1,180/m^2 across the study area is assumed.

Affordable Rent

4.74 The Government introduced Affordable Rent in 2010 as a ‘new’ type of Affordable Housing. Under Affordable Rent a rent of no more than 80% of the market rent for that unit can be charged. In the development of Affordable Housing for rent, the value of the units is, in large part, the worth of the income that the completed let unit will produce. This is the amount an investor (or another RP) would pay for the completed unit.

4.75 In estimating the likely level of Affordable Rent, a survey of market rents across the FDC area has been undertaken and is set out under the Build to Rent heading above. There is relatively little variation in rents.

4.76 As part of the reforms to the social security system, housing benefit /local housing allowance is capped at the 3rd decile of open market rents for that property type, so in practice Affordable Rents are unlikely to be set above these levels. The cap is set by the Valuation Office Agency (VOA) by Broad Rental Market Area (BRMA). Where this is below the level of Affordable Rent at 80% of the median rent, it is assumed that the Affordable Rent is set at the LHA Cap. The majority of Fenland is within the Peterborough BRMA, although Wisbech is within the King’s Lynn BRMA.

Table 4.16 BRMA LHA Caps (£/week)		
	King’s Lynn	**Peterborough**
Shared Accommodation	£55.28	£57.15
One Bedroom	£90.64	£94.81
Two Bedrooms	£115.58	£118.52
Three Bedrooms	£133.35	£136.29
Four Bedrooms	£168.05	£173.46

Source: VOA (August 2019)

4.77 These caps are generally less than the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes) (this data was updated following the September 2019 consultation following the 2018-2019 data release).

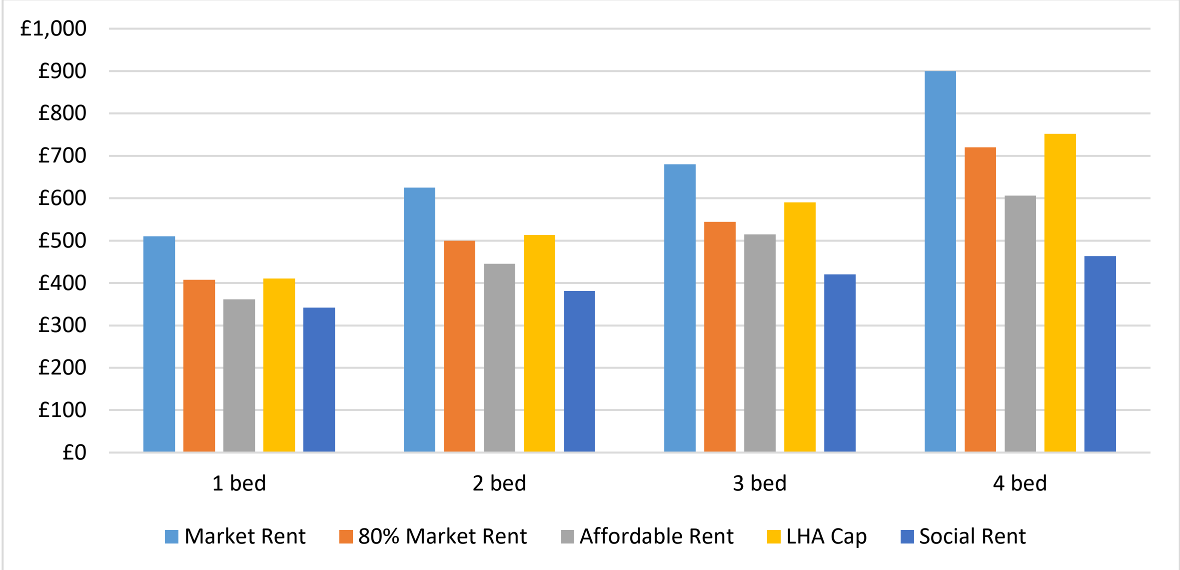
Table 4.17 FDC Affordable Rent (£/week)

Unit Size	Gross Rent	Unit Count
Non-self-contained	£0.00	0
Bedsit	£0.00	0
1 Bedroom	£83.49	45
2 Bedroom	£102.73	184
3 Bedroom	£118.74	117
4 Bedroom	£139.87	13
5 Bedroom	£0.00	0
6+ Bedroom	£0.00	0
All Self-Contained	£106.89	359
All Stock Sizes	**£106.89**	**359**

Source: Table11, RSH SDR 2019 – Data Tool[33]

4.78 The rents can be summarised as follows.

Figure 4.10 Rents by Tenure – £/Month



Source: Market Survey, HCA Statistical Return and VOA (November 2019)

4.79 Initially, in calculating the value of Affordable Rent we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs, and capitalised the income at 4.5%. It is

[33] https://www.gov.uk/government/statistics/statistical-data-return-2018-to-2019

assumed that the Affordable Rent is no more than the LHA cap. On this basis affordable rented property has the following worth. Through the September 2019 consultation it was suggested that a yield in the 5% to 5.5% range was more appropriate.

Table 4.18 Capitalisation of Affordable Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/month)	£408.00	£500.00	£544.00	£720.00
Gross Rent (£/annum)	£4,896	£6,000	£6,528	£8,640
Net Rent	£3,917	£4,800	£5,222	£6,912
Value	£78,336	£96,000	£104,448	£138,240
m^2	50	70	84	97
£/m^2	£1,567	£1,371	£1,243	£1,425

Source: HDH (November 2019)

4.80 Using this method to assess the value of Affordable Housing, under the Affordable Rent tenure, a value of £1,400/m^2 across all areas is derived. Alternately, a consultee suggested that a value of 60% of market value could be taken as being broadly representative, however such an approach would derive a value that is notably below the value attributed to Social Rent which would not be reflective of the workings of the market.

4.81 Additionally, the following values were suggested:

Table 4.19 Alternative Value Assumptions

			Unit Size		North	South
Greenfield						
	Affordable Units					
		1 bed flat	40		£2,000	£2,875
		2 bed flat	61		£1,803	£2,459
		2 bed terrace	70		£2,214	£2,429
		3 bed terrace	84		£2,083	£2,500
		2 bed semi	79		£1,962	£2,278
		3 bed semi	93		£1,935	£2,312
		4 bed detached	100		£2,200	£2,500
Brownfield/urban						
	Affordable Units					
		1 bed flat	40		£2,000	£2,875
		2 bed flat	60		£1,833	£2,500

Source: September 2019 Consultation

4.82 We are sceptical about some of these figures, not least, because some of the figures are similar to those for market housing.

4.83 In this assessment a value of £1,400/m^2 is assumed.

Intermediate Products for Sale

4.84 Intermediate products for sale include shared ownership and shared equity products[34]. The demand for these has lessened, perhaps due to the impact of Help to Buy. We have found little evidence of the availability of such products in the study area. We have assumed a value of 70% of open market value for these units. These values were based on purchasers buying an initial 30% share of a property and a 2.75%[35] per annum rent payable on the equity retained. The rental income is capitalised at 4.5% having made a 5% management allowance.

4.85 The following table shows 'typical' values for shared ownership housing at a range of proportions sold:

Table 4.20 Value of Shared Ownership Housing at 30% to 80% of Proportion Sold

Market Value			% Sold		Rent			Value		
m2	£/m2	£	%	£	%	£/year	£	£	£/m2	**% OMV**
95	2,300	218,500	30%	65,550	2.75%	4,206	84,123	149,673	1,576	**68.50%**
95	2,300	218,500	40%	87,400	2.75%	3,605	72,105	159,505	1,679	**73.00%**
95	2,300	218,500	50%	109,250	2.75%	3,004	60,088	169,338	1,783	**77.50%**
95	2,300	218,500	60%	131,100	2.75%	2,404	48,070	179,170	1,886	**82.00%**
95	2,300	218,500	70%	152,950	2.75%	1,803	36,053	189,003	1,990	**86.50%**
95	2,300	218,500	80%	174,800	2.75%	1,202	24,035	198,835	2,093	**91.00%**
95	2,500	237,500	30%	71,250	2.75%	4,572	91,438	162,688	1,713	**68.50%**
95	2,500	237,500	40%	95,000	2.75%	3,919	78,375	173,375	1,825	**73.00%**
95	2,500	237,500	50%	118,750	2.75%	3,266	65,313	184,063	1,938	**77.50%**
95	2,500	237,500	60%	142,500	2.75%	2,613	52,250	194,750	2,050	**82.00%**
95	2,500	237,500	70%	166,250	2.75%	1,959	39,188	205,438	2,163	**86.50%**
95	2,500	237,500	80%	190,000	2.75%	1,306	26,125	216,125	2,275	**91.00%**

Source: HDH 2019

4.86 Through the September 2019 consultation, it was suggested that the local practice for deriving the value of Affordable Housing was to assume a blended value of 60% of market value across the different tenures, rather than applying different values to the different types of Affordable Housing, but no evidence of this was provided.

Grant Funding

4.87 It is assumed that grant is not available.

[34] For the purpose of this assessment it is assumed that the 'affordable home ownership' products, as referred to in paragraph 64 of the 2019 NPPF fall into this definition,

[35] A rent of up to 3% may be charged – although we understand that in this area 2.75% is more normal.

Older People's Housing

4.88 Housing for older people is generally a growing sector due to the demographic changes and the aging population. The sector brings forward two main types of product that are defined in paragraph 63-010-20190626 of the PPG:

> ***Retirement living or sheltered housing****: This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.*
>
> ***Extra care housing or housing-with-care:*** *This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.*

4.89 HDH has received representations from the Retirement Housing Group (RHG) a trade group representing private sector developers and operators of retirement, care and extracare homes. They have set out a case that Sheltered Housing and Extracare Housing should be tested separately. The RHG representations assume the price of a 1 bed Sheltered unit is about 75% of the price of existing 3 bed semi-detached houses and a 2 bed Sheltered property is about equal to the price of an existing 3 bed semi-detached house. In addition, it assumes Extracare housing is 25% more expensive than Sheltered housing.

4.90 A typical price of a 3 bed semi-detached home of £200,000 has been assumed. On this basis it is assumed Sheltered and Extracare housing has the following worth:

Table 4.21 Worth of Sheltered and Extracare

	Area (m^2)	£	£/m^2
3 bed semi-detached		**200,000**	
1 bed Sheltered	50	150,000	3,000
2 bed Sheltered	75	200,000	2,667
1 bed Extracare	65	187,500	2,885
2 bed Extracare	80	250,000	3,125

Source: HDH (June 2019)

4.91 There are no new retirement schemes being marketed in Fenland at the time of this study, it has therefore been necessary to look more widely, beyond the boundaries of FDC. Even with in 10 or so miles of the District there are no schemes being currently marketed.

4.92 There several secondhand units for sale.

- A 2 bed maisonette at St Pauls Close, Wisbech is being marketed for £60,000.

- A 1 bedroom flat at Woodley Court, St Ann's Lane, Godmanchester, Huntingdon is being marketed for £60,000 (there are less than 90 years remaining on the lease which will lower the value).
- A 2 bedroom flat at Gaywood, King's Lynn is being marketed for £110,000.
- A 1 bedroom flat at The Views, George Street, Huntingdon is being marketed for £135,000.
- A 2 bedroom flat at Drings Close, Over is being marketed for £120,000.

4.93 Based on the above, a value of £2,800/m^2 is assumed for Sheltered housing and £3,000/m^2 is assumed for Extracare.

4.94 In addition to the above, no allowance is made for ground rents. The typical value of the ground rents on these types of units would be about £3,850/unit.

4.95 The value of units as Affordable Housing has also been considered. It has not been possible to find any directly comparable schemes where housing associations have purchased social units in a market led extracare development. Private sector developers have been consulted. They have indicated that whilst they have never disposed of any units in this way they would expect the value to be in line with other Affordable Housing – however they stressed that the buyer (be that the local authority or housing association) would need to undertake to meet the full service and care charges.

5. Non-Residential Market

5.1 This chapter sets out an assessment of the markets for non-residential property, providing a basis for the assumptions of prices to be used in financial appraisals for the sites tested in the study.

5.2 In the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014) the following values were used.

Table 5.1 Non-Residential Assumptions – 2012 & 2014

Development Type		Value Level (Annual Rental Indication £/sq.m)		
		Low	Medium	High
Retail - larger format (A1) – convenience	Large Supermarket - Town centre	£150	£200	£250
Retail - larger format (A1) - comparison	Retail Warehousing - edge of centre	£75	£100	£125
A1- A5 - Small Retail	Other retail - town centre	£75	£100	£125
A1-A5 - Small retail*	Convenience Stores	£75	£125	£175
A1-A5 - Small Retail	Farm shop, rural unit, café or similar	£75	£125	£175
B1(a) Offices - Town Centre	Office Building	£50	£100	£150
B1(a) Offices - Out of town centre	Office Building (business park type - various)	£100	£125	£150
B1(a) Offices - Rural	Farm diversification, rural business centres, ancillary to other rural area uses	£100	£125	£150
B1, B2, B8 - Industrial / Warehousing	Start-up / move-on unit	£30	£50	£70
B1, B2, B8 - Industrial / Warehousing	Larger industrial / warehousing unit including offices - edge of centre	£30	£50	£70
C1 - Hotel	Hotel - various types - tourism-led (range dependant on market / type). 60-bed.	£3,000	£4,000	£5,000
C2 - Residential Institution	Nursing home / care home	£110	£130	£150

Source: Figure 7, *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014)

5.3 There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward as planned development. In this study we have considered the larger format office and industrial use and retail uses and hotel uses.

5.4 Across the District, market conditions broadly reflect a combination of national economic circumstances and local supply and demand factors. However, even within the FDC area, there will be particular localities, and ultimately site-specific factors, that generate different values and costs.

National Overview

5.5 The various non-residential markets in the FDC area reflect national trends. The retail markets are particularly challenging:

> *The Q3 2019 RICS UK Commercial Property Market Survey results point to a deterioration in sentiment over the period, with 62% of respondents now sensing the market is in the downturn phase of the property cycle. That said, notwithstanding the structural challenges across the retail sector, many contributors feel the Brexit impasse has become increasingly detrimental to market activity. As such, anecdotal evidence suggests a resolution to the uncertainty could potentially release some pent up demand further ahead.*
>
> *RICS – Q3 2019: UK Commercial Property Market Survey*

Non-Residential Market

5.6 The *FDC Employment Land Review* (FDC, September 2006) includes a detailed assessment of the local employment markets so that will not be repeated here. The market can be summarised as follows:

> *Fenland is attracting interest from local and national developers who have recognised the shortage of quality office space available for professional service providers (solicitors, accountants, surgeries, brokers) in the main conurbations of the district. The traditional location of 'chambers' for these providers is rapidly being eschewed in favour of more modern, image-conscious premises that offer up-to-date technology infrastructures. The success of South Fens Business Centre which is 60% full (based of its floor occupancy of almost 15,000 square feet) within eight months of its official opening has prompted several speculative developers to embark on similar state-of-the-art projects in Wisbech and March.*
>
> *Out-of-town retail and leisure development continues to attract investment although the subject is emotive – on one hand, smaller businesses located in the town centres can be affected by a loss in trade, however, a counterpoint is that without the new investment the money might otherwise be spent in the larger shopping centres of King's Lynn and Peterborough. Careful land allocation and appropriate business use classification is important to ensure that retail and leisure sector gaps can be plugged by attracting suitable amenities.*
>
> *The balance of enquiries is a combination of outside interest in Fenland from developers for land opportunities (5%), companies relocating to Fenland (5%), existing Fenland businesses seeking larger or alternative premises or land (5%), local interest in small retail outlets (5%), and the rest a selection of foreign investment enquiries, institutional investors and speculative builders.*

5.7 This study is concerned with new property that is likely to be purpose built. There is little evidence of a significant variance in price for newer premises more suited to modern business, although very local factors (such as the access to transport network) are important.

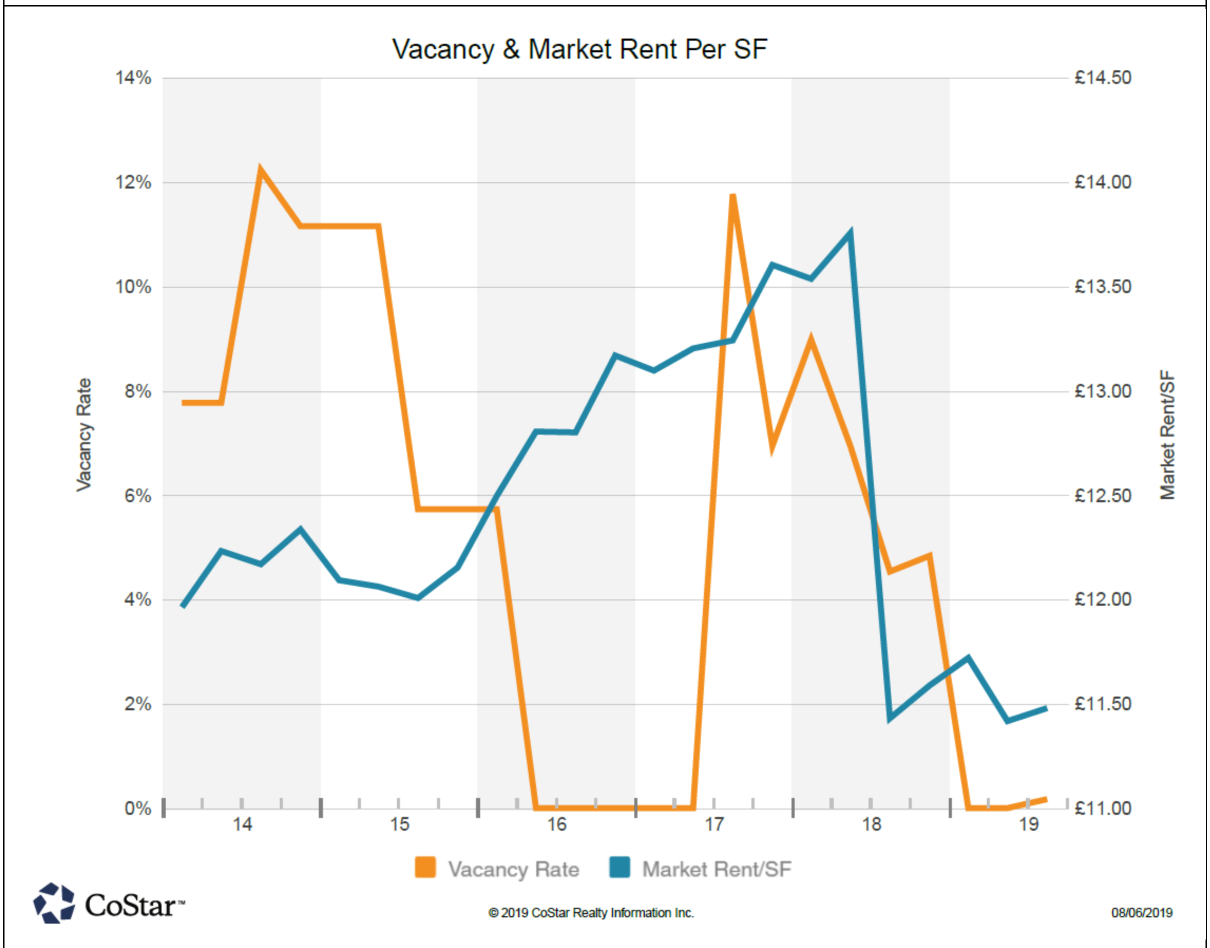
5.8 Various sources of market information have been analysed, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.co.uk). In addition, information from CoStar (a property industry intelligence subscription service) has been used. Clearly much of this commercial space is 'secondhand' and not of the configuration, type and condition of new space that may come forward in the future, so is likely to command a lower rent than new property in a convenient well accessed location with car parking and that is well suited to the modern business environment.

5.9 **Appendix 8** includes market data from CoStar.

Offices

5.10 CoStar data shows an increase in rents in the office sector over the last five years, although these have declined over the last couple of years.

Figure 5.1 Offices. Vacancy Rates v Rent (£/sqft)



Source: CoStar (August 2019)

5.11 CoStar is currently reporting rents (for all types of office) of about £95/m^2/year (£9sqft/year). On the whole these buildings are not modern offices that are best suited to current work practices. Newer offices on flexible terms, are around £215/m^2/year (£20sqft/year), although these are not the norm.

5.12 Through the September 2019 consultation it was suggested that office rents were closer to £100/m^2/year in the area.

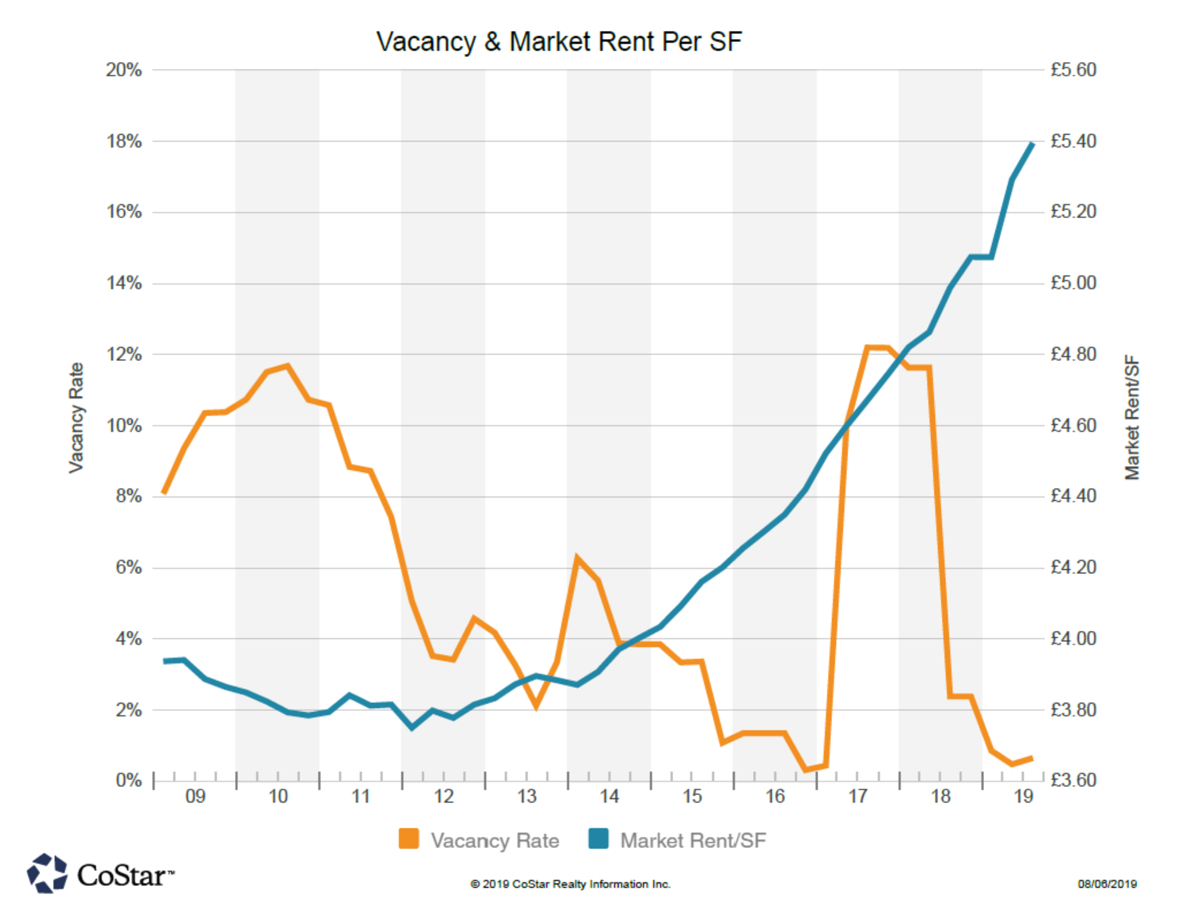
5.13 A median yield of over 10% is reported, however the sample size is very small and newer properties are likely to be less than this, 7% has been assumed.

5.14 On this basis new office development would have a value of £1,335/m^2 (having allowed for a rent free / void period of 12 months). CoStar reports average sales prices of £925/m^2 (£86/sqft). Bearing in mind the nature of the new development that this study is concerned with, office development is assumed to have a value of £1,500/m^2.

Industrial and Distribution

5.15 CoStar data also shows very low vacancy rates and an increase in rents over the last five years in the industrial sector:

Figure 5.2 Industrial. Vacancy Rates v Rent (£/sqft)



Source: CoStar (August 2019)

5.16 CoStar is currently reporting average rents (for all types of industrial space) of about £32.50/m^2/year (£3/sqft/year). On the whole these buildings are not modern facilities that are suited to modern industry. More modern buildings that are well located and with adequate parking are securing rents in the £54/m^2/year (£5/sqft/year) to £80/m^2/year (£7.50/sqft/year)

A median yield of over 10% is reported, however the sample size is very small and newer properties are likely to be less than this and are generally in the 7% to 8% range.

5.17 On this basis new office development would have a value of £1,000/m^2 (having allowed for a rent free / void period of 12 months). CoStar reports average sales prices of £333/m^2 (£31/sqft), with a median being rather less at £465/m^2 (£43/sqft). Bearing in mind the nature of the new development that this study is concerned with, office development is assumed to have a value of £1,000/m^2.

5.18 At the time of this assessment there is anecdotal evidence that asking rents are higher for higher specification new units and that this is due to the shortage of supply.

Retail

5.19 None of the settlements in Fenland are major shopping destinations. The retail sector is overshadowed by Peterborough and Cambridge. Having said this, the market towns are busy with a broad range of local shops and services.

5.20 The retail market is in a period of uncertainty. The rise in the online retailer sector has put pressure on the high street and shopping centres. Several national chains have been put into administration or have entered a Company Voluntary Arrangements (CVA)[36]. The value of shopping centres in particular has been put under pressure and is less attractive to investors than it was just a few years ago.

a. Arcadia group which includes brands such as Topshop, Topman, Burtons and Dorothy Perkins is undergoing restructuring through a CAV, which includes the closure of shops (June 2019).
b. Monsoon and Accessorize are undergoing restructuring through a CAV, which includes the closure of shops (May 2019).
c. New Look restructured in a debt for equity swap and refinancing (January 2019).
d. Select (womenswear) entered in to a second CVA in a year (June 2019).
e. Mothercare, closing 60 shops (June 2019).
f. Marks and Spencer closing 110 stores (May 2019).
g. The following brands have been put into administration:
    i. TReds Shoes (Jan 2019 – since sold).
    ii. Pretty Green (bought out of administration by JD Sports in April 2019).
    iii. Debenhams (April 2019, in admin 1/3 stores to close).
    iv. House of Fraser (April 2018 bought out of administration by Mike Ashley).

[36] A CVA is a legally binding agreement with a company's creditors. As part of the process companies (subject to a the circumstances) may be able to renegotiate the terms of a lease.

v. Greenwoods (January 2019, all stores closed).

vi. Berketex (Bridalwear) Closed November 2018).

vii. Evans Cycles (October 2018 bought out of administration by Mike Ashley).

viii. Coast (October 2018 bought, in part, out of administration by Karen Millen).

ix. Jack Wills (August 2019) being purchased by Sports Direct.

x. East (April 2018, all stores closed).

5.21 Numerous other high-street names have also closed or been restructured, including Banana Republic, BHS (2016), Austin Reed (2016), Toys R Us, Maplin, Poundworld, Homebase, Office Outlet (Staples), HMV, American Golf and Carpetright.

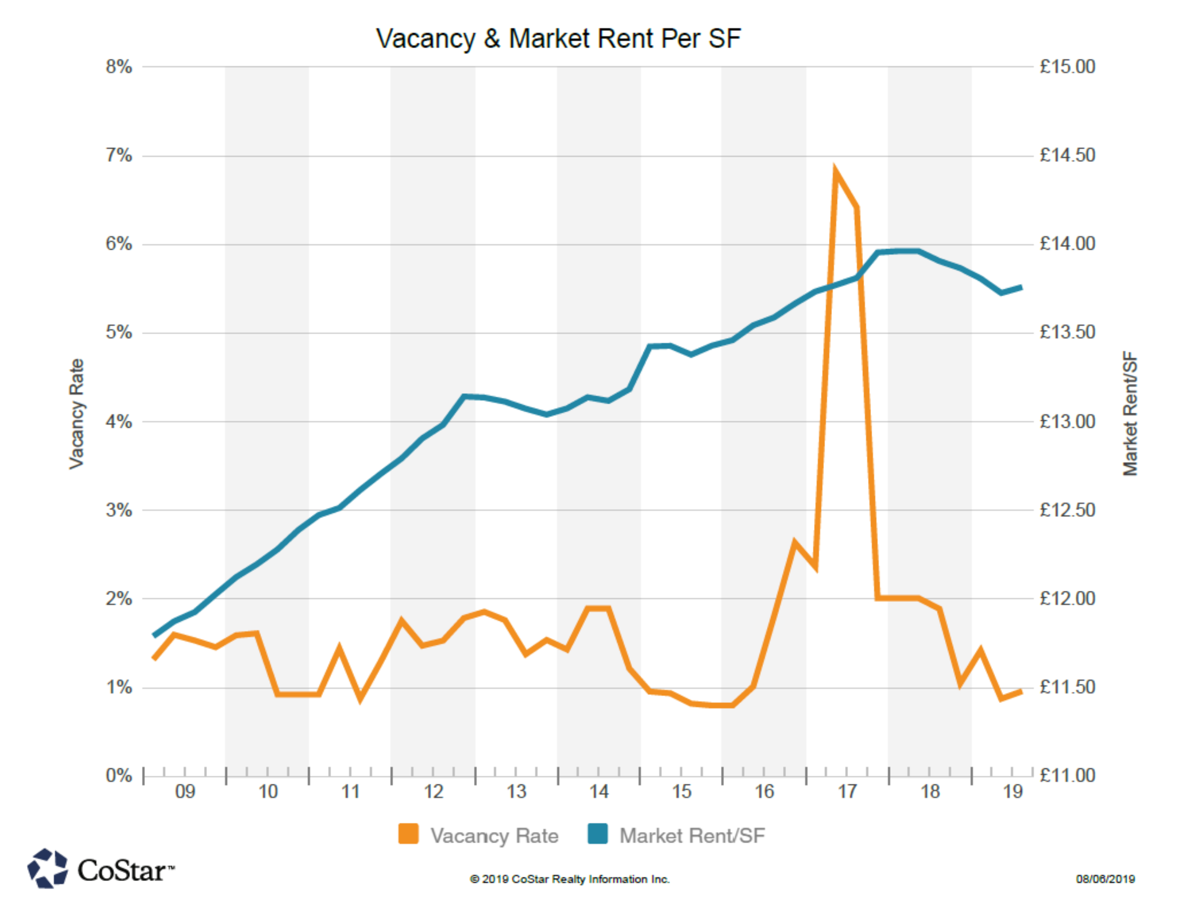
5.22 Pressure on the high street is also being seen across other sectors

a. Various restaurant and dining chains have also announced closures or restructuring. These include Jamie Oliver, Patisserie Valerie, Gourmet Burger Kitchen, Byron Burgers, Carluccios, Gaucho and Prezzo (closing 100 stores).

b. The banking sector has closed 716 branches in the first half of 2019.

5.23 Bearing in mind the gloomy picture that can be taken from the above, it is surprising that the CoStar data shows an increase in rents and fall in vacancies over the last 5 years.

Figure 5.3 Retail. Vacancy Rates v Rent (£/sqft)



Source: CoStar (August 2019)

5.24 The retail market is segmented with the core high street areas of thriving but the remaining areas, being of largely secondary retailing areas doing less well. Retailing in secondary locations remains challenging – although the data does reveal some surprising high rents, and there are some neighbourhood shopping areas that are thriving.

5.25 Rents for units in the central locations are currently over £270/m^2/year (£25/sqft/year)[37] although generally they are below this level at around £107/m^2/year (£10/sqft/year). An average yield of 7.67% (median of 8.35%) is reported. A value (based on a £270/m^2/year / 8% yield / 24 month incentive) of £2,895/m^2 (£270/sqft) is derived for town centre, shop-based retail. This is broadly in line with the upper values reported by CoStar. A value of £2,900/m^2 (£270/sqft) is assumed.

5.26 The rents for shops vary greatly, particularly as one moves away from the best locations into the secondary situations where rents are normally in the range of £107/m^2/year (£10/sqft/year) to £160/m^2/year (£15/sqft/year), although yields are rather higher at around 10% to give a value of £1,250/m^2 (£115/sqft) or so.

[37] These rents are calculated over the whole building area rather than just the sales area.

5.27 We have given consideration to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the FDC area, however drawing on our wider experience we have assumed supermarket rents of £250/m^2/year (£23/sqft/year) with a yield of 5.5% to give a value of £4300/m^2 (£400/sqft). This reflects the increased confidence in this sector after a difficult period faced by the traditional supermarket operators.

5.28 As well as mainstream supermarkets, we have considered the smaller units developed by operators such as Lidl and Aldi, in this case we have assumed a rent of £215/m^2/year (£20/sqft/year) and a 5% yield to give a value of £4,095/m^2 (£380/sqft).

5.29 In the case of retail warehouses, there has been a change within the market over the last few years with a move towards more smaller stores on the out of town retail parks. Whilst little such development is planned it may be that some of the existing out of town / retail warehouse space we have assumed a rent of £180/m^2/year (£16.70/sqft/year) and a yield of 6% giving a value of £2,670/m^2 (£250/sqft) (allowing for a 2 year rent free / void period).

Hotels

5.30 There have been a number of new hotels in the area and there is a recognised need (and demand) for further provision. For the hotel sector, a rental of £4,500/room/year for newbuild hotels is assumed to apply across the area. Assuming a yield of 5.5%, this equates to a value of about £3,300/m^2 (£306/sqft). It is important to note that this study is only concerned with newbuild hotels[38].

Appraisal Assumptions

5.31 The following assumptions have been used:

Table 5.2 Commercial Values £/m^2 2019

	Rent £/m^2	Yield	Rent free period		Assumption
Offices	£215	7.00%	1.0	£1,335	£1,500
Industrial	£75	7.00%	1.0	£1,001	£1,000
Retail - Centre	£270	8.00%	2.0	£2,894	£2,900
Retail (elsewhere)	£150	10.00%	2.0	£1,240	£1,250
Large Supermarket	£250	5.50%	1.0	£4,308	£4,300
Small Supermarket	£215	5.00%	1.0	£4,095	£4,100
Retail warehouse	£180	6.00%	2.0	£2,670	£3,270
Hotel (per room)	£4,500	5.50%	0.0	£81,818	£3,300

Source: HDH (September 2019)

[38] 60 rooms x £4,500 = £270,000. 5.5% yield = £4,900,000. 60 rooms @19m^2 + 30% circulation space = £3,312/m^2

6. Land Values

6.1 Chapters 2 and 3 set out the methodology used in this study to assess viability. An important element of the assessment is the value of the land. Under the method set out in the updated PPG and recommended in the Harman Guidance, the worth of the land before consideration of any increase in value, from a use that may be permitted through a planning consent, is the Existing Use Value (EUV). This is used as the starting point for the assessment.

6.2 In this chapter, the values of different types of land are considered. The value of land relates closely to the use to which it can be put and will range considerably from site to site. As this is a high-level study, the three main uses, being agricultural, residential and industrial, have been researched. The amount of uplift that may be required to ensure that land will come forward and be released for development has then been considered.

6.3 In this context it important to note that the PPG says (at 10-016-20180724) that the '*Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. For any viability assessment data sources to inform the establishment the landowner premium should include market evidence and can include benchmark land values from other viability assessments*'. It is therefore necessary to consider the EUV as a starting point.

6.4 In the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014) the following values were used.

> *2.11.7 As can be seen at Appendices IIa and IIb (residential and commercial scenarios results respectively), we have made indicative comparisons at land value levels in a range between £250,000/ha (approximately £100,000/acre), indicating around the minimum level which it was considered land would trade at, and £1,000,000/ha (approximately £405,000/acre) as an upper-end comparison. The latter level is not regularly applicable in the Fenland market, however the methodology uses a wide range to add to the results review context; so that we can see where our RLVs fall in relation to these levels and the overall range between them.*
>
> *2.11.8 The land value indications are based on a review of available information from site specific reviews, local research (including stakeholder soundings) and research carried out by others in carrying out viability studies both for Fenland and neighbouring authorities. For a range of sites, the most critical area – the minimum value applicable for the purposes of an assessment such as this – is approximately £100,000 to £150,000/acre (i.e. £250,000 to £370,000/ha). This applies particularly for greenfield land, but in the local context in practice may well prove a sufficient level for the purchase of a variety of sites except where existing residential sites are pursued for redevelopment / intensification of development, for sites in the less frequent higher value areas / larger properties or higher value commercial development (such as some forms of retail).*
>
> *2.11.9 Overall, for the review of the results summary tables (Appendix IIa and b) and to provide an overview guide as to their strength, in this case we decided to sub-divide the full land values comparison range into £250,000/ha bands within the wider range. These are shown as 'viability tests' as follows (see figure 10 below) within the Appendix II table footnotes. For greenfield land, using the above minimum £250,000/ha and bearing in mind the £370,000/ha or so likely upper figure, the range £250,000 to £500,000 best represents the key area of the results. On*

PDL land, typically we might expect to see land value indications in the region of £500,000 to £750,000/ha and the upper part of the overall range (as at 2.11.7 above) better represents the likely range of scenarios for typically smaller, previously developed sites (PDL).

Figure 10: Land value indicative comparisons range (benchmarks)

Key			*RLV Lower than viability test 1*
			Positive RLV beneath Viability Test 1 (RLV < £250,000/ha)
			RLV exceeding Viability Test 1 (RLV £250,000 - £500,000/ha)
			RLV exceeding Viability Test 1 (RLV £500,000 - £750,000/ha)
			RLV exceeding Viability Test 1 (RLV £750,000 - £1,000,000/ha)
			RLV exceeding Viability Test 1 (RLV > £1,000,000/ha)
Source: Dixon Searle LLP (2014)			

2.11.10 To recap, for this assessment purpose (and not as any other guide / target / fixed level / rule of thumb or similar) the minimum land values likely to incentivise release for development under any circumstances is probably around £250,000/ha in the Fenland context. Land values at those levels are likely to be most relevant to development on greenfield land (or enhancement to amenity land value) and therefore relatively commonly occurring across the district. Therefore this could be relevant for consideration as the lowest base point for enhancement to greenfield land values (with agricultural land reported by the VOA to be valued at around £20,000/ha in existing use, verified by our own research). The HCA issued a transparent assumptions document which referred to guide parameters of an uplift of 10 to 20 times agricultural land value. This sort of level of land value could also be relevant to a range of less attractive locations or land for improvement. This is not to say that land value expectations would not go beyond these levels – they could well do in a range of circumstances.

6.5 It is important to note that the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014) was prepared before the updated PPG was released so does not explicitly follow the 'EUV plus' approach, as now set out in the PPG.

Existing Use Values

6.6 To assess development viability, it is necessary to analyse Existing and Alternative Use Values. EUV refers to the value of the land in its current use <u>before planning consent is granted</u>, for example, as agricultural land. AUV refers to any other potential use for the site. For example, a brownfield site may have an alternative use as industrial land.

6.7 The updated PPG includes a definition of land value as follows:

How should land value be defined for the purpose of viability assessment?

To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).

In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.

PPG: 10-013-20190509

> *What is meant by existing use value in viability assessment?*
>
> *Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).*
>
> *Sources of data can include (but are not limited to): land registry records of transactions; real estate licensed software packages; real estate market reports; real estate research; estate agent websites; property auction results; valuation office agency data; public sector estate/property teams' locally held evidence.*
>
> *PPG: 10-015-20190509*

6.8 It is important to fully appreciate that land value should reflect emerging policy requirements and planning obligations. When considering comparable sites, the value will need to be adjusted to reflect this requirement.

6.9 The value of the land for a particular typology (or in due course a particular scheme) needs to be compared with the EUV, to determine if there is another use which would derive more revenue for the landowner. If the Residual Value does not exceed the EUV, then the development is not viable; if there is a surplus (i.e. profit) over and above the 'normal' developer's profit having paid for the land, then there is scope to make developer contributions.

6.10 For the purpose of the present study, it is necessary to take a comparatively simplistic approach to determining the EUV. In practice, a wide range of considerations could influence the precise value that should apply in each case, and at the end of extensive analysis, the outcome might still be contentious.

6.11 The 'model' approach is outlined below:

i. For sites in agricultural use, then agricultural land represents the EUV. It is assumed that greenfield sites of 0.5ha or more fall into this category.

ii. For paddock and garden land on the edge of or in a smaller settlement a 'paddock' value is adopted. This is assumed for greenfield sites of less than 0.5ha.

iii. Where the development is on brownfield land we have assumed an industrial value. In the town-centres a higher value is considered.

Residential Land

6.12 In May 2018, DCLG published *Land value estimates for policy appraisal*[39]. This sets out land values as at May 2017 and was prepared by the Valuation Office Agency (VOA). The FDC

39 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/710539/Land_Values_2017.pdf

figure is £485,000/ha. It is important to note this figure assumes nil Affordable Housing. As stressed in the paper, this is a hypothetical situation and '*the figures on this basis, therefore, may be significantly higher than could be reasonably obtained in the actual market*'.

6.13 The VOA assumed that each site is 1 hectare in area, of regular shape, with services provided up to the boundary, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available; the site will have a net developable area equal to 80% of the gross area. For those local authorities outside London, the hypothetical scheme is for a development of 35 two storeys, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.

6.14 There are no larger development sites being publicly marketed in the area at the time of this assessment, however there are a number of small development sites being marketed in the area:

Table 6.1 Building Sites for Sale – August 2019

		Units	Area (ha)	Asking Price	£/ha	
Wisbech Road	March	118	4.85	£2,250,000	£463,918	Resolution to grant
Barton Road	Wisbech	45	1.7	£2,000,000	£1,176,471	No planning
Wimblington Road	Doddington	13	2.23	£195,000	£87,444	Outline Planning (existing
Wisbech Road	March		0.647	£1,500,000	£2,318,393	No planning
Land North of Grange Farm	Welney	17		£1,250,000		3 affordable
Goredike Bank	Wisbech		57.9	£1,125,000	£19,430	Farmland
Isle Road	Outwell	50	2.15	£1,000,000	£465,116	Outline planning
Main Street	Coveney	7	0.405	£600,000	£1,481,481	Detailed consent
Kirk Ogden Close	March	19	0.45	£550,000	£1,222,222	Former Gas Distribution C
Straight Furlong	Pymoor	8	0.76	£500,000	£657,895	Detailed consent
Wenny Road	Chatteris	4	0.25	£425,000	£1,700,000	Outline planning
Herne Road	Ramsey St Mary	6	0.4	£400,000	£1,000,000	Planning (existing house)
Bonnetts Lane	Marshland St James	4	0.18	£396,000	£2,200,000	4 plots
School Lane, Manea	March	4		£315,000		Detailed consent
Station Road	Wisbech St. Mary	3	0.267	£200,000	£749,064	Outline planning
Elliot Road	March		From	£114,00/plot		Self and Custom Build
Ugg Mere Court Road	Ramey	2	0.101	£170,000	£1,683,168	Detailed consent
Apple Tree Close	March	1	0.085	£155,000	£1,823,529	Detailed consent
The Drove	Barroway Drove	1	0.708	£150,000	£211,864	Outline planning
Creek Road	March	1	0.05	£150,000	£3,000,000	Detailed consent
Ravenhill Drive	March	1	0.037	£140,000	£3,783,784	Detailed consent
High Street	Nordelph	1		£135,000		Development started
Dowsdale Bank	Nr Crowland	1	0.07	£125,000	£1,785,714	Detailed consent
Coates Road	Eastrea	1		£100,000		Detailed consent
Fallow Corner Drove	Manea	29	1.105	£100,000	£90,498	Detailed consent
Gaultree Square	Emneth	1	0.019	£80,000	£4,210,526	Outline planning
Back Road, Elm	Wisbech	1	0.031	£75,000	£2,419,355	Outline planning
Osborne Road	Wisbech	1	0.039	£65,000	£1,666,667	Detailed consent
Horseshoe Terrace	Wisbech	1	0.034	£55,000	£1,617,647	Detailed consent
Kings Delph	Whittlesey	1	0.089	£35,000	£393,258	Detailed consent
Kings Delph	Whittlesey	1	0.089	£30,000	£337,079	Detailed consent

Source: Market Survey (August 2019)

6.15 Through the September 2019 consultation attention was drawn to a 4.75ha site that had recently been marketed at Wisbech Road, March, The site has an outline consent for 118 dwelling of which 25% are affordable. The asking price was £2,250,000 (£475,000/ha).

6.16 It is important to note that the above prices are asking prices – so reflect the landowner's aspiration. In setting the BLV the important point is the minimum amount a landowner will accept.

6.17 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 9.** The data is summarised in the following tables, the amount of Affordable Housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG).

Table 6.2 Sales of Development Land						
Site	**ha**	**All Units**	**Aff**	**Price Paid**	**£/ha**	**£/unit**
Land North of Orchard House, High Road, Wisbech St Mary	3.820	76	0%	£1,450,000	£379,581	£19,079
Site of Former Gas Distribution Centre, Gas Road, March	0.450	19	0%	£100,000	£222,222	£5,263
Bricklayers Arms, 9 Station Road, Whittlesey	0.310	33	0%	£475,000	£1,532,258	£14,394
Land North West Of 162, Coates Road, Coates, Whittlesey	0.870	12	25%	£160,000	£183,908	£13,333
Land East of Askham House, 13 Benwick Road, Doddington	1.477	10	30%	£100,000	£67,705	£10,000
Land West of 17-37, Wood Street, Doddington	1.770	28	0%	£400,996	£226,551	£14,321
Land West of Cedar Way Accessed from Grove Gardens, Elm	0.870	11	0%	£2,700	£3,103	£245
Land East of Llanca, Huntingdon Road, Chatteris	0.200	18	0%	£400,000	£2,000,000	£22,222
Land West of Teachers Close, Manea	3.600	57	0%	£840,000	£233,333	£14,737
Former Pilgrims of March, Dartford Road, March	0.315	17	0%	£270,000	£856,327	£15,882
Land South East of Orchard Lodge, Jobs Lane, March	0.800	20	5%	£415,000	£518,750	£20,750
Land South West of Queen Street Close, March	0.160	10	0%	£325,000	£2,031,250	£32,500
Site of Former Kingswood Park Residential Home, Kingswood Road, March	0.980	22	100%	£1,162,306	£1,186,027	£52,832
Land East of Davern Workwear, Elliott Road, March	0.480	14	0%	£1,435,000	£2,989,583	£102,500
Land West of Old Council Depot, Gaul Road, March	3.860	135	0%	£1,290,000	£334,197	£9,556
Land West and South Of 74 West Street, Chatteris	2.800	58	26%	£2,150,000	£767,857	£37,069
Land at Bassenhally Farm, Eastrea Road, Whittlesey	3.280	93	25%	£722,490	£220,271	£7,769
Land north of Sorrel Avenue, Whittlesey, Cambridgeshire	0.937	60	0%	£342,857	£365,909	£5,714
Land North of Snowley Park And Glenfields, Whittlesey	5.610	148	24%	£2,750,000	£490,196	£18,581
Westhaven Nursery, Peterborough Road, Whittlesey	2.660	68	85%	£1,400,000	£526,316	£20,588
The Bell, 35 Kirkgate Street, Wisbech	0.390	14	0%	£475,000	£1,217,949	£33,929
Land North of Kenila, Duke Street, Wisbech	0.220	10	0%	£250,000	£1,136,364	£25,000
35 North End, Wisbech	0.040	11	0%	£110,000	£2,750,000	£10,000
Fenland Park, Lerowe Road, Wisbech	1.600	83	35%	£2,500,000	£1,562,500	£30,120
55 The Chase, Leverington	0.990	14	0%	£800,000	£808,081	£57,143
Land at Sayers Field, Church Road, Wisbech St Mary	1.100	43	0%	£1,950,000	£1,772,727	£45,349

Source: FDC and Land Registry (September 2019)

6.18 These values are on a whole site (gross area) basis and range considerably. The average is about £940,000/ha (£34,600/unit) and the median is £650,000/ha (£18,830/unit). The average for schemes that have provided Affordable Housing is £550,000/ha (£19,500/unit) and the median is £355,000/ha (£16,000/unit). In considering the above it is important to note that the PPG 10-014-20190509 says:

> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*

6.19 The price paid is the maximum the landowner could achieve. The landowner is unlikely to suggest a buyer may be paying an unrealistic amount. The BLV is not the price paid (nor the average of prices paid), rather it is likely to be closer to the bottom of the range of policy compliant transactions.

6.20 Almost all the above sites are smaller sites, with just one of the sites being over 1 ha. In relation to larger sites, and, in particular, larger greenfield sites, these have their own characteristics and are often subject to significant infrastructure costs and open space requirements which result in lower values. In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes we have assumed a BLV of the value of industrial land.

6.21 A figure of £25,000/market unit was suggested (although not evidenced) through the September 2019 consultation. Based on the data above this would be at the top end of the transaction range. A land value derived from a density of about 32units/ha and a net developable area of 75% or so £25,000/unit would be about £450,000/ha. In this assessment a value of £400,000/ha is assumed.

Industrial Land

6.22 *Land value estimates for policy appraisal* provides a value figure for commercial land for Peterborough (being the nearest large town to the District):

Table 6.3 Industrial Land Values Peterborough (£/ha)	
Industrial Land	£750,000 (303,000/acre)
Commercial Land: Office Edge of City Centre	£865,000 (£350,000/acre)
Commercial Land: Office Out of Town – Business Park	£750,000 (£303,000/acre)

Source: Land value estimates for policy appraisal (DCLG, May 2018)

6.23 CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 10**. The average is about £99,500/ha (£40,000/acre) and the median is slightly more at £100,000/ha (£40,000/acre).

6.24 Through the September 2019 consultation there was a consensus that these figures were appropriate, although smaller blocks of serviced industrial land were likely to have a value of £250,000/ha or so. (One consultee was concerned that, as the sample size of examples was small, a higher assumption should be used). A figure of £100,000/ha is assumed for parcels of land over 0.5ha with £250,000/ha on smaller parcels.

Agricultural and Paddocks

6.25 *Land value estimates for policy appraisal* provides a value figure for agricultural land in the area of £22,000/ha. The *RICS/RAU Rural Land Market Survey* reports agricultural land values. The most recent report[40] suggests England and Wales values of £21,043/ha (£8,516/acre) for arable land and £16,700/ha (£6,759/acre) for pasture. Values for the Eastern region (H1/2018) show higher values for arable land and substantially lower values for pasture.

6.26 For agricultural land, a benchmark of £25,000/ha is assumed to apply here.

6.27 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £50,000/ha for sites on the edge of the built up area. In the light of a comment made through the September 2019 consultation, this higher value is applied to sites of under 1ha.

Existing Use Values

6.28 In this assessment the following Existing Use Value (EUV) assumptions are used.

[40] https://www.rics.org/globalassets/rics-website/media/knowledge/research/market-surveys/rural-land-market-survey-h2-2018-rics-rau.pdf

Table 6.4 Existing Use Value Land Prices £/ha August 2019		
Industrial Land	1ha +	£100,000
	Less than 1ha	£250,000
Agricultural		£25,000
Paddock		£50,000

Source: HDH (December 2019)

Benchmark Land Values

6.29 The setting of the Benchmark Land Values (BLV) is one of the more challenging parts of a plan-wide viability assessment. The updated PPG makes specific reference to BLV so it is necessary to address this. As set out in Chapter 2 above, the updated PPG says:

> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*
>
> *Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).*
>
> *PPG 10-014-20190509*

6.30 With regard to the landowner's premium, the PPG says:

> *How should the premium to the landowner be defined for viability assessment?*
>
> *The premium (or the 'plus' in EUV+) is the second component of benchmark land value. It is the amount above existing use value (EUV) that goes to the landowner. The premium should*

provide a reasonable incentive for a land owner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.

Plan makers should establish a reasonable premium to the landowner for the purpose of assessing the viability of their plan. This will be an iterative process informed by professional judgement and must be based upon the best available evidence informed by cross sector collaboration. Market evidence can include benchmark land values from other viability assessments. Land transactions can be used but only as a cross check to the other evidence. Any data used should reasonably identify any adjustments necessary to reflect the cost of policy compliance (including for affordable housing), or differences in the quality of land, site scale, market performance of different building use types and reasonable expectations of local landowners. Policy compliance means that the development complies fully with up to date plan policies including any policy requirements for contributions towards affordable housing requirements at the relevant levels set out in the plan. A decision maker can give appropriate weight to emerging policies. Local authorities can request data on the price paid for land (or the price expected to be paid through an option or promotion agreement).

PPG 10-016-20190509

6.31 It is useful to consider the assumptions used in other studies in other parts of England. We have reviewed Benchmark Land Values used by other councils in England in development plans (albeit from before the PPG was updated in July 2018). These are set out in the table below.

Table 6.5 Benchmark Land Values Used Elsewhere

Local Authority	Threshold Land Value
Babergh	£370,000/ha
Cannock Chase	£100,000-£400,000/ha
Christchurch & East Dorset	£308,000/ha (un-serviced) £1,235,000/ha (serviced)
East Hampshire	£450,000/ha
Erewash	£300,000/ha
Fenland	£1-2m/ha (serviced)
Greater Norwich DP	£370,000-£430,000/ha
Reigate & Banstead	£500,000/ha
Stafford	£250,000/ha
Staffordshire Moorlands	£1.26-£1.41m/ha (serviced)
Warrington	£100,000-£300,000/ha

Source: Planning Advisory Service (collated by URS)

6.32 Care has to be taken drawing on such general figures without understanding the wider context and other assumptions in the studies.

6.33 In the pre-consultation iteration of this Viability Assessment, the following Benchmark Land Value assumptions are used:

Brownfield/Urban Sites: EUV Plus 20%.

Greenfield Sites: EUV Plus £200,000/ha.

6.34 Through the September 2019 consultation it was suggested that where the brownfield assumption of £250,000/ha was used then the brownfield assumption was appropriate.

6.35 With regard to greenfield sites, a range of comments were made:

a. That the assumption for agricultural land is appropriate.

b. Farmers would want to buy at least 8 acres to replace each one sold for development.

c. That the BLV needed to get to a threshold of £300,000/ha (on a gross basis).

d. That smaller sites were more expensive and landowners may have higher expectations.

e. That EUV plus £250,000/ha was an appropriate figure.

6.36 It was also suggested that a similar BLV could apply to both greenfield and previously developed land of £300,000/ha.

6.37 The feedback was mixed, with some, although there was a general consensus that the assumption was appropriate. In this iteration of this Viability Assessment, the assumption was carried forward unchanged, and following Benchmark Land Value assumptions are used:

Brownfield Sites:	EUV Plus 20%.
Greenfield Sites:	EUV Plus £250,000/ha.

7. Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies. These assumptions were presented to stakeholders at the consultation event in August 2019.

Development Costs

Construction costs: baseline costs

7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS)[41] data – using the figures re-based for Cambridgeshire[42]. The cost figure for 'Estate Housing – Generally' is £1,281/m^2 at the time of this study: This is over 50% higher than the figure used in the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014). The use of the BCIS data is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.

7.3 Alternatively, it was suggested that the Fenland BCIS figure should be used. The very small sample size does suggest that this may not be reliable, so we have continued to use the Cambridgeshire figure.

7.4 The base assumption in this report is that homes are built to the basic Building Regulation Part L 2013 Standards (as amended in 2016) but not to higher environmental standards. As set out in Chapter 2 above, the Government is undertaking a consultation on 'The Future Homes Standard'[43]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. At this stage a policy has not been drafted but is likely to include provisions to encourage reduced energy usage. This is considered in Chapter 8 below.

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[41] BCIS is the Building Cost Information Service of the Royal Institution of Chartered Surveyors.

[42] The sample size for Fenland is very small (16) so the larger area is used.

[43] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

Table 7.1 BCIS Costs- £/m² gross internal floor area						
Rebased to Cambridgeshire (102; sample 202)						
£/m2 study						
Description: Rate per m^2 gross internal floor area for the building Cost including prelims.						
The cost of the building with preliminaries apportioned, excluding external works, contingencies and design fees. The sample is from actual building contracts and represents a price including the contractors' overheads and profits included in the contract. The buildings sampled represent projects submitted to BCIS and will not necessarily be representative.						
Last updated: 03-Aug-2019 00:38						
	£/m² gross internal floor area					
(Maximum age of projects)	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest
810.1 Estate housing						
Generally (15)	1,326	641	1,135	1,281	1,456	4,598
Single storey (15)	1,487	841	1,271	1,428	1,673	4,598
2-storey (15)	1,284	641	1,120	1,253	1,399	2,534
3-storey (15)	1,342	835	1,096	1,295	1,507	2,693
4-storey or above (15)	2,792	1,382	2,282	2,453	3,674	4,166
810.11 Estate housing detached (15)	1,688	1,004	1,274	1,475	1,730	4,598
810.12 Estate housing semi detached						
Generally (15)	1,318	760	1,137	1,284	1,443	2,447
Single storey (15)	1,477	929	1,265	1,451	1,639	2,447
2-storey (15)	1,280	760	1,132	1,254	1,397	2,245
3-storey (15)	1,235	950	991	1,220	1,313	1,929
810.13 Estate housing terraced						
Generally (15)	1,362	834	1,135	1,296	1,494	4,166
Single storey (15)	1,519	1,029	1,277	1,441	1,747	2,200
2-storey (15)	1,318	834	1,120	1,276	1,468	2,534
3-storey (15)	1,361	835	1,082	1,287	1,524	2,693
816. Flats (apartments)						
Generally (15)	1,561	764	1,300	1,487	1,761	5,279
1-2 storey (15)	1,488	917	1,271	1,425	1,641	2,728
3-5 storey (15)	1,537	764	1,297	1,472	1,748	3,256
6+ storey (15)	1,919	1,139	1,570	1,796	2,044	5,279

Source: BCIS (August 2019)

7.5 In the initial iteration of this viability assessment, the lower quartile BCIS costs are used, being more closely in line with the Council's wider experience of development. The affordable element was modelled at 90% of the costs of market housing.

7.6 Through the September 2019 consultation it was suggested that a figure between the lower quartile figure and the median was appropriate – taking into account the fact that 'nonstandard' foundations were the norm in low lying fen areas. This assumption has been used. Two consultees suggested that the median should be used, however, based on the comments of local developers, this approach has not been taken.

7.7 There was a consensus that it was not appropriate model the Affordable Housing at a lower cost than the market housing.

Other normal development costs

7.8 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). Many of these items will depend on individual site circumstances and can only properly be estimated following a detailed assessment of each site. This is not practical within this broad-brush study and the approach taken is in line with the PPG and the Harman Guidance.

7.9 Nevertheless, it is possible to generalise. Drawing on experience and the comments of stakeholders, it is possible to determine an allowance related to total build costs. This is normally lower for higher density than for lower density schemes since there is a smaller area of external works, and services can be used more efficiently. Large greenfield sites would also be more likely to require substantial expenditure on bringing mains services to the site.

7.10 A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes, to 15% for the larger greenfield schemes.

7.11 Through the consultation it was suggested that 5% may be too low. This assumption is only applied to flatted schemes town centre, with little external space, and assumes that the site is serviced (due it its nature as Previously Developed Land) so is considered to be appropriate.

7.12 Whilst there was a general consensus that the above assumptions were correct, however one consultee suggested that an assumption of 20% or £500,000/ha should be used. We have had difficulty reconciling this as £500,000/ha would be a little over 10% on a 1ha greenfield site.

Abnormal development costs and brownfield sites

7.13 With regard to abnormals, paragraph 10-012-20180724 of the PPG says:

> *abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value*

7.14 This needs to be read with paragraph 10-014-20180724 of the PPG that says that:

> *Benchmark land value should: ... reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees and ...*

7.15 The consequence of this, when considering viability in the planning system, is that abnormal costs should be added to the cost side of the viability assessment, but also reflected in (i.e.

deducted from) the BLV. This has the result of balancing the abnormal costs on both elements of the appraisal.

7.16 This approach is consistent with the treatment of abnormals that was considered at Gedling Council's Examination in Public. There is an argument, as set out in Gedling, that it may not be appropriate for abnormals to be built into appraisals in a high-level assessment of this type. Councils should not plan for the worst-case option – rather for the norm. For example, if two similar sites were offered to the market and one was previously in industrial use with significant contamination, and one was 'clean' then the landowner of the contaminated site would have to take a lower land receipt for the same form of development due to the condition of the land. The Inspector said:

> *… demolition, abnormal costs and off site works are excluded from the VA, as the threshold land values assume sites are ready to develop, with no significant off site secondary infrastructure required. While there may be some sites where there are significant abnormal construction costs, these are unlikely to be typical and this would, in any case, be reflected in a lower threshold land value for a specific site. In addition such costs could, at least to some degree, be covered by the sum allowed for contingencies.*

7.17 In some cases, where the site involves redevelopment of land which was previously developed, there is the potential for abnormal costs to be incurred. Abnormal development costs might include demolition of substantial existing structures; flood prevention measures at waterside locations; remediation of any land contamination; remodelling of land levels; and so on. An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs.

7.18 Through the September 2019 consultation it was suggested that raised floor levels were a 'normal abnormal' cost in the area due to the low lying nature of much of the land supply. It is certainly the case that these are sometimes required, however it is not right to say that this applies to most sites.

7.19 The Council has reviewed the approach taken through the development management process and have '*confirmed they would not require raised floor levels on sites in Flood Zone 1. Through the LP we will take a sequential approach to allocating site, and will attempt to accommodate development in areas at least risk from flooding. Therefore any sites allocated in areas of greater flood risk will be the exception and not the norm. Most developments should not require raised floor levels*'.

7.20 Another consultee raised the costs of archaeology and whether or not these should be treated as an abnormal cost. We consider these to be rather like engineer's costs or other specialists. Some sites will need higher levels and some lesser amounts of investigation and input. The allowance for fees is considered to be sufficient.

7.21 A consultee suggested that the 5% allowance for brownfield sites may not be sufficient, using County Durham as an example. County Durham is a very different place to Fenland. The brownfield sites in County Durham[44] tend to have been in previous heavy industrial or mining use and require major remediation uses. County Durham is not an appropriate comparator.

7.22 In summary, abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs. It is not the purpose of an assessment of this type to standardise land prices across an area.

7.23 Bearing in mind the comments made through the September 2019 consultation, we have carried out sensitivity testing with regard to the cost assumptions.

Fees

7.24 For residential and non-residential development a base assumption of 8% of build costs is used for professional fees. Separate allowances are made for planning fees, acquisition, sales and finance costs. As set out in Chapter 9 below this assumption has been increased to 9% to cover the additional costs relating to biodiversity net-gain.

7.25 As concern was raised through the September 2019 consultation that this assumption was at the bottom of the range suggested in the Harman Guidance. Several years ago, we would have used a 10% assumption to cover fees. Since then there has been considerable inflation in the construction sector (57% since the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014)), however, whilst the levels of fees have increased a little, they have not been in line with the substantial increase in construction costs. It is therefore appropriate to use 8% as the norm. 8% is consistent with the assumption used in the appraisals submitted through Development Management.

Contingencies

7.26 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites and the 2.5% figure on the remainder.

S106 Contributions and the costs of infrastructure

7.27 For many years, FDC has sought payments from developers to mitigate the impact of the development through improvements to the local infrastructure. The majority of these are for general items rather than site specific infrastructure of the type that can now be sought under the restrictions as out in CIL Regulation 122.

7.28 In this study it is important that the costs of mitigation are reflected in the analysis. In the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final*

[44] HDH were authors of the *Durham Local Plan & CIL Development Viability Study* (HDH, October 2013)

Report (DSP v7) (Dixon Searle, September 2014)[45] it was assumed all the modelled residential sites would contribute £2,000/unit.

7.29 Several consultees raised a concern in this regard and the difficulty in estimating what the liability may be on a particular scheme. In part this is because the Council's Developer Contribution SPD (February 2015) does not includes estimates of the figures that mat be required. Cambridgeshire County Council did consult on a new Planning Obligations Strategy in 2016, however this had not been adopted. It contains a range of calculators and estimators, that are difficult to apply on a site specific basis,

7.30 The £2,000/unit assumption has been carried forward. Bearing in mind the considerable uncertainly in this regard a range of higher costs have also been tested.

Financial and Other Appraisal Assumptions

VAT

7.31 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[46].

Interest rates

7.32 Our appraisals assume 6% p.a. for total debit balances, we have made no allowance for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.

7.33 The 6% assumption may seem high given the very low base rate figure (0.75% September 2019). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.

7.34 The relatively high assumption of the 6% interest rate, and the assumption that interest is chargeable on all the funds employed, has the effect of overstating the total cost of interest as most developers are required to put some equity into most projects. In this study a cautious approach is being taken.

[45] Paragraph 2.10.2

[46] VAT is a complex area. Sales of new residential buildings are usually zero-rated supplies for VAT purposes (subject to various conditions). VAT incurred as part of the development can normally be recovered. Where an appropriate 'election' is made, VAT can also be recovered in relation to commercial development – although VAT must then be charged on the income from the development.

7.35 An arrangement fee of 1% of the peak borrowing requirement is also allowed for.

7.36 Through the September 2019 consultation it was suggested that a 7% rate should be used. Whilst some developers may pay more than the rate that it is used, it is interesting to note that Barratt's latest Annual Report reports an average cost of 2.8% (being down from 3% in 2018). Persimmon Homes report finance costs of Base plus 1% to Base Plus 3.25%.

Developers' return

7.37 An allowance needs to be made for developers' return and to reflect the risk of development. Paragraph 10-018-20190509 of the updated PPG says:

> *How should a return to developers be defined for the purpose of viability assessment?*
>
> *Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of fully complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*
>
> *For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*

7.38 The purpose of including a developers' return figure is not to mirror a particular business model, but to reflect the risk a developer is taking in buying a piece of land, and then expending the costs of construction before selling the property. The use of developers' return in the context of area wide viability testing of the type required by the NPPF and CIL Regulation 14, is to reflect that level of risk.

7.39 Broadly there are four different approaches that could be taken:

a. To set a different rate of return on each site to reflect the risk associated with the development of that site. This would result in a lower rate on the smaller and simpler sites – such as the greenfield sites, and a higher rate on the brownfield sites.

b. To set a rate for the different types of unit produced – say 20% for market housing and 6% for Affordable Housing, as suggested by the HCA.

c. To set the rate relative to costs – and thus reflect the risks of development.

d. To set the rate relative to the gross development value.

7.40 In deciding which option to adopt, it is important to note that the intention is not to recreate any particular developer's business model. Different developers will always adopt different models and have different approaches to risk.

7.41 The argument is sometimes made that financial institutions require a 20% return on development value and if that is not shown they will not provide development funding. In the pre-Credit Crunch era there were some lenders who did take a relatively simplistic view to risk analysis but that is no longer the case. Most financial institutions now base their decisions behind providing development finance on sophisticated financial modelling that it is not possible to replicate in a study of this type. They require a developer to demonstrate a sufficient margin, to protect the lender in the case of changes in prices or development costs. They will also consider a wide range of other factors, including the amount of equity the developer is contributing (both on a loan-to-value and loan-to-cost basis), the nature of development and the development risks that may arise due to demolition works or similar, the warranties offered by the professional team, whether or not the directors will provide personal guarantees, and the number of pre-sold units.

7.42 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions and, as set out above, the updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies ... A lower figure may be more appropriate in consideration of delivery of affordable housing*'.

7.43 In the initial iteration of this assessment, the developers' return is assessed as 17.5% of the value of market housing and 6% of the value of Affordable Housing. 17.5% is the middle of the range suggested in the PPG.

7.44 Through the September 2019 consultation a number of comments were made.

a. That 17.5% / 6% was an appropriate assumption.

b. Some small builders need to show 21%-22% to secure finance.

c. It can be difficult to sell affordable units (particularly from smaller sites) to it is inappropriate to use a lower assumption for this type of housing.

d. It was set out that when 17.5% is considered with 6% for Affordable Housing, then the overall return is less than 15%.

e. That 20% of GDV should be used.

7.45 In line with consultee comments this has been reviewed, in particular, the lower assumption used for Affordable Housing. In this iteration of this assessment a 17.5% assumption is used across the tenures. Bearing in mind there was not a consensus on this issue, a range of other assumptions are also tested.

Voids

7.46 On a scheme comprising mainly individual houses, one would normally assume only a nominal void period as the housing would not be progressed if there was no demand. In the case of apartments in blocks this flexibility is reduced. Whilst these may provide scope for early marketing, the ability to tailor construction pace to market demand is more limited.

7.47 For the purpose of the present study, a three-month void period is assumed for residential developments.

Phasing and timetable

7.48 A pre-construction period of six months is assumed for all of the sites. Each dwelling is assumed to be built over a nine-month period. The phasing programme for an individual site will reflect market take-up and would, in practice, be carefully estimated taking into account the site characteristics and, in particular, the size and the expected level of market demand. The rate of delivery will be an important factor when considering the allocation of sites so as to manage the delivery of housing and infrastructure. Two aspects are relevant, firstly the number of outlets that a development site may have, and secondly the number of units that an outlet may deliver.

7.49 On the whole, it is assumed a maximum, per outlet, delivery rate of 50 units per year. On a site with 30% Affordable Housing this equates to 35 market units per year. On the smaller sites, we have assumed much slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward. The higher density flatted schemes are assumed to come forward more quickly. These assumptions are conservative and do, properly, reflect current practice. This is the appropriate assumption to make to be in line with the PPG and the Harman Guidance.

7.50 One consultee suggested that a 100 unit scheme may take 3 years to build out suggesting the assumption is a little high. The build out rates have been reduced a little.

Site Acquisition and Disposal Costs

Site holding costs and receipts

7.51 Each site is assumed to proceed immediately (following a 6 month mobilisation period) and so, other than interest on the site cost during construction, there is no allowance for holding costs, or indeed income, arising from ownership of the site.

Acquisition costs

7.52 A simplistic approach is taken, it is assumed an allowance 1% for acquisition agents' and legal fees.

7.53 Stamp duty is calculated at the prevailing rates.

Disposal costs

7.54 For market and for Affordable Housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts (sales income). For disposals of Affordable Housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.

8. Local Plan Policy Requirements

8.1 The specific purpose of this study is to consider inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies in the new Local Plan. The development of the policies is at an early stage and the options are still being explored, having said this, the policies can be separated into various headings as below. In due course, FDC will consider the advice set out in this report and the wider evidence to settle on a set of planning policies.

8.2 The new Local Plan will replace *The Fenland Local Plan* (May 2014) as well as various Supplementary Planning Documents. The emerging policy areas are set out below – although it is important to note that, at this stage, these are simply options that may or may not be progressed into the new Local Plan.

8.3 Many of the policies are either general enabling policies or policies that restrict development to particular areas or situations. These do not directly impact on viability. Only those policies that add to the costs of development over and above the normal costs of development are mentioned.

Residential Development

8.4 There are a range of policies that impact specifically on this sector.

Standards

8.5 The emerging Plan is not specifically requiring Nationally Described Space Standard (NDSS) technical requirements. Having said this, this is something the Council is exploring so NDSS standards are assumed to apply. In March 2015 the Government published *Nationally Described Space Standard – technical requirements*. This says:

> *This standard deals with internal space within new dwellings and is suitable for application across all tenures. It sets out requirements for the Gross Internal (floor) Area of new dwellings at a defined level of occupancy as well as floor areas and dimensions for key parts of the home, notably bedrooms, storage and floor to ceiling height.*

8.6 The following unit sizes are set out[47]:

47 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/524531/160519_Nationally_Described_Space_Standard____Final_Web_version.pdf

Table 8.1 National Space Standards. Minimum gross internal floor areas and storage (m^2)					
number of bedrooms	number of bed spaces	1 storey dwellings	2 storey dwellings	3 storey dwellings	built-in storage
1b	1p	39 (37)*			1
	2p	50	58		1.5
2b	3p	61	70		2
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4
	8p	125	132	138	

Source: Table 1, Technical housing standards – nationally described space standard (March 2015)

8.7 In this study the units are assumed to be in line with the NDSS or larger.

Housing Mix and Part M Access to and Use of Buildings

8.8 The emerging policy is to encourage an appropriate mix of sizes. As set out in Chapter 4 above, the Council is in the process of commissioning a fresh Housing Market Assessment. The most recent study is the *2013 Cambridge housing sub-region SHMA*[48]. This suggests the following housing mix:

[48] The Cambridge housing sub-region is made up of seven district councils; five in Cambridgeshire and two in Suffolk: Cambridge, East Cambridgeshire, Fenland, Huntingdonshire, South Cambridgeshire, Forest Heath (Suffolk), St Edmundsbury (Suffolk).

Table 8.2 Recommended Housing Mix		
	Market Housing	Affordable Housing
Bedsit	0%	
Flat/house with one bedroom	3%	
Flat/house 2 bedrooms	14%	
Flat/house with 2 bedroom and 2 reception rooms, or 3 bedrooms and 1 reception room	31%	
Flat/house with 3 bedrooms and 2 reception rooms	26%	
House with 3 bedrooms and 3 reception rooms or 4 bedrooms and 2 reception rooms	16%	
House with 4, 5 or more bedroom	10%	

Source: 2013 Cambridge housing sub-region SHMA. Table 5. Dwelling mix required: converting numbers into percentages

8.9 This mix informs the base modelling. As set out later in this report, a range of tenure mixes have been tested (informed by the wider evidence base). These mixes are not sought rigidly across all sites, rather are used to inform the overall housing mix. The higher density town centre schemes are assumed to have more smaller units, likewise the larger sites in the rural areas are assumed to include more family housing. Through the September 2019 consultation it was noted that the demand for flatted development in Fenland is limited. This is noted, however the SHMA has found a demand / need for this type of housing. It was also suggested that the 'staple' of current development is 3 bedroom detached houses. This may well be the case, but if the housing mix is to be informed by the SHMA, then it is necessary to follow the SHMA mix.

8.10 At the time of this early iteration of this assessment, the Council is undertaking a new Housing Needs Assessment. It will be necessary to review these assumptions when that is complete.

8.11 The adopted Local Plan seeks Lifetime Homes Standards on new housing. These standards have been superseded and the scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[49]) are set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)[50], reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility

[49] https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m

[50] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/418414/150327_-_HSR_IA_Final_Web_Version.pdf

- Category 2 – Dwellings which provide enhanced accessibility and adaptability
- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair.

8.12 The cost of a wheelchair adaptable dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be £10,111 per dwelling[51]. The cost of Category 2 is taken to be £521[52] (this compares with the £1,097 cost for the Lifetime Homes Standard).

8.13 The Council has not developed a policy in this regard as it will be informed by the new SHMA. As part of the study we have assessed what the impact would be of requiring:

- All new homes to be designed to be accessible and adaptable dwellings;
- 10% of housing to be wheelchair adaptable dwellings.

8.14 It is important to note that the Council is not proposing this requirement at this stage.

8.15 Paragraph 56-009-20150327 of the *Housing: optional technical standards* restricts the application of the wheelchair standards:

> *What issues should local planning authorities consider in determining whether dwellings should be fully wheelchair accessible or adaptable?*
>
> *Part M of the Building Regulations sets a distinction between wheelchair accessible (a home readily useable by a wheelchair user at the point of completion) and wheelchair adaptable (a home that can be easily adapted to meet the needs of a household including wheelchair users) dwellings.*
>
> *Local Plan policies for wheelchair accessible homes should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling.*
>
> *56-009-20150327*

8.16 It is assumed that any wheelchair accessible homes will be affordable homes.

Affordable Housing

8.17 The Affordable Housing policy is under review. Policy LP5 of the adopted Fenland Local Plan (May 2014) seeks the following:

> *Part A – Affordable Housing*
>
> *On all housing development sites (whether as new-build or conversion) of 5 dwellings or more, the Council will seek provision of the following:*
>
> *(c) on sites of 5-9 dwellings, 20% of dwellings to be affordable housing. In practice, this means the following affordable housing provision:*
>
> - *a site of 5 dwellings: 1 dwelling to be affordable*

[51] Paragraph 153 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

[52] Paragraph 157 *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015).

- *a site of 6 dwellings: 1 dwelling to be affordable, plus the payment of a financial contribution* to the Council, of broadly equivalent value to the provision of 0.2 of a further affordable home on that site, to enable some housing need to be met elsewhere (unless the scheme provides more than one affordable home on site);*
- *a site of 7 dwellings: as 6 dwellings, but a 0.4 financial contribution;*
- *a site of 8 dwellings: as 6 dwellings, but a 0.6 financial contribution;*
- *a site of 9 dwellings: as 6 dwellings, but a 0.8 financial contribution.*

(d) on sites of 10 or more dwellings, 25% of the dwellings as affordable houses (rounded to the nearest whole dwelling);

Of the affordable dwellings provided, the exact tenure mix should be informed by and be compatible with the latest government guidance and an up-to-date local Strategic Housing Market Assessment (SHMA). This should form the basis of a S106 Agreement to accompany the submission.

8.18 As set out in Chapter 2 above, Paragraph 63 of the 2019 NPPF now sets out national thresholds for the provision of Affordable Housing:

8.19 Fenland has 16 parishes, of which just over half are designated rural areas[53]. A threshold of 6 units is assumed to apply within the designated rural areas and a threshold of 10 units is assumed to apply elsewhere.

8.20 In this context it is important to have regard to paragraph 64 of the 2019 NPPF that says:

> *64. Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*

8.21 This is assumed to apply. It has been assumed that products such as shared ownership and shared equity housing fall under the heading of 'affordable home ownership' and this requirement is modelled on this basis.

8.22 It is necessary to consider Build to Rent separately as the sector is treated differently to mainstream housing within the PPG.

> *<u>What provision of affordable housing is a build to rent development expected to provide?</u>*

[53] Benwick, Christchurch, Doddington, Manea, Newton, Parson Drove, Tydd St Giles, Wimblington, Wisbech St Mary

The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided by default in the form of affordable private rent, a class of affordable housing specifically designed for build to rent. Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.

20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development.

PPG: 60-002-20180913

<u>How should affordable private rent be calculated?</u>

Affordable private rent should be set at a level that is at least 20% less than the private market rent (inclusive of service charges) for the same or equivalent property. Build to rent developers should assess the market rent using the definition of the International Valuations Standard Committee as adopted by the Royal Institute of Chartered Surveyors.

PPG: 60-003-20180913

<u>Is affordable private rent the only form of affordable housing permitted on build to rent schemes?</u>

It is expected that developers will usually meet their affordable housing requirement by providing affordable private rent homes. However, if agreement is reached between a developer and a local authority, this requirement can be met by other routes, such as a commuted payment and/or other forms of affordable housing as defined in the National Planning Policy Framework glossary. The details of this must be set out in the section 106.

PPG: 60-004-20180913

<u>How can the proportion of affordable private rent and level of discount be flexed?</u>

Both the proportion of affordable private rent units, and discount offered on them can be varied across a development, over time. Similarly it should be possible to explore a trade off between the proportion of discounted units and the discount(s) offered on them, with the proviso being that these should accord with the headline affordable housing contribution agreed through the planning permission. All options should be agreed jointly between the local authority and the developer as part of the planning permission, and set out in a section 106 agreement. Guidance on viability confirms that viability studies for build to rent schemes can be customised in this way.

PPG: 60-005-20180913

8.23 In line with this, 20% private affordable rent at a 20% discount to market rent has been tested in the base modelling.

8.24 A range of Affordable Housing requirements and tenure mixes have been tested.

8.25 Through the September 2019 consultation concern was expressed about the thresholds for Affordable Housing and principle of commuted sums. Both of these are areas of policy that are considered in this assessment.

Other Delivery Models

8.26 The Council is open to other delivery models such as Community Land Trusts and Rural Exception Sites. In terms of viability these are enabling policies (rather than adding to the cumulative impact) so are not specifically modelled.

Design

8.27 In addition to the requirements mentioned under the housing heading above, the Council is exploring a range of policies that seek high quality design. On the whole these do not require specific standards that are over and above Building Regulations, nor add to the cost of the building. There are several specific points:

Building for Life Standards

8.28 The council is considering seeking Building for Life Standards on new development. The current iteration of this is BfL 12[54]. BFL 12 does not set out specific technical standards or requirements, rather it is an approach to design. An assessment is based on questions which are scored using a simple traffic light system. The questions are arranged in themes such as:

- Integrated into the neighbourhood
- Creating a place
- Street and Home.

8.29 No additional cost is allocated to meeting the additional standards.

Flood Risk

8.30 For this study Sustainable Urban Drainage Systems (SUDS) are a policy requirement as and when needed. SUDS aim to limit the waste of water, reduce water pollution and flood risk relative to conventional drainage systems. In this study, it is anticipated that new major development (10 units or more) will be required to incorporate SUDS. SUDS and the like can add to the costs of a scheme – although in larger projects these can be incorporated into public open space. It is assumed that the costs of SUDS are included within the additional costs on brownfield sites, however on the larger greenfield sites it is assumed that SUDS will be incorporated into the green spaces (subject to local ground conditions), and be delivered through soft landscaping within the wider site costs.

[54] https://www.designcouncil.org.uk/sites/default/files/asset/document/Building%20for%20Life%2012_0.pdf

Water Efficiency

8.31 It is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The costs are modest, likely to be less than £9/dwelling[55].

Transport

8.32 All schemes of 10 or more residential units, and student housing schemes, are required to provide a travel plan. There is a cost to doing this, however this is within the general assumption (8%) for fees.

Open Space

8.33 FDC has sought (and delivered) open space from new development for many years. At this stage the requirements are still emerging however the base analysis is based on a requirement for 2.4ha of space per 1,000 residents. The table below gives the assumed number of residents for different dwelling sizes. The number of residents within a development is used to calculate the amount of open space required.

Table 8.3 Emerging Occupation Rates

Number of bedrooms	Assumed number of residents
1	1
2	2
3	3
4+	4
Unknown dwelling size	3
Student accommodation, care homes and elderly and sheltered housing	Number of people to be accommodated.

Source: HDH (September 2019)

8.34 These requirements are tested.

Retail

8.35 On the whole the policies are enabling policies, or policies that seek to protect the existing retail areas, rather than being policies that add to the costs of development. Outside the established retail centres it is necessary to undertake a Retail Impact Assessment. The allowance for fees is sufficient in this regard.

[55] Table 26 – Water standards costs summary, 'DCLG publication Housing Standards Review – Cost Impacts' (EC Harris, September 2014).

Biodiversity

8.36 In addition to the above it is necessary to consider biodiversity. In March 2019 the Government announced that new developments must deliver an overall increase in biodiversity. Following a consultation the Chancellor confirmed in the Spring Statement that the Government will use the forthcoming Environment Bill to mandate 'biodiversity net gain'.

8.37 At this stage no details have been published, however biodiversity net gain requires developers to ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

8.38 Green improvements on site would be encouraged, but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere.

8.39 The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation as a survey will need to be carried out. On a small site this is likely to be a few thousand pounds, but on a large complex site this could be more.

8.40 The Government's impact assessment[56] suggests an average cost in the region of £20,000 per hectare. This would represent an increase in the site costs of about 5%. We have increased the site cost assumption to reflect this.

8.41 In Chapter 7 the main development cost assumptions were set out and these included an allowance for fees. Having considered this policy (and the other policies) the base assumption has been increased from 8% to 9%.

Climate Change

8.42 It is timely to consider higher environmental standards. At this stage the Council is not specifically seeking standards that are over and above those set out in National Building Regulations. Building to increased standards would require construction to increased standards and thus higher costs.

8.43 As this report was being written (November 2019), the Government launched a consultation on 'The Future Homes Standard'[57]. This is linked to achieving the 'net zero' greenhouse gas

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[56] https://www.gov.uk/government/consultations/biodiversity-net-gain-updating-planning-requirements

[57] https://www.gov.uk/government/consultations/the-future-homes-standard-changes-to-part-l-and-part-f-of-the-building-regulations-for-new-dwellings?utm_source=7711646e-e9bf-4b38-ab4f-9ef9a8133f14&utm_medium=email&utm_campaign=govuk-notifications&utm_content=immediate

emissions by 2050. The Council is exploring the policy options in this regard. At this stage a policy has not been drafted but is likely to include provisions to encourage reduced energy usage.

8.44 There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction. The extent of the costs will depend on the specific changes made and are considered in Chapter 3 of the Government Consultation[58]:

> *3.9. Following discussion with our technical working group and assessment of the modelling analysis, two options for the 2020 CO_2 and primary energy targets are proposed for consultation. The options below are presented in terms of CO_2 reduction to aid comparison with current standards. We plan to use either option 1 or option 2 as the basis of the new primary energy and CO_2 targets for new dwellings, with option 2 as the government's preferred option:*
>
> *a. **Option 1 - 'Future Homes Fabric'.** This would be a 20% reduction25 in CO_2 from new dwellings, compared to the current standards. This performance standard is based on the energy and carbon performance of a home with:*
>
> *i. Very high fabric standards to minimise heat loss from windows, walls, floors and roofs (typically with triple glazing). This would be the same fabric requirement as we currently anticipate for the Future Homes Standard*
>
> *ii. A gas boiler*
>
> *iii. A waste water heat recovery system*
>
> *This would add £2557 to the build-cost of a new home and would save households £59 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.*
>
> *b. **Option 2 - 'Fabric plus technology'**. This would be a 31% reduction26 in CO_2 from new dwellings, compared to the current standards. This option is likely to encourage the use of low-carbon heating and/or renewables. The performance standard is based on the energy and carbon performance of a home with:*
>
> *i. an increase in fabric standards (but not as high an increase as in Option 1, likely to have double rather than triple glazing)*
>
> *ii. a gas boiler*
>
> *iii. a waste water heat recovery system.*
>
> *iv. iv. Photovoltaic panels*
>
> *Meeting the same specification would add £4847 to the build-cost of a new home and would save households £257 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.*
>
> *3.10. The option 2 specification would give a CO_2 saving of only 22% for flats due to the standard including solar panels and flats having a smaller roof area per home. The additional cost per flat is also less at £2256.*

[58] The Future Homes Standard 2019 Consultation on changes to Part L (conservation of fuel and power) and Part F (ventilation) of the Building Regulations for new dwellings (MHCLG, October 2019)

> *3.11. In practice, we expect that some developers would choose less costly ways of meeting the option 2 standard, such as putting in low-carbon heating now. This would cost less than the full specification, at £3134 for a semi-detached house.*

8.45 Very approximately, Option 1 would add about 2.5% to the base cost of construction, and Option 2 would add about 3.1% to the base cost of construction. In addition to the above, it may (depending on the outcome of the consultation) be necessary for all new homes to be heated off the gas grid.

8.46 The above relates to residential development. The performance of non-residential development is normally assessed using the BREEAM system[59]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[60] by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent and this increases the construction costs by 2% or so.

8.47 As neither the outcome of the Government's consultation, nor the details of the Council's specific policy aims are known, rather than test a specific cost, a range of cost change scenarios have been tested.

8.48 It is timely to note that building to higher standards that result in lower running costs does result in higher values[61].

Developer Contributions

8.49 There are a range of policies that require the impact of development to be fully mitigated and that the infrastructure that is required to support new development is provided. The Council has not adopted CIL so uses the s106 regime in this regard. In this context the Developer Contributions SPD (adopted February 2015) is relevant.

8.50 As set out in Chapter 7 above, in this study it is important that the costs of mitigation are reflected in the analysis. For many years, FDC has sought payments from developers to mitigate the impact of the development through improvements to the local infrastructure. The majority of these are for general items rather than site specific infrastructure of the type that can now be sought under the restrictions as out in CIL Regulation 122.

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[59] Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990 as a method of assessing, rating, and certifying the sustainability of buildings.

[60] *Delivering sustainable buildings: Savings and payback*. Yetunde Abdul, BRE and Richard Quartermaine, Sweett Group. Published by IHS BRE Press, 7 August 2014

[61] See *EPCs & Mortgages, Demonstrating the link between fuel affordability and mortgage lending* as prepared for Constructing Excellence in Wales and Grwp Carbon Isel / Digarbon Cymru (funded by the Welsh Government) and completed by BRE and *An investigation of the effect of EPC ratings on house prices* for Department of Energy & Climate Change (June 2013)

8.51 In this study it is important that the costs of mitigation are reflected in the analysis. In the *FDC Community Infrastructure Levy – Viability Scoping and Assessment, Ref: DSP14264 Final Report (DSP v7)* (Dixon Searle, September 2014)[62] it was assumed all the modelled residential sites will contribute £2,000/unit. This assumption has been carried forward and a range of higher costs have also been tested.

[62] Paragraph 2.10.2

9. Modelling

9.1 In the previous chapters, the general assumptions to be inputted into the development appraisals are set out. In this chapter, the modelling is set out. It is stressed that this is a high-level study that is seeking to capture the generality rather than the specific. The purpose is to establish the cumulative impact of FDC's policies on development viability.

9.2 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan.

Residential Development

9.3 The Council recently (October / November 2019) carried out a call for sites. This is an ongoing process and the assessment of the sites has yet to be undertaken. In this assessment the modelling draws on two sources of information. The first are the assumptions used in the *FDC Strategic Housing Land Availability Assessment* (March 2008). Whilst this is a rather historic document, in terms of development assumptions it remains current. This used a base assumption of 30units/ha.

9.4 The following assumptions are used at this early stage, to calculate site capacity, although these are likely to change:

Table 9.1 Developable Area Assumptions

Site Size	Gross to Net Development Ratio
Up to 0.4ha	100%
0.4 - 2ha	85%
2 - 5ha	75%
Over 5ha	65%

Source: HDH

9.5 Secondly the Council has provided us with a copy of its list of committed sites (being the list that it uses to assess the five-year land supply. This has been used to inform the modelling, on the basis that future development is likely to be broadly similar to historic development (in terms of densities etc).

9.6 Brownfield/Urban sites have been modelled at a higher density than greenfield sites.

Residential Modelling and Typologies

9.7 To inform the modelling, the characteristics of the planned development is considered in terms of location, size and suggested use, representative of sites in the FDC area.

Development assumptions

9.8 In arriving at appropriate assumptions for residential development on each site, the built forms used in the appraisals are appropriate to current development practices. In addition, the policy requirements, as set out in Chapter 7 above, in terms of density, mix and open space, are reflected in the modelling.

9.9 A set of typologies has been developed that responds to the variety of development situations and densities typical in the area, and this is used to inform development assumptions for sites. This approach enables us to form a view about floorspace density to be accommodated on the site, based on the amount of development, measured in net floorspace per hectare. This is a key variable because the amount of floorspace which can be accommodated on a site relates directly to the Residual Value, and is an amount which developers will normally seek to maximise (within the constraints set by the market).

9.10 A typical current estate housing built form would provide development at between 3,000m^2/ha to 3,550m^2/ha on a substantial site, or sensibly shaped smaller site. A representative housing density might be 30/net ha to 35/net ha. This has become a common development format. It provides for a majority of houses but with a small element of flats, in a mixture of two storey and two and a half to three storey form, with some rectangular emphasis to the layout.

9.11 Some schemes have an appreciably higher density development providing largely or wholly apartments, in blocks of three storeys or higher, with development densities of 6,900m^2/ha and dwelling densities of 100units/ha upwards; and other schemes are of lower density, on the edge of built up areas.

9.12 The main characteristics of the modelled sites are set out in the tables below. A proportion of the housing to come forward over the plan-period will be on smaller sites, therefore several smaller sites have been included.

9.13 Through the September 2019 consultation it was noted that the requirements of biodiversity net gain may lead to net developable areas of less than 80%, particularly on larger sites. This is agreed, and significantly lower densities are used for the larger sites.

9.14 Allowance is made for circulation space within flatted schemes.

Table 9.2 Summary of Typologies (Updated)			
Green 2,000	Units	2,000	Large Greenfield Extension. Mix of family housing as per SHMA. 65% net - 62.5ha
	Area	96.15	
1	Units/ha	32.00	
Green 750	Units	750	Large Greenfield. Mix of family housing as per SHMA. 65% net - 23.44ha
	Area	36.06	
2	Units/ha	32.00	
Green 150	Units	150	Large Greenfield. Mix of family housing as per SHMA. 75% net - 4.69ha
	Area	6.25	
3	Units/ha	32.00	
Green 75	Units	75	Greenfield. Mix of family housing as per SHMA. 85% net - 2.34ha
	Area	2.76	
4	Units/ha	32.00	
Green 35	Units	35	Greenfield. Mix of family housing as per SHMA. 85% net - 1.17ha
	Area	1.37	
5	Units/ha	30.00	
Green 20	Units	20	Greenfield. Mix of family housing as per SHMA. 85% net - 0.67ha
	Area	0.78	
6	Units/ha	30.00	
Green 12	Units	12	Greenfield. Mix of family housing as per SHMA. 85% net - 0.4ha
	Area	0.47	
7	Units/ha	30.00	
Green 9	Units	9	Greenfield. 100% net developable.
	Area	0.30	
8	Units/ha	30.00	
Green 6	Units	6	Greenfield. 100% net developable.
	Area	0.20	
9	Units/ha	30.00	
Green 3	Units	3	Greenfield. 100% net developable.
	Area	0.15	
10	Units/ha	20.00	
Green Plot	Units	1	Greenfield. 100% net developable.
	Area	0.05	
11	Units/ha	25.00	
Urban 300	Units	300	Large Brownfield. Mix of family housing as per SHMA. 65% net - 7.5ha.
	Area	11.54	
12	Units/ha	40.00	

Urban 40	Units	40	Brownfield. Mix of family housing as per SHMA. 85% net - 1ha.
	Area	1.18	
13	Units/ha	40.00	
Urban 25	Units	25	Brownfield. Mix of family housing as per SHMA. 85% net - 0.71ha.
	Area	0.84	
14	Units/ha	35.00	
Urban 25 HD	Units	25	Brownfield. Mix of family housing as per SHMA. 85% net - 0.5ha.
	Area	0.59	
15	Units/ha	50.00	
Urban 15	Units	15	Brownfield. 100% net developable.
	Area	0.43	
16	Units/ha	35.00	
Urban 15 HD	Units	15	Flatted scheme. 100% net developable.
	Area	0.33	
17	Units/ha	45.00	
Urban 10	Units	10	Brownfield. 100% net developable.
	Area	0.31	
18	Units/ha	32.00	
Urban 8	Units	8	Brownfield. 100% net developable.
	Area	0.18	
19	Units/ha	45.00	
Urban 8 HD	Units	8	Flatted scheme. 100% net developable.
	Area	0.23	
20	Units/ha	35.00	
Urban 5	Units	5	Brownfield. 100% net developable.
	Area	0.16	
21	Units/ha	32.00	
Urban 3	Units	3	Brownfield. 100% net developable.
	Area	0.09	
22	Units/ha	32.00	
Brown Plot	Units	1	Brownfield. 100% net developable.
	Area	0.03	
23	Units/ha	30.00	

PRS 25	Units	25	Flatted scheme as Built to Rent. 20% affordable. 100% net developable.
	Area	0.92	
24	Units/ha	32.00	
Bungalows 12	Units	12	Scheme of 12 bungalows.
	Area	0.48	
25	Units/ha	25.00	

Source: HDH (December 2019)

9.15 The modelling is further summarised below.

Table 9.3 Summary of Typologies – Areas and Densities (Updated)

				Current Use	Units	Area Ha		Density Units/ha		Density
						Gross	Net	Gross	Net	m2/ha
1	Green 2,000	South	Green	Agricultural	2,000	96.15	62.50	20.80	32.00	3,138
2	Green 750	South	Green	Agricultural	750	36.06	23.44	20.80	32.00	3,136
3	Green 150	South	Green	Agricultural	150	6.25	4.69	24.00	32.00	3,128
4	Green 75	South	Green	Agricultural	75	2.76	2.34	27.20	32.00	3,127
5	Green 35	South	Green	Agricultural	35	1.37	1.17	25.50	30.00	2,895
6	Green 20	South	Green	Agricultural	20	0.78	0.67	25.50	30.00	2,921
7	Green 12	South	Green	Paddock	12	0.47	0.40	25.50	30.00	2,855
8	Green 9	South	Green	Paddock	9	0.30	0.30	30.00	30.00	3,237
9	Green 6	South	Green	Paddock	6	0.20	0.20	30.00	30.00	3,045
10	Green 3	South	Green	Paddock	3	0.15	0.15	20.00	20.00	2,700
11	Green Plot	South	Green	Paddock	1	0.05	0.04	20.00	25.00	3,750
12	Urban 300	South	Brown	PDL	300	11.54	7.50	26.00	40.00	3,922
13	Urban 40	South	Brown	PDL	40	1.18	1.00	34.00	40.00	3,930
14	Urban 25	South	Brown	PDL	25	0.84	0.71	29.75	35.00	3,329
15	Urban 25 HD	South	Brown	PDL	25	0.59	0.50	42.50	50.00	2,786
16	Urban 15	South	Brown	PDL	15	0.43	0.43	35.00	35.00	3,430
17	Urban 15 HD	South	Brown	PDL	15	0.33	0.33	45.00	45.00	2,877
18	Urban 10	South	Brown	PDL	10	0.31	0.31	32.00	32.00	2,858
19	Urban 8	South	Brown	PDL	8	0.18	0.18	45.00	45.00	4,444
20	Urban 8 HD	South	Brown	PDL	8	0.23	0.23	35.00	35.00	2,275
21	Urban 5	South	Brown	PDL	5	0.16	0.16	32.00	32.00	2,784
22	Urban 3	South	Brown	PDL	3	0.09	0.09	32.00	32.00	3,883
23	Urban Plot	South	Brown	PDL	1	0.03	0.03	30.00	30.00	4,050
24	PRS 25	South	Brown	PDL	25	0.51	0.45	49.50	55.00	3,131
25	Bungalows 12	South	Green	Agricultural	12	0.48	0.48	25.00	25.00	2,642

Source: HDH (December 2019)

9.16 Following the September 2019 consultation, a scheme of bungalows was added. In this analysis a value of 15% above the prevailing values is used and the cost is based on single story construction.

9.17 It is important to note that some of the above typologies could have significant amounts of existing floor space. This has a very significant impact on the amount of CIL to be paid (CIL only applies to net new development, unless the existing floorspace has not recently been in lawful use) or the level of Affordable Housing (through Vacant Building Credit). The rules in this regard are complex and depend of the extent of the existing use of the building. Very few developments will be eligible to pay no CIL and make no Affordable Housing contribution.

Older People's Housing

9.18 A private Sheltered/retirement and an Extracare scheme have been modelled, each on a 0.5ha site as follows.

a. A private Sheltered/retirement scheme of 30 x 1 bed units of 50m^2 and 30 x 2 bed units of 75m^2 to give a net saleable area (GIA) of 3,750m^2. We have assumed a further 20% non-saleable service and common areas to give a scheme GIA of 4,500m^2.

b. An Extracare scheme of 36 x 1 bed units of 65m^2 and 24 x 2 bed units of 80m^2 to give a net saleable area (GIA) of 4,260m^2. We have assumed a further 30% non-saleable service and common areas to give a scheme GIA of 5,538m^2.

Employment Uses

9.19 In line with the CIL Regulations, we have only assessed developments of over 100m^2. There are other types of development (such as petrol filling stations and garden centres etc). We have not included these in this high-level study due to the great diversity of project that may arise.

9.20 For this study, we have assessed a number of development types. We have based our modelling on the following development types:

a. **Offices**. These are more than 250m^2, will be of steel frame construction, be over several floors and will be located on larger business parks. Typical larger units in the FDC area are around 2,000m^2 – we will use this as the basis of our modelling.

   We have made assumptions about the site coverage and density of development on the sites. We have assumed 80% coverage on the office sites in the urban situation and 25% elsewhere. We have assumed two storey construction in the business park situation, and six-storey construction in the urban situation.

b. **Large Industrial.** Modern industrial units of over 4,000m^2. There is little new space being constructed. This is used as the basis of the modelling. We have assumed 40% coverage which is based on the single storey construction.

c. **Small Industrial.** Modern industrial units of 400m^2. We have assumed 40% coverage which is based on the single storey construction.

9.21 We have not looked at the plethora of other types of commercial and employment development beyond office and industrial/storage uses in this study.

Retail

9.22 For this study, we have assessed the following types of space. It is important to remember that this assessment is looking at the ability of new projects to bear an element of CIL – it is only therefore necessary to look at the main types of development likely to come forward in the future.

a. **Supermarkets** Two typologies have been modelled.

   First is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m^2. It is assumed to occupy a total site area of 1.33ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

   Second is based on a smaller supermarket, typical of the units that may be developed by operators such as Aldi and Lidl. A 1,200m^2 unit on a 0.4ha site (40% coverage) to allow for car parking is assumed.

b. **Retail Warehouse** is a single storey retail unit development with a gross (i.e. GIA) area of 4,000m^2. It is assumed to occupy a total site area of 0.8ha. The building is taken to be of steel construction. The development was modelled alternatively on greenfield and on previously developed sites.

   The trend in recent years has been to smaller units with units of 500m^2 to 600m^2 common in new retail parks. An alternative as also been modelled with 8 such units as a single scheme.

c. **Shop** is a brick-built development on two storeys, of 200m^2. No car parking or loading space is allowed for, and the total site area (effectively the building footprint) is 0.025ha.

9.23 In developing these typologies, we have made assumptions about the site coverage and density of development on the sites. We have assumed simple, single storey construction and have assumed that there are no mezzanine floors.

Hotels and Leisure

9.24 The leisure industry is very diverse and ranges from conventional hotels and roadside budget hotels, to cinemas, theatres, historic attractions, equestrian centres, stables and ménages. We have reviewed this sector and there is very little activity in this sector at the moment, either at the planning stage or the construction stage. This is an indication that development in this sector is at the margins of viability at the moment. Having considered this further we have assessed a modern hotel on a town edge site (both Travelodge and Premier Inn are seeking sites in the area).

9.25 We have assumed that this is a 60 bedroom product (60 x 22.5m^2 + 30% circulation space = 1,755m^2) with ample car parking on a 0.4 ha (1 acre) site.

10. Residential Appraisals

10.1 At the start of this chapter it is important to stress that the results of the appraisals do not, in themselves, determine policy. The results of this study are one of a number of factors that FDC will consider, including the need for infrastructure and the track record in delivering Affordable Housing and collecting payments under s106.

10.2 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

10.3 Several sets of appraisals have been run based on the assumptions provided in the previous chapters of this report, including the Affordable Housing requirement and developer contributions. Development appraisals are sensitive to changes in price, so appraisals have been run with various changes in the cost of construction and an increase and decrease in prices.

10.4 The results are set out and presented for each site and per gross hectare to allow comparison between sites. In the tables in this chapter, the results are colour coded using a traffic light system:

a. **Green** **Viable** – where the Residual Value per hectare exceeds the BLV per hectare (being the EUV plus the appropriate uplift to provide a landowners' premium).

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.

c. **Red** **Non-viable** – where the Residual Value does not exceed the EUV.

10.5 It is important to note that a report of this type applies simple, high level, assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward or vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development.

Base Appraisals – full policy requirements

10.6 These appraisals are based on the following assumptions. These base appraisals have been based on 30% Affordable Housing.

a.	Affordable Housing	30% on sites of 10 units and larger (6 units and larger in rural areas) as 70% Affordable Rent, 30% Intermediate Housing.
b.	Design	NDSS
		Water efficiency / Car Charging Points
c.	Developer Contributions	s106 - £2,000/unit.

10.7 The results are presented for two price areas. As set out in Chapter 4 above, prices do vary across the District, with those in the south being 10% to 15% higher than those in the north. The dividing line is fuzzy and not all the data is consistent. For this assessment we have divided the District with the area to the north of where the A47 crosses the River Nene (by the Rings End Roundabout at Guyhirn) being a lower value area and the remainder of the District being a higher value area.

10.8 The initial appraisals are based on a 30% affordable target. This is the Council's aspiration.

10.9 The base appraisals are included in **Appendix 12**.

Table 10.1a Residential Development, – Residual Values. SOUTH

30% Affordable (70% Affordable Rent / 30% Intermediate), s106 £2,000/unit

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Green 2,000	South	Green	Agricultural	96.15	62.50	2,000	140,018	215,412	13,463,254
Site 2	Green 750	South	Green	Agricultural	36.06	23.44	750	178,655	274,854	6,441,889
Site 3	Green 150	South	Green	Agricultural	6.25	4.69	150	166,115	221,486	1,038,218
Site 4	Green 75	South	Green	Agricultural	2.76	2.34	75	171,397	201,644	472,602
Site 5	Green 35	South	Green	Agricultural	1.37	1.17	35	80,760	95,012	110,847
Site 6	Green 20	South	Green	Agricultural	0.78	0.67	20	76,153	89,591	59,728
Site 7	Green 12	South	Green	Paddock	0.47	0.40	12	233,750	275,000	110,000
Site 8	Green 9	South	Green	Paddock	0.30	0.30	9	1,052,920	1,052,920	315,876
Site 9	Green 6	South	Green	Paddock	0.20	0.20	6	943,653	943,653	188,731
Site 10	Green 3	South	Green	Paddock	0.15	0.15	3	1,343,358	1,343,358	201,504
Site 11	Green Plot	South	Green	Paddock	0.05	0.04	1	1,514,526	1,893,158	75,726
Site 12	Urban 300	South	Brown	PDL	11.54	7.50	300	-195,590	-300,907	-2,256,805
Site 13	Urban 40	South	Brown	PDL	1.18	1.00	40	-479,706	-564,360	-564,360
Site 14	Urban 25	South	Brown	PDL	0.84	0.71	25	-395,312	-465,073	-332,195
Site 15	Urban 25 HD	South	Brown	PDL	0.59	0.50	25	-1,187,858	-1,397,479	-698,740
Site 16	Urban 15	South	Brown	PDL	0.43	0.43	15	-502,528	-502,528	-215,369
Site 17	Urban 15 HD	South	Brown	PDL	0.33	0.33	15	-1,246,015	-1,246,015	-415,338
Site 18	Urban 10	South	Brown	PDL	0.31	0.31	10	-218,722	-218,722	-68,350
Site 19	Urban 8	South	Brown	PDL	0.18	0.18	8	-471,670	-471,670	-83,852
Site 20	Urban 8 HD	South	Brown	PDL	0.23	0.23	8	-813,359	-813,359	-185,911
Site 21	Urban 5	South	Brown	PDL	0.16	0.16	5	154,135	154,135	24,084
Site 22	Urban 3	South	Brown	PDL	0.09	0.09	3	251,326	251,326	23,562
Site 23	Urban Plot	South	Brown	PDL	0.03	0.03	1	268,740	268,740	8,958
Site 24	PRS 25	South	Brown	PDL	0.51	0.45	25	-1,825,683	-2,028,536	-922,062
Site 25	Bungalows 12	South	Green	Agricultural	0.48	0.48	12	399,168	399,168	191,601

Source: HDH (December 2019)

Table 10.1b Residential Development, – Residual Values. NORTH

30% Affordable (70% Affordable Rent / 30% Intermediate), s106 £2,000/unit

					Area (ha)		Units	Residual Value (£)		
					Gross	Net		Gross ha	Net ha	Site
Site 1	Green 2,000	North	Green	Agricultural	96.15	62.50	2,000	-72,129	-110,968	-6,935,509
Site 2	Green 750	North	Green	Agricultural	36.06	23.44	750	-54,941	-84,525	-1,981,047
Site 3	Green 150	North	Green	Agricultural	6.25	4.69	150	-139,012	-185,349	-868,826
Site 4	Green 75	North	Green	Agricultural	2.76	2.34	75	-191,708	-225,539	-528,608
Site 5	Green 35	North	Green	Agricultural	1.37	1.17	35	-253,986	-298,807	-348,608
Site 6	Green 20	North	Green	Agricultural	0.78	0.67	20	-263,595	-310,112	-206,741
Site 7	Green 12	North	Green	Paddock	0.47	0.40	12	-101,395	-119,288	-47,715
Site 8	Green 9	North	Green	Paddock	0.30	0.30	9	583,903	583,903	175,171
Site 9	Green 6	North	Green	Paddock	0.20	0.20	6	501,657	501,657	100,331
Site 10	Green 3	North	Green	Paddock	0.15	0.15	3	875,159	875,159	131,274
Site 11	Green Plot	North	Green	Paddock	0.05	0.04	1	980,668	1,225,835	49,033
Site 12	Urban 300	North	Brown	PDL	11.54	7.50	300	-542,658	-834,859	-6,261,443
Site 13	Urban 40	North	Brown	PDL	1.18	1.00	40	-914,446	-1,075,819	-1,075,819
Site 14	Urban 25	North	Brown	PDL	0.84	0.71	25	-765,004	-900,005	-642,861
Site 15	Urban 25 HD	North	Brown	PDL	0.59	0.50	25	-848,423	-998,145	-499,073
Site 16	Urban 15	North	Brown	PDL	0.43	0.43	15	-945,096	-945,096	-405,041
Site 17	Urban 15 HD	North	Brown	PDL	0.33	0.33	15	-1,654,194	-1,654,194	-551,398
Site 18	Urban 10	North	Brown	PDL	0.31	0.31	10	-596,733	-596,733	-186,479
Site 19	Urban 8	North	Brown	PDL	0.18	0.18	8	-1,021,523	-1,021,523	-181,604
Site 20	Urban 8 HD	North	Brown	PDL	0.23	0.23	8	-1,129,987	-1,129,987	-258,283
Site 21	Urban 5	North	Brown	PDL	0.16	0.16	5	-286,279	-286,279	-44,731
Site 22	Urban 3	North	Brown	PDL	0.09	0.09	3	-364,255	-364,255	-34,149
Site 23	Urban Plot	North	Brown	PDL	0.03	0.03	1	-381,090	-381,090	-12,703
Site 24	PRS 25	North	Brown	PDL	0.51	0.45	25	-1,825,683	-2,028,536	-922,062
Site 25	Bungalows 12	North	Green	Agricultural	0.48	0.48	12	-25,263	-25,263	-12,126

Source: HDH (December 2019)

10.10 The results vary across the modelled sites, although this is largely due to the different assumptions around the nature of each typology. The additional costs associated with brownfield sites result in lower Residual Values.

10.11 The Residual Value is not an indication of viability by itself, simply being the maximum price a developer may bid for a parcel of land, and still make an adequate return.

10.12 In the following tables the Residual Value is compared with the BLV. The Benchmark Land Value being an amount over and above the Existing Use Value that is sufficient to provide the willing landowner with a premium and induce them to sell the land for development as set out in Chapter 6 above.

Table 10.2a Residual Value v Benchmark Land Value – SOUTH (£/ha)
30% Affordable (70% Social Rent / 30% Intermediate), s106 £2,000/unit

			EUV	BLV	Residual Value
Site 1	Green 2,000	South	25,000	275,000	140,018
Site 2	Green 750	South	25,000	275,000	178,655
Site 3	Green 150	South	25,000	275,000	166,115
Site 4	Green 75	South	25,000	275,000	171,397
Site 5	Green 35	South	25,000	275,000	80,760
Site 6	Green 20	South	50,000	300,000	76,153
Site 7	Green 12	South	50,000	300,000	233,750
Site 8	Green 9	South	50,000	300,000	1,052,920
Site 9	Green 6	South	50,000	300,000	943,653
Site 10	Green 3	South	50,000	300,000	1,343,358
Site 11	Green Plot	South	50,000	300,000	1,514,526
Site 12	Urban 300	South	100,000	120,000	-195,590
Site 13	Urban 40	South	100,000	120,000	-479,706
Site 14	Urban 25	South	100,000	120,000	-395,312
Site 15	Urban 25 HD	South	250,000	300,000	-1,187,858
Site 16	Urban 15	South	250,000	300,000	-502,528
Site 17	Urban 15 HD	South	250,000	300,000	-1,246,015
Site 18	Urban 10	South	250,000	300,000	-218,722
Site 19	Urban 8	South	250,000	300,000	-471,670
Site 20	Urban 8 HD	South	250,000	300,000	-813,359
Site 21	Urban 5	South	250,000	300,000	154,135
Site 22	Urban 3	South	250,000	300,000	251,326
Site 23	Urban Plot	South	250,000	300,000	268,740
Site 24	PRS 25	South	250,000	300,000	-1,825,683
Site 25	Bungalows 12	South	50,000	300,000	399,168

Source: HDH (December 2019)

Table 10.2b Residual Value v Benchmark Land Value - NORTH (£/ha) 30% Affordable (70% Social Rent / 30% Intermediate), s106 £2,000/unit					
			EUV	BLV	Residual Value
Site 1	Green 2,000	North	25,000	275,000	-72,129
Site 2	Green 750	North	25,000	275,000	-54,941
Site 3	Green 150	North	25,000	275,000	-139,012
Site 4	Green 75	North	25,000	275,000	-191,708
Site 5	Green 35	North	25,000	275,000	-253,986
Site 6	Green 20	North	50,000	300,000	-263,595
Site 7	Green 12	North	50,000	300,000	-101,395
Site 8	Green 9	North	50,000	300,000	583,903
Site 9	Green 6	North	50,000	300,000	501,657
Site 10	Green 3	North	50,000	300,000	875,159
Site 11	Green Plot	North	50,000	300,000	980,668
Site 12	Urban 300	North	100,000	120,000	-542,658
Site 13	Urban 40	North	100,000	120,000	-914,446
Site 14	Urban 25	North	100,000	120,000	-765,004
Site 15	Urban 25 HD	North	250,000	300,000	-848,423
Site 16	Urban 15	North	250,000	300,000	-945,096
Site 17	Urban 15 HD	North	250,000	300,000	-1,654,194
Site 18	Urban 10	North	250,000	300,000	-596,733
Site 19	Urban 8	North	250,000	300,000	-1,021,523
Site 20	Urban 8 HD	North	250,000	300,000	-1,129,987
Site 21	Urban 5	North	250,000	300,000	-286,279
Site 22	Urban 3	North	250,000	300,000	-364,255
Site 23	Urban Plot	North	250,000	300,000	-381,090
Site 24	PRS 25	North	250,000	300,000	-1,825,683
Site 25	Bungalows 12	North	50,000	300,000	-25,263

Source: HDH (December 2019)

10.13 At the 30% Affordable Housing the only typology where the Residual Value exceeds the BLV is the typology modelled at lower density with bungalows. Bungalows are modelled with a higher value. The Residual Values are notably higher in the higher value southern area than the lower value northern area.

10.14 These results are very much to be expected as the Council's Affordable Housing target is 25% across most site, with 20% on smaller sites. A range of further appraisals have been run to inform the development of planning policy.

Affordable Housing

10.15 The core purpose of this study is to consider an appropriate Affordable Housing target. In the following sections the total amount of Affordable Housing has been considered.

Overall Requirement

10.16 Following analysis sets out different levels of Affordable Housing. This analysis is based on the (current) preferred mix of 70% Affordable Rent / 30% Intermediate housing.

Table 10.3a Impact of Varied Affordable Housing - South (£/ha)

70% Affordable Rent / 30% Intermediate Housing

			EUV	BLV	Residual Value								
		Affordable %			**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**	**35%**	**40%**
Site 1	Green 2,000	South	25,000	275,000	400,942	357,841	314,740	271,640	227,916	183,967	140,018	95,913	50,809
Site 2	Green 750	South	25,000	275,000	469,575	421,522	373,469	325,416	276,665	227,660	178,655	129,650	79,398
Site 3	Green 150	South	25,000	275,000	549,836	485,883	421,929	357,975	294,022	230,068	166,115	102,161	38,156
Site 4	Green 75	South	25,000	275,000	625,318	549,665	474,011	398,358	322,704	247,051	171,397	95,744	17,328
Site 5	Green 35	South	25,000	275,000	481,424	415,212	349,000	282,788	216,576	149,443	80,760	11,287	-58,187
Site 6	Green 20	South	50,000	300,000	493,566	425,497	357,427	288,505	218,462	147,576	76,153	4,730	-66,693
Site 7	Green 12	South	50,000	300,000	663,514	593,550	523,363	451,370	379,378	307,161	233,750	160,339	86,928
Site 8	Green 9	South	50,000	300,000	1,820,258	1,692,368	1,564,478	1,436,589	1,308,699	1,180,809	1,052,920	925,030	796,091
Site 9	Green 6	South	50,000	300,000	1,676,048	1,555,420	1,434,793	1,314,165	1,191,901	1,067,777	943,653	819,529	694,330
Site 10	Green 3	South	50,000	300,000	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358
Site 11	Green Plot	South	50,000	300,000	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526
Site 12	Urban 300	South	100,000	120,000	148,130	93,946	39,762	-16,891	-75,804	-134,717	-195,590	-257,202	-321,871
Site 13	Urban 40	South	100,000	120,000	-9,297	-86,698	-164,099	-241,500	-320,035	-399,870	-479,706	-559,541	-639,377
Site 14	Urban 25	South	100,000	120,000	-5,807	-69,947	-134,086	-198,226	-262,977	-329,144	-395,312	-461,480	-527,647
Site 15	Urban 25 HD	South	250,000	300,000	-955,049	-993,850	-1,032,652	-1,071,453	-1,110,255	-1,149,056	-1,187,858	-1,226,964	-1,266,494
Site 16	Urban 15	South	250,000	300,000	238	-82,521	-165,281	-248,040	-331,843	-417,186	-502,528	-587,870	-673,212
Site 17	Urban 15 HD	South	250,000	300,000	-658,109	-756,094	-854,078	-952,062	-1,050,046	-1,148,031	-1,246,015	-1,343,999	-1,442,669
Site 18	Urban 10	South	250,000	300,000	193,648	124,920	56,192	-12,537	-81,265	-149,993	-218,722	-288,808	-359,701
Site 19	Urban 8	South	250,000	300,000	293,682	166,644	39,606	-87,431	-214,469	-341,507	-471,670	-602,547	-733,425
Site 20	Urban 8 HD	South	250,000	300,000	-318,232	-400,753	-483,274	-565,796	-648,317	-730,838	-813,359	-895,881	-978,402
Site 21	Urban 5	South	250,000	300,000	154,135	154,135	154,135	154,135	154,135	154,135	154,135	154,135	154,135
Site 22	Urban 3	South	250,000	300,000	251,326	251,326	251,326	251,326	251,326	251,326	251,326	251,326	251,326
Site 23	Urban Plot	South	250,000	300,000	268,740	268,740	268,740	268,740	268,740	268,740	268,740	268,740	268,740
Site 24	PRS 25	South	250,000	300,000	-1,666,576	-1,692,950	-1,719,323	-1,745,697	-1,772,071	-1,798,793	-1,825,683	-1,852,573	-1,879,463
Site 25	Bungalows 12	South	50,000	300,000	1,042,554	935,895	829,235	722,575	615,915	508,920	399,168	288,962	177,048

Source: HDH (December 2019)

Table 10.3b Impact of Varied Affordable Housing - North (£/ha)

70% Affordable Rent / 30% Intermediate Housing

			EUV	BLV	Residual Value								
	Affordable %				0%	5%	10%	15%	20%	25%	30%	35%	40%
Site 1	Green 2,000	North	25,000	275,000	133,147	100,343	66,978	33,614	155	-35,963	-72,129	-109,262	-146,892
Site 2	Green 750	North	25,000	275,000	172,839	136,440	99,142	61,843	24,544	-14,471	-54,941	-95,893	-138,057
Site 3	Green 150	North	25,000	275,000	151,838	104,714	57,590	9,325	-40,120	-89,566	-139,012	-189,071	-240,077
Site 4	Green 75	North	25,000	275,000	155,936	100,091	42,674	-15,921	-74,517	-133,113	-191,708	-251,801	-312,240
Site 5	Green 35	North	25,000	275,000	50,606	117	-50,373	-100,863	-151,353	-201,896	-253,986	-306,075	-358,164
Site 6	Green 20	North	50,000	300,000	51,754	-513	-52,781	-105,049	-157,317	-209,678	-263,595	-317,512	-371,429
Site 7	Green 12	North	50,000	300,000	225,281	170,835	116,389	61,943	7,497	-46,949	-101,395	-155,841	-210,697
Site 8	Green 9	North	50,000	300,000	1,194,070	1,093,547	993,023	892,500	790,777	687,340	583,903	480,081	374,605
Site 9	Green 6	North	50,000	300,000	1,099,695	1,000,821	901,948	803,075	703,300	602,478	501,657	400,836	300,014
Site 10	Green 3	North	50,000	300,000	875,159	875,159	875,159	875,159	875,159	875,159	875,159	875,159	875,159
Site 11	Green Plot	North	50,000	300,000	980,668	980,668	980,668	980,668	980,668	980,668	980,668	980,668	980,668
Site 12	Urban 300	North	100,000	120,000	-259,178	-303,427	-349,219	-396,170	-444,999	-493,829	-542,658	-591,488	-640,317
Site 13	Urban 40	North	100,000	120,000	-578,851	-634,313	-689,775	-745,237	-801,582	-858,014	-914,446	-970,878	-1,027,310
Site 14	Urban 25	North	100,000	120,000	-493,458	-538,609	-583,761	-628,913	-674,064	-719,216	-765,004	-810,988	-856,971
Site 15	Urban 25 HD	North	250,000	300,000	-507,192	-563,633	-620,074	-676,515	-733,691	-791,057	-848,423	-905,790	-963,156
Site 16	Urban 15	North	250,000	300,000	-579,703	-640,432	-701,161	-761,891	-822,620	-883,349	-945,096	-1,006,877	-1,068,658
Site 17	Urban 15 HD	North	250,000	300,000	-1,190,947	-1,267,539	-1,344,132	-1,420,783	-1,498,587	-1,576,390	-1,654,194	-1,731,998	-1,809,801
Site 18	Urban 10	North	250,000	300,000	-300,903	-350,208	-399,513	-448,818	-498,123	-547,428	-596,733	-646,038	-695,343
Site 19	Urban 8	North	250,000	300,000	-407,052	-509,464	-611,876	-714,288	-816,699	-919,111	-1,021,523	-1,123,935	-1,226,654
Site 20	Urban 8 HD	North	250,000	300,000	-732,912	-799,053	-865,194	-931,336	-997,477	-1,063,619	-1,129,987	-1,197,121	-1,264,254
Site 21	Urban 5	North	250,000	300,000	-286,279	-286,279	-286,279	-286,279	-286,279	-286,279	-286,279	-286,279	-286,279
Site 22	Urban 3	North	250,000	300,000	-364,255	-364,255	-364,255	-364,255	-364,255	-364,255	-364,255	-364,255	-364,255
Site 23	Urban Plot	North	250,000	300,000	-381,090	-381,090	-381,090	-381,090	-381,090	-381,090	-381,090	-381,090	-381,090
Site 24	PRS 25	North	250,000	300,000	-1,666,576	-1,692,950	-1,719,323	-1,745,697	-1,772,071	-1,798,793	-1,825,683	-1,852,573	-1,879,463
Site 25	Bungalows 12	North	50,000	300,000	502,183	415,363	328,544	240,329	151,798	63,268	-25,263	-113,794	-202,325

Source: HDH (December 2019)

10.17 The results are significantly different between the southern and the northern areas. In the higher value southern area, on the larger greenfield sites the 'tipping' point in terms of the Residual Value Exceeding the BLV is between 20% and 25% Affordable Housing. This is in line with expectations, on the basis that some sites are delivering affordable in this area and that viability has got a little worse (costs rising more than values) since the Affordable Housing target was set. This would suggest that a 20% target would be appropriate.

10.18 In the lower value northern area, the larger greenfield typologies produce Residual Values that are less than the BLV without Affordable Housing, indicating that not only is development unable to bear Affordable Housing in this area, but is also unlikely to be forthcoming.

10.19 Paragraph 63 of the 2019 NPPF is relevant, saying:

> *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). ....*

10.20 Paragraph 23b-023-20190901of the PPG is relevant, saying:

> *In designated rural areas local planning authorities may instead choose to set their own lower threshold in plans and seek affordable housing contributions from developments above that threshold. Designated rural areas applies to rural areas described under section 157(1) of the Housing Act 1985, which includes National Parks and Areas of Outstanding Natural Beauty.*

10.21 The smaller sites (in the 6 unit to 10 unit band) that are within the parishes in the 'designated rural area', in both the north and south of the District, have higher Residual Values, reflecting the slightly higher value attributed to residential development on smaller sites. These types of site are able to bear Affordable Housing so we would recommend a lower threshold is set. If a 20% Affordable Housing target is adopted, then the lowest practical threshold that allows for the delivery of a whole unit is 5. A policy threshold of 5 units would be appropriate.

10.22 Across both the northern and the southern areas, the brownfield typologies generate a Residual Values that is not only below the EUV, but is also negative. This indicates that development on these types of site is likely to be unviable, even without the provision of any Affordable Housing. The Council's experience on the ground, through the development management system, is that some schemes are coming forward within the urban areas and on greenfield sites, but these are limited and are not generally delivering Affordable Housing (this is also, at least in part, because such sites tend to be small sites that are below the Affordable Housing policy threshold).

10.23 The Council should be cautious about allocating sites in the north of the District as these are unlikely to be forthcoming. Likewise, the Council should be cautious when relying on brownfield sites to deliver housing (for example within the five year supply assessment) as such sites are clearly challenging to deliver. The exception to this advice is where there is clear evidence that a policy compliant scheme can be delivered on the site.

Affordable Tenure Mix

10.24 The analysis in the base appraisals (above) assumes that the Affordable Housing is provided as 70% Affordable Rent and 30% Intermediate Housing. As set out in Chapter 2 above, the 2019 NPPF sets out a requirement for low cost home ownership as part of the Affordable Housing mix:

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[63], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups...*
>
> *Paragraph 64, 2018 NPPF*

10.25 In this regard it is important to note that paragraph 64 of the 2019 NPPF does include an exception to this. We understand that the Council's current position is that the priority need for Affordable Housing is for Affordable Rent and that its preferred mix, to meet the local housing need for Affordable Housing is 70% Affordable Rent and 30% Intermediate Housing.

10.26 When considering the Affordable Housing tenure sought it is necessary to consider the types of Affordable Housing that is attractive to the Housing Associations that will acquire and manage it in the future. It is understood that the majority of Affordable Housing for rent delivered in the District over the last few years has been as Affordable Rent.

10.27 In the following analysis, the effect of different tenures is tested. It has been assumed that products such as shared ownership and shared equity housing fall under the heading of 'affordable home ownership'.

[63] Footnote 29 of the 2018 NPPF clarifies as '*As part of the overall affordable housing contribution from the site*'.

Table 10.4a Impact of Varied Affordable Housing - South (£/ha)

Varied Mix

			EUV	BLV	Residual Value						
	Overall Affordable %				**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**
	Affordable Rent %							5%	10%	15%	20%
	Intermediate %				0%	5%	10%	10%	10%	10%	10%
Site 1	Green 2,000	South	25,000	275,000	400,942	366,475	332,009	285,209	237,996	190,267	167,740
Site 2	Green 750	South	25,000	275,000	469,575	431,079	392,584	340,436	287,826	234,635	209,350
Site 3	Green 150	South	25,000	275,000	549,836	498,780	447,724	378,244	308,762	239,281	206,653
Site 4	Green 75	South	25,000	275,000	625,318	565,038	504,758	422,518	340,274	258,032	219,718
Site 5	Green 35	South	25,000	275,000	481,424	427,687	373,950	302,393	230,833	158,612	121,659
Site 6	Green 20	South	50,000	300,000	493,566	438,438	383,309	309,433	233,681	157,275	118,833
Site 7	Green 12	South	50,000	300,000	663,514	606,454	549,394	472,238	394,553	316,833	276,308
Site 8	Green 9	South	50,000	300,000	1,820,258	1,719,970	1,619,683	1,479,968	1,340,245	1,200,525	1,139,678
Site 9	Green 6	South	50,000	300,000	1,676,048	1,583,885	1,491,723	1,358,900	1,225,376	1,088,699	1,035,717
Site 10	Green 3	South	50,000	300,000	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358	1,343,358
Site 11	Green Plot	South	50,000	300,000	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526	1,514,526
Site 12	Urban 300	South	100,000	120,000	148,130	102,465	56,799	-2,333	-65,217	-128,100	-165,183
Site 13	Urban 40	South	100,000	120,000	-9,297	-74,146	-138,994	-221,773	-305,256	-390,633	-439,060
Site 14	Urban 25	South	100,000	120,000	-5,807	-59,589	-113,371	-181,948	-250,782	-321,523	-361,773
Site 15	Urban 25 HD	South	250,000	300,000	-955,049	-993,850	-1,032,652	-1,071,453	-1,110,255	-1,149,056	-1,187,858
Site 16	Urban 15	South	250,000	300,000	238	-69,100	-138,438	-226,948	-316,041	-407,309	-459,068
Site 17	Urban 15 HD	South	250,000	300,000	-658,109	-731,591	-805,073	-913,555	-1,022,044	-1,130,529	-1,169,000
Site 18	Urban 10	South	250,000	300,000	193,648	135,520	77,392	4,122	-69,150	-142,422	-185,403
Site 19	Urban 8	South	250,000	300,000	293,682	187,591	81,499	-54,513	-190,531	-326,545	-403,843
Site 20	Urban 8 HD	South	250,000	300,000	-318,232	-380,434	-442,636	-533,862	-625,095	-716,324	-749,493
Site 21	Urban 5	South	250,000	300,000	154,135	154,135	154,135	154,135	154,135	154,135	154,135
Site 22	Urban 3	South	250,000	300,000	251,326	251,326	251,326	251,326	251,326	251,326	251,326
Site 23	Urban Plot	South	250,000	300,000	268,740	268,740	268,740	268,740	268,740	268,740	268,740
Site 24	PRS 25	South	250,000	300,000	-1,666,576	-1,692,950	-1,719,323	-1,745,697	-1,772,071	-1,798,793	-1,825,683
Site 25	Bungalows 12	South	50,000	300,000	1,042,554	967,123	891,692	771,653	651,605	531,561	500,169

Source: HDH (December 2019)

Table 10.4b Impact of Varied Affordable Housing - North (£/ha)

Varied Mix

			EUV	BLV	Residual Value						
	Overall Affordable %				**0%**	**5%**	**10%**	**15%**	**20%**	**25%**	**30%**
	Affordable Rent %							5%	10%	15%	20%
	Intermediate %				0%	5%	10%	10%	10%	10%	10%
Site 1	Green 2,000	North	25,000	275,000	133,147	104,369	75,032	39,942	4,852	-32,845	-58,409
Site 2	Green 750	North	25,000	275,000	172,839	140,841	108,064	68,854	29,642	-11,013	-39,723
Site 3	Green 150	North	25,000	275,000	151,838	110,446	69,054	18,778	-33,247	-85,270	-120,108
Site 4	Green 75	North	25,000	275,000	155,936	106,924	56,962	-4,654	-66,324	-127,992	-169,175
Site 5	Green 35	North	25,000	275,000	50,606	5,352	-39,902	-92,635	-145,369	-198,103	-237,031
Site 6	Green 20	North	50,000	300,000	51,754	4,918	-41,918	-96,513	-151,110	-205,705	-246,007
Site 7	Green 12	North	50,000	300,000	225,281	176,251	127,221	70,454	13,686	-43,081	-84,372
Site 8	Green 9	North	50,000	300,000	1,194,070	1,111,948	1,029,827	921,419	812,417	700,865	643,418
Site 9	Green 6	North	50,000	300,000	1,099,695	1,020,348	941,002	833,763	726,056	616,701	564,242
Site 10	Green 3	North	50,000	300,000	875,159	875,159	875,159	875,159	875,159	875,159	875,159
Site 11	Green Plot	North	50,000	300,000	980,668	980,668	980,668	980,668	980,668	980,668	980,668
Site 12	Urban 300	North	100,000	120,000	-259,178	-301,576	-345,518	-393,087	-442,757	-492,427	-536,492
Site 13	Urban 40	North	100,000	120,000	-578,851	-631,962	-685,073	-741,542	-798,855	-856,310	-906,945
Site 14	Urban 25	North	100,000	120,000	-493,458	-536,669	-579,881	-625,864	-671,847	-717,830	-758,815
Site 15	Urban 25 HD	North	250,000	300,000	-507,192	-554,492	-601,792	-662,150	-723,087	-784,430	-819,261
Site 16	Urban 15	North	250,000	300,000	-579,703	-637,918	-696,133	-757,940	-819,747	-881,553	-937,076
Site 17	Urban 15 HD	North	250,000	300,000	-1,190,947	-1,255,288	-1,319,630	-1,401,472	-1,484,376	-1,567,508	-1,615,109
Site 18	Urban 10	North	250,000	300,000	-300,903	-348,223	-395,542	-445,698	-495,854	-546,010	-590,492
Site 19	Urban 8	North	250,000	300,000	-407,052	-505,540	-604,029	-708,121	-812,215	-916,309	-1,009,191
Site 20	Urban 8 HD	North	250,000	300,000	-732,912	-788,893	-844,875	-915,369	-985,866	-1,056,362	-1,097,827
Site 21	Urban 5	North	250,000	300,000	-286,279	-286,279	-286,279	-286,279	-286,279	-286,279	-286,279
Site 22	Urban 3	North	250,000	300,000	-364,255	-364,255	-364,255	-364,255	-364,255	-364,255	-364,255
Site 23	Urban Plot	North	250,000	300,000	-381,090	-381,090	-381,090	-381,090	-381,090	-381,090	-381,090
Site 24	PRS 25	North	250,000	300,000	-1,666,576	-1,692,950	-1,719,323	-1,745,697	-1,772,071	-1,798,793	-1,825,683
Site 25	Bungalows 12	North	50,000	300,000	502,183	436,196	370,209	273,714	176,076	78,441	41,508

Source: HDH (December 2019)

10.28 In the higher value southern area, at 10% Affordable Housing, the Residual Value is about £23,000/ha higher where all the Affordable Housing is provided as Intermediate Housing, rather than 70% Affordable Rent and 30% Intermediate Housing. At 20% Affordable Housing, the Residual Value is about £13,500/ha higher where all the Affordable Housing is provided as 50% Affordable Rent and 50% Intermediate Housing, rather than 70% Affordable Rent and 30% Intermediate Housing.

10.29 In the lower value northern area, at 10% Affordable Housing, the Residual Value is about £13,500/ha higher where all the Affordable Housing is provided as Intermediate Housing, rather than 70% Affordable Rent and 30% Intermediate Housing. At 20% Affordable Housing, the Residual Value is about £6,600/ha higher where all the Affordable Housing is provided as 50% Affordable Rent and 50% Intermediate Housing, rather than 70% Affordable Rent and 30% Intermediate Housing.

10.30 The results do show an improvement in viability, but it is not sufficient to justify an Affordable Housing target that is more than 20%.

Developer Contributions

10.31 The above analysis considered the impact of Affordable Housing on development viability. The following analysis considers the ability to bear developer contributions. This assumes that there is no Affordable Housing provision and all the other requirements included in the above analysis is included.

Table 10.5a Varied Developer Contributions - South (£/ha)

No Affordable Housing

			EUV	BLV	Residual Value												
		£/unit			£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	£27,500	£30,000
Site 1	Green 2,000	South	25,000	275,000	429,050	393,914	358,778	323,642	288,506	252,568	216,582	180,595	144,608	108,086	71,067	34,049	-3,334
Site 2	Green 750	South	25,000	275,000	500,414	461,865	423,316	384,767	346,218	306,766	267,261	227,757	188,252	148,432	107,758	67,085	26,411
Site 3	Green 150	South	25,000	275,000	592,752	539,107	485,462	431,818	378,173	324,528	270,883	217,239	163,594	109,949	56,304	1,135	-55,152
Site 4	Green 75	South	25,000	275,000	676,406	612,547	548,688	484,829	420,970	357,111	293,252	229,393	165,534	101,676	35,928	-31,077	-98,081
Site 5	Green 35	South	25,000	275,000	530,135	469,246	408,356	347,467	286,577	225,687	164,295	101,490	37,601	-26,288	-90,177	-154,066	-217,956
Site 6	Green 20	South	50,000	300,000	542,607	481,306	420,006	358,706	296,787	233,710	170,227	105,907	41,587	-22,733	-87,053	-151,373	-215,693
Site 7	Green 12	South	50,000	300,000	712,886	651,171	589,456	527,640	464,136	400,632	337,128	272,735	207,980	143,225	78,470	13,715	-51,040
Site 8	Green 9	South	50,000	300,000	1,878,342	1,805,736	1,733,130	1,660,525	1,587,919	1,515,313	1,442,707	1,370,101	1,297,495	1,224,889	1,152,284	1,079,678	1,007,072
Site 9	Green 6	South	50,000	300,000	1,734,132	1,661,526	1,588,920	1,516,315	1,443,709	1,371,103	1,298,497	1,225,192	1,150,482	1,075,772	1,001,061	926,351	851,640
Site 10	Green 3	South	50,000	300,000	1,383,203	1,333,396	1,283,589	1,233,783	1,183,976	1,134,169	1,084,362	1,034,555	984,447	933,659	882,871	832,082	781,294
Site 11	Green Plot	South	50,000	300,000	1,555,711	1,504,230	1,452,749	1,401,268	1,349,787	1,298,305	1,246,824	1,195,343	1,143,862	1,092,381	1,040,900	989,418	937,937
Site 12	Urban 300	South	100,000	120,000	192,648	137,000	81,353	25,705	-33,813	-94,333	-154,852	-217,141	-280,241	-344,381	-410,559	-478,403	-548,206
Site 13	Urban 40	South	100,000	120,000	58,280	-26,191	-110,663	-195,134	-279,606	-365,719	-452,629	-539,540	-626,451	-713,362	-800,272	-887,183	-975,173
Site 14	Urban 25	South	100,000	120,000	53,823	-20,715	-95,252	-169,789	-244,326	-320,407	-397,097	-473,788	-550,478	-627,169	-703,859	-780,550	-857,240
Site 15	Urban 25 HD	South	250,000	300,000	-866,284	-977,240	-1,088,195	-1,199,150	-1,310,105	-1,421,350	-1,533,514	-1,645,678	-1,757,842	-1,870,006	-1,982,171	-2,094,335	-2,206,499
Site 16	Urban 15	South	250,000	300,000	70,767	-17,394	-105,556	-193,718	-281,879	-371,453	-462,162	-552,871	-643,580	-734,289	-824,998	-915,707	-1,006,416
Site 17	Urban 15 HD	South	250,000	300,000	-563,452	-681,774	-800,096	-918,418	-1,036,740	-1,155,062	-1,273,385	-1,391,707	-1,510,029	-1,628,351	-1,747,679	-1,867,368	-1,987,057
Site 18	Urban 10	South	250,000	300,000	258,569	177,418	96,267	15,116	-66,035	-147,186	-228,337	-310,237	-393,734	-477,231	-560,727	-644,224	-727,721
Site 19	Urban 8	South	250,000	300,000	384,487	270,981	157,475	43,969	-69,537	-183,042	-296,548	-410,477	-527,262	-644,048	-760,834	-877,620	-994,405
Site 20	Urban 8 HD	South	250,000	300,000	-244,576	-336,646	-428,716	-520,786	-612,856	-704,926	-796,997	-889,067	-981,137	-1,073,207	-1,165,277	-1,257,348	-1,349,418
Site 21	Urban 5	South	250,000	300,000	218,967	137,927	56,887	-24,152	-105,192	-186,232	-267,425	-350,807	-434,189	-517,571	-600,953	-684,335	-767,717
Site 22	Urban 3	South	250,000	300,000	316,335	235,074	153,812	72,551	-8,710	-89,972	-171,233	-252,494	-333,756	-416,570	-500,181	-583,791	-667,401
Site 23	Urban Plot	South	250,000	300,000	330,517	253,295	176,074	98,852	21,630	-55,591	-132,813	-210,035	-287,257	-364,478	-443,835	-523,291	-602,746
Site 24	PRS 25	South	250,000	300,000	-1,562,072	-1,692,702	-1,823,331	-1,954,603	-2,086,540	-2,218,476	-2,350,413	-2,482,350	-2,614,286	-2,746,223	-2,878,160	-3,010,096	-3,142,033
Site 25	Bungalows 12	South	50,000	300,000	1,090,958	1,030,453	969,948	909,444	848,939	788,434	727,929	667,424	606,919	546,414	484,897	422,638	360,380

Source: HDH (December 2019)

Table 10.5b Varied Developer Contributions - North (£/ha)

No Affordable Housing

			EUV	BLV	Residual Value												
		£/unit			£0	£2,500	£5,000	£7,500	£10,000	£12,500	£15,000	£17,500	£20,000	£22,500	£25,000	£27,500	£30,000
Site 1	Green 2,000	North	25,000	275,000	161,936	125,949	89,285	52,266	15,248	-23,693	-63,827	-104,132	-145,790	-187,625	-231,060	-275,986	-322,725
Site 2	Green 750	North	25,000	275,000	204,442	164,938	124,931	84,257	43,584	2,444	-41,706	-85,857	-131,202	-177,098	-224,287	-272,228	-322,906
Site 3	Green 150	North	25,000	275,000	194,754	141,109	87,465	33,641	-22,457	-78,744	-135,031	-191,319	-248,970	-306,878	-364,786	-422,695	-480,603
Site 4	Green 75	North	25,000	275,000	207,023	143,164	78,976	12,456	-54,549	-121,554	-188,558	-256,153	-325,092	-394,031	-462,969	-531,908	-600,847
Site 5	Green 35	North	25,000	275,000	101,718	37,828	-26,061	-89,950	-153,839	-217,728	-283,271	-349,005	-414,740	-480,475	-546,209	-611,944	-677,679
Site 6	Green 20	North	50,000	300,000	103,210	38,890	-25,430	-89,750	-154,070	-218,390	-284,222	-350,401	-416,579	-482,758	-548,936	-615,115	-681,294
Site 7	Green 12	North	50,000	300,000	277,085	212,330	147,575	82,819	18,064	-46,691	-111,446	-176,201	-241,166	-307,793	-374,420	-441,047	-507,674
Site 8	Green 9	North	50,000	300,000	1,252,155	1,179,549	1,106,943	1,034,337	961,731	889,126	816,032	741,322	666,612	591,901	517,191	441,347	365,165
Site 9	Green 6	North	50,000	300,000	1,159,463	1,084,753	1,010,042	935,332	860,621	785,911	710,436	634,254	558,071	481,889	405,706	329,524	253,341
Site 10	Green 3	North	50,000	300,000	915,790	865,001	814,213	763,425	712,636	661,848	611,060	560,271	509,483	458,695	407,906	357,118	306,330
Site 11	Green Plot	North	50,000	300,000	1,021,853	970,372	918,890	867,409	815,928	764,447	712,966	661,485	610,004	558,522	507,041	455,560	404,079
Site 12	Urban 300	North	100,000	120,000	-208,697	-271,798	-337,048	-403,248	-473,051	-542,854	-612,657	-682,460	-752,263	-822,066	-891,869	-961,671	-1,031,474
Site 13	Urban 40	North	100,000	120,000	-509,323	-596,234	-683,144	-770,055	-857,611	-945,660	-1,033,709	-1,121,758	-1,209,807	-1,297,856	-1,385,906	-1,473,955	-1,562,105
Site 14	Urban 25	North	100,000	120,000	-432,105	-508,796	-585,486	-662,177	-738,867	-815,558	-892,982	-970,651	-1,048,320	-1,125,988	-1,203,657	-1,281,326	-1,358,994
Site 15	Urban 25 HD	North	250,000	300,000	-419,546	-529,103	-638,661	-748,326	-859,282	-970,237	-1,081,192	-1,192,147	-1,303,102	-1,414,058	-1,525,013	-1,636,749	-1,748,913
Site 16	Urban 15	North	250,000	300,000	-507,136	-597,845	-688,554	-779,263	-869,972	-960,681	-1,052,121	-1,143,988	-1,235,855	-1,327,722	-1,419,589	-1,511,457	-1,603,324
Site 17	Urban 15 HD	North	250,000	300,000	-1,096,289	-1,214,611	-1,332,933	-1,451,255	-1,570,377	-1,690,065	-1,809,754	-1,929,443	-2,049,131	-2,168,820	-2,288,509	-2,408,198	-2,527,886
Site 18	Urban 10	North	250,000	300,000	-234,862	-317,603	-401,099	-484,596	-568,093	-651,589	-735,086	-818,582	-902,079	-985,576	-1,069,088	-1,153,613	-1,238,137
Site 19	Urban 8	North	250,000	300,000	-315,018	-430,409	-547,195	-663,980	-780,766	-897,552	-1,014,338	-1,131,124	-1,247,909	-1,364,715	-1,482,964	-1,601,213	-1,719,463
Site 20	Urban 8 HD	North	250,000	300,000	-659,255	-751,326	-843,396	-935,466	-1,027,536	-1,119,606	-1,211,676	-1,304,526	-1,397,645	-1,490,764	-1,583,884	-1,677,003	-1,770,122
Site 21	Urban 5	North	250,000	300,000	-220,199	-302,955	-386,337	-469,719	-553,100	-636,482	-719,864	-803,603	-888,051	-972,498	-1,056,945	-1,141,393	-1,225,840
Site 22	Urban 3	North	250,000	300,000	-298,374	-380,977	-464,587	-548,198	-631,808	-715,418	-799,029	-882,639	-966,249	-1,049,859	-1,133,470	-1,217,080	-1,300,690
Site 23	Urban Plot	North	250,000	300,000	-318,121	-396,981	-476,436	-555,892	-635,347	-714,802	-794,257	-873,713	-953,168	-1,032,623	-1,112,078	-1,191,534	-1,270,989
Site 24	PRS 25	North	250,000	300,000	-1,562,072	-1,692,702	-1,823,331	-1,954,603	-2,086,540	-2,218,476	-2,350,413	-2,482,350	-2,614,286	-2,746,223	-2,878,160	-3,010,096	-3,142,033
Site 25	Bungalows 12	North	50,000	300,000	551,113	489,732	427,473	365,214	302,768	239,282	175,797	112,311	48,826	-14,659	-78,145	-141,630	-205,116

Source: HDH (December 2019)

10.32 The results indicate that, in the southern parts of the District, most greenfield sites can bear up to £15,000/unit in developer contributions. In the northern parts of the District, the scope to bear developer contributions is limited.

10.33 For development to come forward, both Affordable Housing and developer contributions are required. The balance between Affordable Housing and developer contributions is considered in more detail below.

Varied Developer's Return

10.34 Through the consultation process, a range of views were expressed as to the appropriate developer's return. This is an area where there was not a consensus. The PPG sets out an approach to the developer's return

> *Potential risk is accounted for in the assumed return for developers at the plan making stage. It is the role of developers, not plan makers or decision makers, to mitigate these risks. The cost of complying with policy requirements should be accounted for in benchmark land value. Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan.*
>
> *For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies. Plan makers may choose to apply alternative figures where there is evidence to support this according to the type, scale and risk profile of planned development. A lower figure may be more appropriate in consideration of delivery of affordable housing in circumstances where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.*
>
> *PPG 10-018-20190509*

10.35 In the initial iteration of this assessment, the developer's return is assessed as 17.5% of the value of market housing and 6% of the value of Affordable Housing. 17.5% is the middle of the range suggested in the PPG.

10.36 Through the September 2019 consultation a number of comments were made. These were inconsistent, however in line with consultee comments this has been reviewed, in particular, the lower assumption used for Affordable Housing. In this iteration of this assessment a 17.5% assumption is used across the tenures. Bearing in mind there was not a consensus on this issue, a range of other assumptions are also tested.

Table 10.6a Varied Developer's Return - SOUTH (£/ha)

Varied Developers' Return										
10% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	South	25,000	275,000	391,963	381,080	329,482	314,740	263,637	244,614
Site 2	Green 750	South	25,000	275,000	460,466	448,256	390,007	373,469	316,070	294,728
Site 3	Green 150	South	25,000	275,000	545,972	527,877	445,050	421,929	343,236	314,666
Site 4	Green 75	South	25,000	275,000	627,295	604,740	502,831	474,011	378,345	342,733
Site 5	Green 35	South	25,000	275,000	492,493	471,744	375,513	349,000	258,501	225,740
Site 6	Green 20	South	50,000	300,000	504,807	483,085	385,183	357,427	264,018	229,248
Site 7	Green 12	South	50,000	300,000	671,171	649,312	551,516	523,363	428,980	393,991
Site 8	Green 9	South	50,000	300,000	1,790,552	1,764,380	1,597,920	1,564,478	1,405,289	1,364,576
Site 9	Green 6	South	50,000	300,000	1,645,279	1,618,289	1,469,280	1,434,793	1,293,281	1,251,296
Site 10	Green 3	South	50,000	300,000	1,502,567	1,502,567	1,343,358	1,343,358	1,184,149	1,184,149
Site 11	Green Plot	South	50,000	300,000	1,700,363	1,700,363	1,514,526	1,514,526	1,328,689	1,328,689
Site 12	Urban 300	South	100,000	120,000	168,418	149,475	65,418	39,762	-46,291	-81,030
Site 13	Urban 40	South	100,000	120,000	29,125	-505	-125,671	-164,099	-282,757	-330,804
Site 14	Urban 25	South	100,000	120,000	30,809	6,195	-102,634	-134,086	-236,093	-275,770
Site 15	Urban 25 HD	South	250,000	300,000	-903,853	-927,146	-1,002,888	-1,032,652	-1,101,923	-1,138,600
Site 16	Urban 15	South	250,000	300,000	36,472	4,225	-124,076	-165,281	-284,624	-335,788
Site 17	Urban 15 HD	South	250,000	300,000	-660,158	-694,162	-810,629	-854,078	-961,100	-1,013,994
Site 18	Urban 10	South	250,000	300,000	228,813	203,110	89,034	56,192	-50,745	-90,727
Site 19	Urban 8	South	250,000	300,000	299,796	249,560	103,797	39,606	-92,202	-170,347
Site 20	Urban 8 HD	South	250,000	300,000	-330,232	-358,413	-447,265	-483,274	-564,297	-608,135
Site 21	Urban 5	South	250,000	300,000	292,618	292,618	154,135	154,135	15,652	15,652
Site 22	Urban 3	South	250,000	300,000	444,459	444,459	251,326	251,326	58,193	58,193
Site 23	Urban Plot	South	250,000	300,000	476,286	476,286	268,740	268,740	61,194	61,194
Site 24	PRS 25	South	250,000	300,000	-1,577,601	-1,607,604	-1,680,986	-1,719,323	-1,784,371	-1,831,517
Site 25	Bungalows 12	South	50,000	300,000	1,012,216	984,803	864,262	829,235	716,308	673,666

Varied Developers' Return										
15% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	South	25,000	275,000	353,037	336,712	293,752	271,640	231,268	202,733
Site 2	Green 750	South	25,000	275,000	417,077	398,645	350,223	325,416	280,060	248,047
Site 3	Green 150	South	25,000	275,000	487,972	460,830	392,657	357,975	296,685	253,831
Site 4	Green 75	South	25,000	275,000	559,136	525,305	441,587	398,358	324,038	270,878
Site 5	Green 35	South	25,000	275,000	433,039	401,915	322,557	282,788	212,076	162,610
Site 6	Green 20	South	50,000	300,000	443,970	411,386	330,992	288,505	215,094	162,381
Site 7	Green 12	South	50,000	300,000	608,525	575,736	494,481	451,370	378,198	325,715
Site 8	Green 9	South	50,000	300,000	1,668,682	1,629,424	1,486,752	1,436,589	1,304,822	1,243,753
Site 9	Green 6	South	50,000	300,000	1,532,117	1,491,632	1,365,896	1,314,165	1,198,216	1,133,414
Site 10	Green 3	South	50,000	300,000	1,502,567	1,502,567	1,343,358	1,343,358	1,184,149	1,184,149
Site 11	Green Plot	South	50,000	300,000	1,700,363	1,700,363	1,514,526	1,514,526	1,328,689	1,328,689
Site 12	Urban 300	South	100,000	120,000	122,244	93,167	24,063	-16,891	-84,444	-137,596
Site 13	Urban 40	South	100,000	120,000	-37,961	-82,405	-184,127	-241,500	-333,659	-405,952
Site 14	Urban 25	South	100,000	120,000	-25,018	-61,940	-151,048	-198,226	-278,045	-337,804
Site 15	Urban 25 HD	South	250,000	300,000	-933,275	-968,214	-1,026,808	-1,071,453	-1,120,341	-1,175,125
Site 16	Urban 15	South	250,000	300,000	-34,605	-82,975	-186,233	-248,040	-339,038	-416,555
Site 17	Urban 15 HD	South	250,000	300,000	-744,777	-795,783	-886,889	-952,062	-1,029,000	-1,108,342
Site 18	Urban 10	South	250,000	300,000	168,740	130,186	36,727	-12,537	-95,287	-155,260
Site 19	Urban 8	South	250,000	300,000	193,964	118,610	8,854	-87,431	-176,256	-293,473
Site 20	Urban 8 HD	South	250,000	300,000	-401,250	-443,522	-511,781	-565,796	-622,312	-688,069
Site 21	Urban 5	South	250,000	300,000	292,618	292,618	154,135	154,135	15,652	15,652
Site 22	Urban 3	South	250,000	300,000	444,459	444,459	251,326	251,326	58,193	58,193
Site 23	Urban Plot	South	250,000	300,000	476,286	476,286	268,740	268,740	61,194	61,194
Site 24	PRS 25	South	250,000	300,000	-1,590,550	-1,635,555	-1,688,191	-1,745,697	-1,785,833	-1,856,807
Site 25	Bungalows 12	South	50,000	300,000	914,850	873,731	775,116	722,575	635,381	571,419

Source: HDH (December 2019)

Table 10.6b Varied Developer's Return -SOUTH (£/ha)

Varied Developers' Return										
20% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	South	25,000	275,000	314,111	291,806	258,022	227,916	198,899	160,136
Site 2	Green 750	South	25,000	275,000	373,687	348,399	310,440	276,665	244,050	200,860
Site 3	Green 150	South	25,000	275,000	429,972	393,783	340,264	294,022	250,135	192,996
Site 4	Green 75	South	25,000	275,000	490,978	445,869	380,344	322,704	269,709	199,022
Site 5	Green 35	South	25,000	275,000	373,584	332,086	269,601	216,576	165,140	97,998
Site 6	Green 20	South	50,000	300,000	383,132	339,687	275,584	218,462	165,676	94,766
Site 7	Green 12	South	50,000	300,000	545,878	501,317	436,859	379,378	327,416	256,231
Site 8	Green 9	South	50,000	300,000	1,546,812	1,494,467	1,375,583	1,308,699	1,204,355	1,122,931
Site 9	Green 6	South	50,000	300,000	1,418,956	1,364,976	1,262,512	1,191,901	1,101,897	1,015,494
Site 10	Green 3	South	50,000	300,000	1,502,567	1,502,567	1,343,358	1,343,358	1,184,149	1,184,149
Site 11	Green Plot	South	50,000	300,000	1,700,363	1,700,363	1,514,526	1,514,526	1,328,689	1,328,689
Site 12	Urban 300	South	100,000	120,000	76,071	35,935	-19,042	-75,804	-122,598	-195,615
Site 13	Urban 40	South	100,000	120,000	-105,046	-164,305	-242,615	-320,035	-384,709	-481,100
Site 14	Urban 25	South	100,000	120,000	-80,845	-130,074	-199,462	-262,977	-320,374	-399,839
Site 15	Urban 25 HD	South	250,000	300,000	-962,696	-1,009,283	-1,050,728	-1,110,255	-1,138,759	-1,211,651
Site 16	Urban 15	South	250,000	300,000	-105,681	-170,175	-248,391	-331,843	-393,966	-497,323
Site 17	Urban 15 HD	South	250,000	300,000	-829,396	-897,404	-963,148	-1,050,046	-1,096,900	-1,202,689
Site 18	Urban 10	South	250,000	300,000	108,668	57,262	-15,580	-81,265	-139,828	-219,792
Site 19	Urban 8	South	250,000	300,000	88,133	-12,339	-86,088	-214,469	-260,309	-418,154
Site 20	Urban 8 HD	South	250,000	300,000	-472,268	-528,631	-576,297	-648,317	-680,327	-768,002
Site 21	Urban 5	South	250,000	300,000	292,618	292,618	154,135	154,135	15,652	15,652
Site 22	Urban 3	South	250,000	300,000	444,459	444,459	251,326	251,326	58,193	58,193
Site 23	Urban Plot	South	250,000	300,000	476,286	476,286	268,740	268,740	61,194	61,194
Site 24	PRS 25	South	250,000	300,000	-1,603,499	-1,663,505	-1,695,397	-1,772,071	-1,787,354	-1,882,097
Site 25	Bungalows 12	South	50,000	300,000	817,484	762,659	685,969	615,915	554,455	467,674
Varied Developers' Return										
25% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	South	25,000	275,000	275,185	246,755	222,292	183,967	166,530	117,225
Site 2	Green 750	South	25,000	275,000	330,297	298,154	270,656	227,660	208,040	153,005
Site 3	Green 150	South	25,000	275,000	371,973	326,736	287,871	230,068	203,585	132,160
Site 4	Green 75	South	25,000	275,000	422,820	366,433	319,100	247,051	215,380	127,167
Site 5	Green 35	South	25,000	275,000	314,130	262,257	216,646	149,443	117,337	32,336
Site 6	Green 20	South	50,000	300,000	322,295	266,518	219,822	147,576	115,788	27,151
Site 7	Green 12	South	50,000	300,000	481,840	425,608	379,237	307,161	275,804	186,609
Site 8	Green 9	South	50,000	300,000	1,424,941	1,359,511	1,264,415	1,180,809	1,103,888	1,002,108
Site 9	Green 6	South	50,000	300,000	1,305,794	1,237,981	1,156,495	1,067,777	1,005,578	897,574
Site 10	Green 3	South	50,000	300,000	1,502,567	1,502,567	1,343,358	1,343,358	1,184,149	1,184,149
Site 11	Green Plot	South	50,000	300,000	1,700,363	1,700,363	1,514,526	1,514,526	1,328,689	1,328,689
Site 12	Urban 300	South	100,000	120,000	28,901	-23,243	-63,377	-134,717	-161,574	-253,650
Site 13	Urban 40	South	100,000	120,000	-172,132	-246,205	-301,794	-399,870	-435,759	-556,248
Site 14	Urban 25	South	100,000	120,000	-136,672	-198,209	-248,138	-329,144	-362,702	-461,874
Site 15	Urban 25 HD	South	250,000	300,000	-992,118	-1,050,351	-1,074,648	-1,149,056	-1,157,177	-1,248,513
Site 16	Urban 15	South	250,000	300,000	-176,758	-257,375	-311,061	-417,186	-448,894	-578,090
Site 17	Urban 15 HD	South	250,000	300,000	-914,016	-999,025	-1,039,408	-1,148,031	-1,164,800	-1,297,036
Site 18	Urban 10	South	250,000	300,000	48,595	-15,662	-67,887	-149,993	-184,370	-285,414
Site 19	Urban 8	South	250,000	300,000	-17,699	-143,289	-181,031	-341,507	-344,363	-545,002
Site 20	Urban 8 HD	South	250,000	300,000	-543,287	-613,740	-640,814	-730,838	-738,341	-847,936
Site 21	Urban 5	South	250,000	300,000	292,618	292,618	154,135	154,135	15,652	15,652
Site 22	Urban 3	South	250,000	300,000	444,459	444,459	251,326	251,326	58,193	58,193
Site 23	Urban Plot	South	250,000	300,000	476,286	476,286	268,740	268,740	61,194	61,194
Site 24	PRS 25	South	250,000	300,000	-1,616,447	-1,691,455	-1,702,602	-1,798,793	-1,788,958	-1,907,387
Site 25	Bungalows 12	South	50,000	300,000	720,118	651,587	596,823	508,920	472,157	362,463

Source: HDH (December 2019)

Table 10.6c Varied Developer's Return - NORTH (£/ha)

Varied Developers' Return										
10% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	North	25,000	275,000	143,900	132,267	82,960	66,978	17,765	-3,107
Site 2	Green 750	North	25,000	275,000	185,259	172,207	117,071	99,142	44,379	21,242
Site 3	Green 150	North	25,000	275,000	170,522	153,063	79,898	57,590	-13,815	-42,738
Site 4	Green 75	North	25,000	275,000	183,817	162,055	71,514	42,674	-45,417	-81,457
Site 5	Green 35	North	25,000	275,000	86,970	65,938	-23,499	-50,373	-133,968	-167,173
Site 6	Green 20	North	50,000	300,000	88,318	66,300	-24,647	-52,781	-137,612	-171,862
Site 7	Green 12	North	50,000	300,000	257,695	235,538	144,700	116,389	31,705	-2,761
Site 8	Green 9	North	50,000	300,000	1,200,458	1,175,168	1,025,338	993,023	850,218	810,227
Site 9	Green 6	North	50,000	300,000	1,100,876	1,074,040	936,239	901,948	771,603	729,460
Site 10	Green 3	North	50,000	300,000	1,022,307	1,022,307	875,159	875,159	727,572	727,572
Site 11	Green Plot	North	50,000	300,000	1,149,610	1,149,610	980,668	980,668	811,725	811,725
Site 12	Urban 300	North	100,000	120,000	-204,982	-227,887	-318,196	-349,219	-439,860	-479,894
Site 13	Urban 40	North	100,000	120,000	-507,804	-537,340	-651,477	-689,775	-797,853	-845,186
Site 14	Urban 25	North	100,000	120,000	-428,528	-453,065	-552,409	-583,761	-676,289	-715,006
Site 15	Urban 25 HD	North	250,000	300,000	-479,883	-503,692	-589,651	-620,074	-699,493	-737,581
Site 16	Urban 15	North	250,000	300,000	-511,045	-543,190	-660,087	-701,161	-809,130	-859,133
Site 17	Urban 15 HD	North	250,000	300,000	-1,166,775	-1,199,593	-1,302,199	-1,344,132	-1,437,872	-1,489,687
Site 18	Urban 10	North	250,000	300,000	-237,598	-262,634	-366,775	-399,513	-496,537	-536,392
Site 19	Urban 8	North	250,000	300,000	-365,936	-416,013	-547,889	-611,876	-729,841	-807,738
Site 20	Urban 8 HD	North	250,000	300,000	-725,111	-752,310	-830,441	-865,194	-935,770	-978,079
Site 21	Urban 5	North	250,000	300,000	-160,243	-160,243	-286,279	-286,279	-414,837	-414,837
Site 22	Urban 3	North	250,000	300,000	-189,351	-189,351	-364,255	-364,255	-543,547	-543,547
Site 23	Urban Plot	North	250,000	300,000	-192,879	-192,879	-381,090	-381,090	-573,762	-573,762
Site 24	PRS 25	North	250,000	300,000	-1,577,601	-1,607,604	-1,680,986	-1,719,323	-1,784,371	-1,831,517
Site 25	Bungalows 12	North	50,000	300,000	499,909	472,785	363,201	328,544	224,799	181,776

Varied Developers' Return										
15% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	North	25,000	275,000	115,702	98,003	57,587	33,614	-4,758	-37,218
Site 2	Green 750	North	25,000	275,000	153,766	133,910	88,737	61,843	19,580	-16,158
Site 3	Green 150	North	25,000	275,000	129,517	103,329	43,928	9,325	-46,036	-89,422
Site 4	Green 75	North	25,000	275,000	135,667	103,024	27,844	-15,921	-82,910	-136,695
Site 5	Green 35	North	25,000	275,000	43,780	12,232	-60,552	-100,863	-164,883	-214,720
Site 6	Green 20	North	50,000	300,000	43,842	10,814	-62,847	-105,049	-169,536	-221,209
Site 7	Green 12	North	50,000	300,000	211,127	177,892	104,410	61,943	-2,307	-54,006
Site 8	Green 9	North	50,000	300,000	1,106,363	1,068,428	940,972	892,500	773,907	713,187
Site 9	Green 6	North	50,000	300,000	1,010,002	969,747	854,511	803,075	698,017	634,165
Site 10	Green 3	North	50,000	300,000	1,022,307	1,022,307	875,159	875,159	727,572	727,572
Site 11	Green Plot	North	50,000	300,000	1,149,610	1,149,610	980,668	980,668	811,725	811,725
Site 12	Urban 300	North	100,000	120,000	-239,890	-274,248	-348,477	-396,170	-465,280	-525,331
Site 13	Urban 40	North	100,000	120,000	-552,392	-596,696	-688,084	-745,237	-826,622	-897,621
Site 14	Urban 25	North	100,000	120,000	-464,886	-501,691	-581,884	-628,913	-698,882	-756,727
Site 15	Urban 25 HD	North	250,000	300,000	-527,211	-562,925	-630,880	-676,515	-735,230	-792,103
Site 16	Urban 15	North	250,000	300,000	-559,517	-607,735	-700,279	-761,891	-841,042	-916,222
Site 17	Urban 15 HD	North	250,000	300,000	-1,229,925	-1,279,151	-1,357,825	-1,420,783	-1,486,758	-1,564,481
Site 18	Urban 10	North	250,000	300,000	-277,158	-315,590	-399,711	-448,818	-522,263	-582,046
Site 19	Urban 8	North	250,000	300,000	-446,463	-521,578	-618,307	-714,288	-790,151	-906,997
Site 20	Urban 8 HD	North	250,000	300,000	-779,728	-820,525	-879,206	-931,336	-978,683	-1,042,146
Site 21	Urban 5	North	250,000	300,000	-160,243	-160,243	-286,279	-286,279	-414,837	-414,837
Site 22	Urban 3	North	250,000	300,000	-189,351	-189,351	-364,255	-364,255	-543,547	-543,547
Site 23	Urban Plot	North	250,000	300,000	-192,879	-192,879	-381,090	-381,090	-573,762	-573,762
Site 24	PRS 25	North	250,000	300,000	-1,590,550	-1,635,555	-1,688,191	-1,745,697	-1,785,833	-1,856,807
Site 25	Bungalows 12	North	50,000	300,000	422,823	382,138	293,340	240,329	161,683	97,148

Source: HDH (December 2019)

Table 10.6d Varied Developer's Return - NORTH (£/ha)

Varied Developers' Return										
20% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	North	25,000	275,000	87,337	63,738	32,214	155	-28,050	-72,199
Site 2	Green 750	North	25,000	275,000	122,088	95,612	60,403	24,544	-5,764	-54,537
Site 3	Green 150	North	25,000	275,000	88,513	53,595	6,695	-40,120	-78,258	-136,106
Site 4	Green 75	North	25,000	275,000	87,426	42,408	-16,163	-74,517	-120,402	-191,933
Site 5	Green 35	North	25,000	275,000	590	-41,474	-97,604	-151,353	-195,799	-263,482
Site 6	Green 20	North	50,000	300,000	-635	-44,671	-101,048	-157,317	-201,461	-271,811
Site 7	Green 12	North	50,000	300,000	164,559	120,246	64,120	7,497	-36,320	-105,252
Site 8	Green 9	North	50,000	300,000	1,012,268	961,688	856,606	790,777	697,107	616,146
Site 9	Green 6	North	50,000	300,000	919,127	865,455	772,784	703,300	624,005	538,870
Site 10	Green 3	North	50,000	300,000	1,022,307	1,022,307	875,159	875,159	727,572	727,572
Site 11	Green Plot	North	50,000	300,000	1,149,610	1,149,610	980,668	980,668	811,725	811,725
Site 12	Urban 300	North	100,000	120,000	-274,798	-322,155	-379,229	-444,999	-490,700	-570,768
Site 13	Urban 40	North	100,000	120,000	-596,980	-656,052	-724,690	-801,582	-855,391	-950,056
Site 14	Urban 25	North	100,000	120,000	-501,244	-550,317	-611,360	-674,064	-721,475	-799,169
Site 15	Urban 25 HD	North	250,000	300,000	-574,538	-622,157	-672,110	-733,691	-770,967	-846,624
Site 16	Urban 15	North	250,000	300,000	-607,990	-672,280	-740,472	-822,620	-872,954	-974,130
Site 17	Urban 15 HD	North	250,000	300,000	-1,293,075	-1,358,709	-1,413,462	-1,498,587	-1,535,644	-1,639,275
Site 18	Urban 10	North	250,000	300,000	-317,303	-368,545	-432,646	-498,123	-547,990	-627,701
Site 19	Urban 8	North	250,000	300,000	-526,990	-627,144	-688,725	-816,699	-850,461	-1,006,255
Site 20	Urban 8 HD	North	250,000	300,000	-834,344	-888,741	-927,970	-997,477	-1,021,596	-1,106,214
Site 21	Urban 5	North	250,000	300,000	-160,243	-160,243	-286,279	-286,279	-414,837	-414,837
Site 22	Urban 3	North	250,000	300,000	-189,351	-189,351	-364,255	-364,255	-543,547	-543,547
Site 23	Urban Plot	North	250,000	300,000	-192,879	-192,879	-381,090	-381,090	-573,762	-573,762
Site 24	PRS 25	North	250,000	300,000	-1,603,499	-1,663,505	-1,695,397	-1,772,071	-1,787,354	-1,882,097
Site 25	Bungalows 12	North	50,000	300,000	345,737	291,076	222,480	151,798	98,568	12,520

Varied Developers' Return										
25% Affordable Housing			EUV	BLV	Residual Value					
	% Market Housing				**15.0%**	**15.0%**	**17.5%**	**17.5%**	**20.0%**	**20.0%**
	% Affordable Housing				**6.0%**	**15.0%**	**6.0%**	**17.5%**	**6.0%**	**20.0%**
Site 1	Green 2,000	North	25,000	275,000	58,973	29,353	6,841	-35,963	-51,341	-107,650
Site 2	Green 750	North	25,000	275,000	90,409	57,315	32,069	-14,471	-31,785	-94,252
Site 3	Green 150	North	25,000	275,000	47,508	2,395	-31,047	-89,566	-110,480	-183,101
Site 4	Green 75	North	25,000	275,000	37,554	-19,532	-60,170	-133,113	-157,894	-248,430
Site 5	Green 35	North	25,000	275,000	-42,600	-95,180	-134,657	-201,896	-227,520	-312,245
Site 6	Green 20	North	50,000	300,000	-45,111	-100,157	-139,248	-209,678	-234,198	-322,413
Site 7	Green 12	North	50,000	300,000	117,992	62,600	23,829	-46,949	-70,333	-156,498
Site 8	Green 9	North	50,000	300,000	918,173	854,948	770,469	687,340	620,306	519,105
Site 9	Green 6	North	50,000	300,000	828,253	761,163	689,895	602,478	549,994	443,574
Site 10	Green 3	North	50,000	300,000	1,022,307	1,022,307	875,159	875,159	727,572	727,572
Site 11	Green Plot	North	50,000	300,000	1,149,610	1,149,610	980,668	980,668	811,725	811,725
Site 12	Urban 300	North	100,000	120,000	-310,450	-371,452	-411,616	-493,829	-516,120	-616,205
Site 13	Urban 40	North	100,000	120,000	-641,568	-715,407	-761,726	-858,014	-884,159	-1,002,492
Site 14	Urban 25	North	100,000	120,000	-537,602	-598,943	-640,835	-719,216	-744,247	-841,611
Site 15	Urban 25 HD	North	250,000	300,000	-621,866	-681,429	-713,858	-791,057	-806,704	-901,145
Site 16	Urban 15	North	250,000	300,000	-656,462	-736,824	-780,664	-883,349	-905,155	-1,032,038
Site 17	Urban 15 HD	North	250,000	300,000	-1,356,224	-1,438,713	-1,469,984	-1,576,390	-1,584,530	-1,714,068
Site 18	Urban 10	North	250,000	300,000	-357,447	-421,501	-465,582	-547,428	-573,717	-673,355
Site 19	Urban 8	North	250,000	300,000	-607,517	-732,709	-759,144	-919,111	-910,771	-1,105,514
Site 20	Urban 8 HD	North	250,000	300,000	-888,960	-956,956	-976,735	-1,063,619	-1,064,509	-1,171,116
Site 21	Urban 5	North	250,000	300,000	-160,243	-160,243	-286,279	-286,279	-414,837	-414,837
Site 22	Urban 3	North	250,000	300,000	-189,351	-189,351	-364,255	-364,255	-543,547	-543,547
Site 23	Urban Plot	North	250,000	300,000	-192,879	-192,879	-381,090	-381,090	-573,762	-573,762
Site 24	PRS 25	North	250,000	300,000	-1,616,447	-1,691,455	-1,702,602	-1,798,793	-1,788,958	-1,907,387
Site 25	Bungalows 12	North	50,000	300,000	267,787	198,642	151,620	63,268	35,452	-72,107

Source: HDH (December 2019)

10.37 It is accepted that using different assumptions in this regard has an impact on the Residual Value. It is notable that if the 20% assumption is used on both market and Affordable Housing, at 20% Affordable Housing little development is viable. This does not represent what is happening on the ground, as development is coming forward.

Other Policy Requirements

10.38 The Council is at an early stage of the plan-making process. We have been asked to test the impact of higher building standards on development viability.

10.39 In the following tables we have set out the results of appraisals that are based on the base assumptions above, but with the additional costs of building to Option 1 and Option 2 as set out in the Government's consultation on 'The Future Homes Standard'. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. At this stage a policy has not been drafted but is likely to include provisions to encourage reduced energy usage.

10.40 The Council is investigating seeking additional standards around accessible and adaptable standards. The Council has not developed a policy in this regard as it will be informed by the new SHMA. As part of the study we have assessed what the impact would be of requiring:

- All new homes to be designed to be accessible and adaptable dwellings;
- 10% of housing to be wheelchair adaptable dwellings.

10.41 It is important to note that the Council is not proposing this requirement at this stage.

Table 10.7a Varied Developer's Return - SOUTH (£/ha)

Impact of Higher Construction Requirments

10% Affordable Housing			EUV	BLV	Residual Value Base	Zero Carbon Option 1	Zero Carbon Option 2	Accessible and Adaptable Cat 2	Accessible and Adaptable Cat 2+ 10% Cat 3	Combined Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	South	25,000	275,000	314,740	269,414	258,278	306,978	291,602	234,579
Site 2	Green 750	South	25,000	275,000	373,469	323,773	311,557	364,958	348,101	285,560
Site 3	Green 150	South	25,000	275,000	421,929	352,909	336,345	410,104	386,681	301,097
Site 4	Green 75	South	25,000	275,000	474,011	392,230	372,602	459,991	432,220	330,811
Site 5	Green 35	South	25,000	275,000	349,000	271,553	252,965	335,755	309,519	213,484
Site 6	Green 20	South	50,000	300,000	357,427	277,747	258,355	343,969	317,270	217,078
Site 7	Green 12	South	50,000	300,000	523,363	443,533	424,374	509,618	482,391	383,402
Site 8	Green 9	South	50,000	300,000	1,564,478	1,457,032	1,431,245	1,545,978	1,509,332	1,376,099
Site 9	Green 6	South	50,000	300,000	1,434,793	1,335,835	1,312,085	1,417,753	1,384,003	1,261,295
Site 10	Green 3	South	50,000	300,000	1,343,358	1,260,102	1,240,121	1,329,022	1,300,627	1,197,390
Site 11	Green Plot	South	50,000	300,000	1,514,526	1,418,910	1,395,962	1,498,063	1,465,452	1,346,888
Site 12	Urban 300	South	100,000	120,000	39,762	-41,510	-61,558	26,592	-671	-104,252
Site 13	Urban 40	South	100,000	120,000	-164,099	-281,100	-309,635	-184,128	-223,800	-371,061
Site 14	Urban 25	South	100,000	120,000	-134,086	-233,837	-257,906	-151,196	-185,088	-310,381
Site 15	Urban 25 HD	South	250,000	300,000	-1,032,652	-1,136,532	-1,161,464	-1,047,223	-1,076,087	-1,204,899
Site 16	Urban 15	South	250,000	300,000	-165,281	-284,480	-313,237	-185,805	-226,459	-376,183
Site 17	Urban 15 HD	South	250,000	300,000	-854,078	-978,751	-1,008,673	-871,566	-906,207	-1,060,802
Site 18	Urban 10	South	250,000	300,000	56,192	-46,050	-70,588	38,587	3,717	-123,063
Site 19	Urban 8	South	250,000	300,000	39,606	-109,335	-145,081	13,961	-36,837	-221,524
Site 20	Urban 8 HD	South	250,000	300,000	-483,274	-580,887	-604,314	-496,967	-524,089	-645,129
Site 21	Urban 5	South	250,000	300,000	154,135	60,448	37,964	138,003	106,051	-10,120
Site 22	Urban 3	South	250,000	300,000	251,326	120,310	88,866	228,767	184,083	21,623
Site 23	Urban Plot	South	250,000	300,000	268,740	130,213	96,967	244,888	197,642	25,869
Site 24	PRS 25	South	250,000	300,000	-1,719,323	-1,841,776	-1,871,453	-1,736,497	-1,770,514	-1,923,156
Site 25	Bungalows 12	South	50,000	300,000	829,235	737,055	714,932	815,032	786,900	672,597

Impact of Higher Construction Requirments

15% Affordable Housing			EUV	BLV	Residual Value Base	Zero Carbon Option 1	Zero Carbon Option 2	Accessible and Adaptable Cat 2	Accessible and Adaptable Cat 2+ 10% Cat 3	Combined Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	South	25,000	275,000	271,640	226,086	258,278	263,981	248,484	191,718
Site 2	Green 750	South	25,000	275,000	325,416	275,452	311,557	317,020	300,022	237,751
Site 3	Green 150	South	25,000	275,000	357,975	289,896	336,345	346,311	323,208	238,789
Site 4	Green 75	South	25,000	275,000	398,358	317,656	372,602	384,523	357,119	257,049
Site 5	Green 35	South	25,000	275,000	282,788	206,468	252,965	269,735	243,881	148,291
Site 6	Green 20	South	50,000	300,000	288,505	208,808	258,355	274,846	247,791	148,133
Site 7	Green 12	South	50,000	300,000	451,370	372,612	424,374	437,809	410,948	313,180
Site 8	Green 9	South	50,000	300,000	1,436,589	1,331,382	1,431,245	1,418,474	1,382,592	1,252,136
Site 9	Green 6	South	50,000	300,000	1,314,165	1,215,898	1,312,085	1,297,410	1,264,223	1,140,479
Site 10	Green 3	South	50,000	300,000	1,343,358	1,260,102	1,240,121	1,329,022	1,300,627	1,197,390
Site 11	Green Plot	South	50,000	300,000	1,514,526	1,418,910	1,395,962	1,498,063	1,465,452	1,346,888
Site 12	Urban 300	South	100,000	120,000	-16,891	-99,334	-61,558	-31,027	-59,027	-161,276
Site 13	Urban 40	South	100,000	120,000	-241,500	-359,017	-309,635	-261,268	-300,828	-448,161
Site 14	Urban 25	South	100,000	120,000	-198,226	-297,962	-257,906	-215,089	-248,527	-373,956
Site 15	Urban 25 HD	South	250,000	300,000	-1,071,453	-1,174,489	-1,161,464	-1,085,906	-1,114,535	-1,242,300
Site 16	Urban 15	South	250,000	300,000	-248,040	-367,789	-313,237	-268,338	-308,751	-459,148
Site 17	Urban 15 HD	South	250,000	300,000	-952,062	-1,076,350	-1,008,673	-969,497	-1,004,030	-1,158,147
Site 18	Urban 10	South	250,000	300,000	-12,537	-113,292	-70,588	-29,885	-64,249	-189,185
Site 19	Urban 8	South	250,000	300,000	-87,431	-236,373	-145,081	-113,077	-163,875	-348,562
Site 20	Urban 8 HD	South	250,000	300,000	-565,796	-663,409	-604,314	-579,488	-606,610	-727,650
Site 21	Urban 5	South	250,000	300,000	154,135	60,448	37,964	138,003	106,051	-10,120
Site 22	Urban 3	South	250,000	300,000	251,326	120,310	88,866	228,767	184,083	21,623
Site 23	Urban Plot	South	250,000	300,000	268,740	130,213	96,967	244,888	197,642	25,869
Site 24	PRS 25	South	250,000	300,000	-1,745,697	-1,868,085	-1,871,453	-1,762,790	-1,796,647	-1,949,082
Site 25	Bungalows 12	South	50,000	300,000	722,575	631,191	714,932	708,495	680,606	567,289

Source: HDH (December 2019)

Table 10.7b Varied Developer's Return - SOUTH (£/ha)

Impact of Higher Construction Requirments										
20% Affordable Housing			EUV	BLV	Residual Value					
					Base	**Zero Carbon**		**Accessible and Adaptable**		**Combined**
						Option 1	Option 2	Cat 2	Cat 2+ 10% Cat 3	Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	South	25,000	275,000	227,916	182,758	171,920	220,179	204,852	148,856
Site 2	Green 750	South	25,000	275,000	276,665	227,130	215,241	268,178	251,366	189,942
Site 3	Green 150	South	25,000	275,000	294,022	226,882	210,769	282,519	259,734	176,481
Site 4	Green 75	South	25,000	275,000	322,704	243,083	223,974	309,054	282,017	183,286
Site 5	Green 35	South	25,000	275,000	216,576	140,202	121,632	203,716	178,131	81,656
Site 6	Green 20	South	50,000	300,000	218,462	138,856	119,622	204,993	178,057	78,680
Site 7	Green 12	South	50,000	300,000	379,378	301,355	282,343	366,001	339,506	241,685
Site 8	Green 9	South	50,000	300,000	1,308,699	1,205,733	1,181,021	1,290,970	1,255,852	1,128,174
Site 9	Green 6	South	50,000	300,000	1,191,901	1,093,474	1,069,852	1,174,953	1,141,384	1,019,335
Site 10	Green 3	South	50,000	300,000	1,343,358	1,260,102	1,240,121	1,329,022	1,300,627	1,197,390
Site 11	Green Plot	South	50,000	300,000	1,514,526	1,418,910	1,395,962	1,498,063	1,465,452	1,346,888
Site 12	Urban 300	South	100,000	120,000	-75,804	-157,188	-177,546	-89,753	-117,383	-220,898
Site 13	Urban 40	South	100,000	120,000	-320,035	-437,290	-465,431	-340,107	-379,866	-525,261
Site 14	Urban 25	South	100,000	120,000	-262,977	-362,649	-386,571	-280,074	-313,938	-437,532
Site 15	Urban 25 HD	South	250,000	300,000	-1,110,255	-1,212,446	-1,236,972	-1,124,589	-1,152,984	-1,279,701
Site 16	Urban 15	South	250,000	300,000	-331,843	-451,775	-480,559	-352,494	-393,398	-542,113
Site 17	Urban 15 HD	South	250,000	300,000	-1,050,046	-1,173,948	-1,203,684	-1,067,427	-1,101,853	-1,255,491
Site 18	Urban 10	South	250,000	300,000	-81,265	-180,533	-204,358	-98,358	-132,214	-255,307
Site 19	Urban 8	South	250,000	300,000	-214,469	-363,410	-399,939	-240,115	-290,912	-478,591
Site 20	Urban 8 HD	South	250,000	300,000	-648,317	-745,930	-769,357	-662,010	-689,132	-810,172
Site 21	Urban 5	South	250,000	300,000	154,135	60,448	37,964	138,003	106,051	-10,120
Site 22	Urban 3	South	250,000	300,000	251,326	120,310	88,866	228,767	184,083	21,623
Site 23	Urban Plot	South	250,000	300,000	268,740	130,213	96,967	244,888	197,642	25,869
Site 24	PRS 25	South	250,000	300,000	-1,772,071	-1,894,394	-1,923,792	-1,789,085	-1,823,120	-1,975,009
Site 25	Bungalows 12	South	50,000	300,000	615,915	525,326	503,085	601,958	574,311	460,275

Impact of Higher Construction Requirments										
25% Affordable Housing			EUV	BLV	Residual Value					
					Base	**Zero Carbon**		**Accessible and Adaptable**		**Combined**
						Option 1	Option 2	Cat 2	Cat 2+ 10% Cat 3	Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	South	25,000	275,000	183,967	139,430	128,741	176,336	161,220	105,912
Site 2	Green 750	South	25,000	275,000	227,660	178,808	167,084	219,290	202,710	142,134
Site 3	Green 150	South	25,000	275,000	230,068	163,869	147,981	218,726	196,261	114,173
Site 4	Green 75	South	25,000	275,000	247,051	168,509	149,659	233,586	206,915	109,524
Site 5	Green 35	South	25,000	275,000	149,443	72,520	53,868	136,409	110,591	14,251
Site 6	Green 20	South	50,000	300,000	147,576	68,558	49,594	134,033	107,209	9,227
Site 7	Green 12	South	50,000	300,000	307,161	229,036	210,286	293,709	267,064	170,189
Site 8	Green 9	South	50,000	300,000	1,180,809	1,080,083	1,055,909	1,163,466	1,129,112	1,004,212
Site 9	Green 6	South	50,000	300,000	1,067,777	971,050	947,836	1,051,122	1,018,133	898,191
Site 10	Green 3	South	50,000	300,000	1,343,358	1,260,102	1,240,121	1,329,022	1,300,627	1,197,390
Site 11	Green Plot	South	50,000	300,000	1,514,526	1,418,910	1,395,962	1,498,063	1,465,452	1,346,888
Site 12	Urban 300	South	100,000	120,000	-134,717	-217,664	-237,749	-148,479	-176,750	-280,520
Site 13	Urban 40	South	100,000	120,000	-399,870	-515,562	-543,328	-419,675	-458,904	-602,362
Site 14	Urban 25	South	100,000	120,000	-329,144	-427,337	-450,903	-345,987	-379,349	-501,107
Site 15	Urban 25 HD	South	250,000	300,000	-1,149,056	-1,250,403	-1,274,946	-1,163,273	-1,191,432	-1,317,783
Site 16	Urban 15	South	250,000	300,000	-417,186	-535,761	-564,219	-437,603	-478,044	-625,078
Site 17	Urban 15 HD	South	250,000	300,000	-1,148,031	-1,271,546	-1,301,190	-1,165,357	-1,199,676	-1,352,835
Site 18	Urban 10	South	250,000	300,000	-149,993	-247,775	-271,777	-166,830	-200,179	-323,413
Site 19	Urban 8	South	250,000	300,000	-341,507	-494,037	-530,816	-367,179	-419,444	-609,468
Site 20	Urban 8 HD	South	250,000	300,000	-730,838	-828,451	-851,878	-744,531	-771,653	-892,693
Site 21	Urban 5	South	250,000	300,000	154,135	60,448	37,964	138,003	106,051	-10,120
Site 22	Urban 3	South	250,000	300,000	251,326	120,310	88,866	228,767	184,083	21,623
Site 23	Urban Plot	South	250,000	300,000	268,740	130,213	96,967	244,888	197,642	25,869
Site 24	PRS 25	South	250,000	300,000	-1,798,793	-1,920,703	-1,949,961	-1,815,894	-1,849,767	-2,000,936
Site 25	Bungalows 12	South	50,000	300,000	508,920	416,523	394,348	494,684	466,486	351,914

Source: HDH (December 2019)

Table 10.7c Varied Developer's Return - NORTH (£/ha)

Impact of Higher Construction Requirments										
10% Affordable Housing			EUV	BLV	Residual Value					
					Base	**Zero Carbon**		**Accessible and Adaptable**		**Combined**
						Option 1	Option 2	Cat 2	Cat 2+ 10% Cat 3	Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	North	25,000	275,000	66,978	19,248	7,792	58,800	42,600	-18,060
Site 2	Green 750	North	25,000	275,000	99,142	46,733	34,155	90,162	72,375	7,270
Site 3	Green 150	North	25,000	275,000	57,590	-13,648	-31,029	45,764	21,787	-68,014
Site 4	Green 75	North	25,000	275,000	42,674	-43,136	-63,730	27,964	-1,175	-107,580
Site 5	Green 35	North	25,000	275,000	-50,373	-131,636	-151,139	-64,271	-91,799	-192,564
Site 6	Green 20	North	50,000	300,000	-52,781	-135,174	-154,948	-66,902	-94,872	-197,039
Site 7	Green 12	North	50,000	300,000	116,389	34,986	15,450	102,372	74,609	-26,330
Site 8	Green 9	North	50,000	300,000	993,023	885,577	859,790	974,522	937,877	803,812
Site 9	Green 6	North	50,000	300,000	901,948	800,122	775,684	884,415	849,686	722,898
Site 10	Green 3	North	50,000	300,000	875,159	790,263	769,888	860,541	831,587	726,315
Site 11	Green Plot	North	50,000	300,000	980,668	885,052	862,104	964,204	931,593	813,030
Site 12	Urban 300	North	100,000	120,000	-349,219	-443,687	-466,810	-364,882	-396,583	-516,053
Site 13	Urban 40	North	100,000	120,000	-689,775	-810,675	-839,945	-710,383	-751,201	-902,174
Site 14	Urban 25	North	100,000	120,000	-583,761	-686,393	-711,025	-601,365	-636,236	-763,500
Site 15	Urban 25 HD	North	250,000	300,000	-620,074	-722,838	-747,770	-634,462	-662,963	-791,205
Site 16	Urban 15	North	250,000	300,000	-701,161	-823,805	-853,239	-722,279	-764,108	-916,186
Site 17	Urban 15 HD	North	250,000	300,000	-1,344,132	-1,469,093	-1,499,360	-1,361,621	-1,396,262	-1,552,092
Site 18	Urban 10	North	250,000	300,000	-399,513	-504,710	-529,957	-417,627	-453,505	-583,949
Site 19	Urban 8	North	250,000	300,000	-611,876	-765,121	-801,900	-638,262	-690,528	-880,552
Site 20	Urban 8 HD	North	250,000	300,000	-865,194	-962,807	-986,235	-878,887	-906,009	-1,027,049
Site 21	Urban 5	North	250,000	300,000	-286,279	-382,673	-405,807	-302,876	-335,752	-455,281
Site 22	Urban 3	North	250,000	300,000	-364,255	-499,058	-531,411	-387,466	-433,442	-600,598
Site 23	Urban Plot	North	250,000	300,000	-381,090	-523,623	-557,831	-405,632	-454,244	-630,986
Site 24	PRS 25	North	250,000	300,000	-1,719,323	-1,841,776	-1,871,453	-1,736,497	-1,770,514	-1,923,156
Site 25	Bungalows 12	North	50,000	300,000	328,544	232,139	208,926	313,929	284,440	164,506

Impact of Higher Construction Requirments										
15% Affordable Housing			EUV	BLV	Residual Value					
					Base	**Zero Carbon**		**Accessible and Adaptable**		**Combined**
						Option 1	Option 2	Cat 2	Cat 2+ 10% Cat 3	Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	North	25,000	275,000	33,614	-14,685	7,792	25,545	9,563	-53,014
Site 2	Green 750	North	25,000	275,000	61,843	10,131	34,155	52,983	35,436	-31,791
Site 3	Green 150	North	25,000	275,000	9,325	-62,108	-31,029	-2,913	-27,155	-115,733
Site 4	Green 75	North	25,000	275,000	-15,921	-100,598	-63,730	-30,438	-59,192	-164,191
Site 5	Green 35	North	25,000	275,000	-100,863	-180,943	-151,139	-114,558	-141,686	-241,887
Site 6	Green 20	North	50,000	300,000	-105,049	-186,317	-154,948	-118,977	-146,565	-248,244
Site 7	Green 12	North	50,000	300,000	61,943	-18,367	15,450	48,115	20,724	-78,861
Site 8	Green 9	North	50,000	300,000	892,500	785,959	859,790	874,385	838,503	704,416
Site 9	Green 6	North	50,000	300,000	803,075	702,022	775,684	785,835	751,686	625,116
Site 10	Green 3	North	50,000	300,000	875,159	790,263	769,888	860,541	831,587	726,315
Site 11	Green Plot	North	50,000	300,000	980,668	885,052	862,104	964,204	931,593	813,030
Site 12	Urban 300	North	100,000	120,000	-396,170	-491,259	-466,810	-412,474	-444,770	-562,681
Site 13	Urban 40	North	100,000	120,000	-745,237	-865,524	-839,945	-765,756	-806,572	-955,835
Site 14	Urban 25	North	100,000	120,000	-628,913	-730,065	-711,025	-646,263	-680,631	-806,461
Site 15	Urban 25 HD	North	250,000	300,000	-676,515	-779,360	-747,770	-690,787	-719,406	-847,171
Site 16	Urban 15	North	250,000	300,000	-761,891	-883,178	-853,239	-782,775	-824,141	-975,116
Site 17	Urban 15 HD	North	250,000	300,000	-1,420,783	-1,546,506	-1,499,360	-1,438,419	-1,473,352	-1,629,248
Site 18	Urban 10	North	250,000	300,000	-448,818	-552,485	-529,957	-466,668	-502,025	-630,572
Site 19	Urban 8	North	250,000	300,000	-714,288	-867,533	-801,900	-740,674	-792,940	-982,964
Site 20	Urban 8 HD	North	250,000	300,000	-931,336	-1,028,949	-986,235	-945,029	-972,151	-1,093,191
Site 21	Urban 5	North	250,000	300,000	-286,279	-382,673	-405,807	-302,876	-335,752	-455,281
Site 22	Urban 3	North	250,000	300,000	-364,255	-499,058	-531,411	-387,466	-433,442	-600,598
Site 23	Urban Plot	North	250,000	300,000	-381,090	-523,623	-557,831	-405,632	-454,244	-630,986
Site 24	PRS 25	North	250,000	300,000	-1,745,697	-1,868,085	-1,871,453	-1,762,790	-1,796,647	-1,949,082
Site 25	Bungalows 12	North	50,000	300,000	240,329	144,443	208,926	225,555	196,292	77,394

Source: HDH (December 2019)

Table 10.7d Varied Developer's Return - NORTH (£/ha)

Impact of Higher Construction Requirments

20% Affordable Housing			EUV	BLV	Residual Value Base	Zero Carbon Option 1	Zero Carbon Option 2	Accessible and Adaptable Cat 2	Accessible and Adaptable Cat 2+ 10% Cat 3	Combined Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	North	25,000	275,000	155	-50,158	-62,245	-8,425	-25,518	-87,967
Site 2	Green 750	North	25,000	275,000	24,544	-29,363	-42,649	15,805	-2,276	-70,924
Site 3	Green 150	North	25,000	275,000	-40,120	-110,567	-127,475	-52,190	-76,097	-163,451
Site 4	Green 75	North	25,000	275,000	-74,517	-158,061	-178,111	-88,839	-117,209	-220,994
Site 5	Green 35	North	25,000	275,000	-151,353	-230,983	-250,465	-164,846	-191,573	-291,847
Site 6	Green 20	North	50,000	300,000	-157,317	-238,220	-258,010	-171,052	-198,258	-300,134
Site 7	Green 12	North	50,000	300,000	7,497	-71,721	-90,733	-6,143	-33,161	-131,391
Site 8	Green 9	North	50,000	300,000	790,777	684,827	659,399	772,534	736,399	605,020
Site 9	Green 6	North	50,000	300,000	703,300	602,933	578,846	686,018	651,787	527,333
Site 10	Green 3	North	50,000	300,000	875,159	790,263	769,888	860,541	831,587	726,315
Site 11	Green Plot	North	50,000	300,000	980,668	885,052	862,104	964,204	931,593	813,030
Site 12	Urban 300	North	100,000	120,000	-444,999	-538,832	-561,352	-461,088	-492,957	-609,309
Site 13	Urban 40	North	100,000	120,000	-801,582	-920,373	-948,882	-821,917	-862,197	-1,009,497
Site 14	Urban 25	North	100,000	120,000	-674,064	-773,982	-798,208	-691,161	-725,026	-849,819
Site 15	Urban 25 HD	North	250,000	300,000	-733,691	-835,882	-860,408	-748,025	-776,420	-903,137
Site 16	Urban 15	North	250,000	300,000	-822,620	-942,997	-972,149	-843,270	-884,174	-1,034,489
Site 17	Urban 15 HD	North	250,000	300,000	-1,498,587	-1,623,919	-1,653,999	-1,516,168	-1,550,992	-1,706,404
Site 18	Urban 10	North	250,000	300,000	-498,123	-600,261	-624,774	-515,710	-550,545	-677,195
Site 19	Urban 8	North	250,000	300,000	-816,699	-969,945	-1,006,723	-843,086	-895,352	-1,085,376
Site 20	Urban 8 HD	North	250,000	300,000	-997,477	-1,095,090	-1,118,517	-1,011,170	-1,038,292	-1,159,419
Site 21	Urban 5	North	250,000	300,000	-286,279	-382,673	-405,807	-302,876	-335,752	-455,281
Site 22	Urban 3	North	250,000	300,000	-364,255	-499,058	-531,411	-387,466	-433,442	-600,598
Site 23	Urban Plot	North	250,000	300,000	-381,090	-523,623	-557,831	-405,632	-454,244	-630,986
Site 24	PRS 25	North	250,000	300,000	-1,772,071	-1,894,394	-1,923,792	-1,789,085	-1,823,120	-1,975,009
Site 25	Bungalows 12	North	50,000	300,000	151,798	56,747	33,934	137,153	108,145	-9,719

Impact of Higher Construction Requirments

25% Affordable Housing			EUV	BLV	Residual Value Base	Zero Carbon Option 1	Zero Carbon Option 2	Accessible and Adaptable Cat 2	Accessible and Adaptable Cat 2+ 10% Cat 3	Combined Cat 2+ 10% Cat 3 + Option 2
Site 1	Green 2,000	North	25,000	275,000	-35,963	-85,632	-97,931	-44,473	-61,331	-124,262
Site 2	Green 750	North	25,000	275,000	-14,471	-69,069	-82,172	-23,826	-42,356	-110,930
Site 3	Green 150	North	25,000	275,000	-89,566	-159,027	-175,697	-101,467	-125,039	-212,165
Site 4	Green 75	North	25,000	275,000	-133,113	-215,714	-236,063	-147,241	-175,225	-279,391
Site 5	Green 35	North	25,000	275,000	-201,896	-281,855	-301,046	-215,571	-242,658	-341,807
Site 6	Green 20	North	50,000	300,000	-209,678	-290,979	-310,492	-223,612	-251,211	-352,025
Site 7	Green 12	North	50,000	300,000	-46,949	-125,074	-143,824	-60,401	-87,047	-183,922
Site 8	Green 9	North	50,000	300,000	687,340	583,694	558,819	669,494	634,144	505,624
Site 9	Green 6	North	50,000	300,000	602,478	503,845	480,174	585,495	551,855	429,551
Site 10	Green 3	North	50,000	300,000	875,159	790,263	769,888	860,541	831,587	726,315
Site 11	Green Plot	North	50,000	300,000	980,668	885,052	862,104	964,204	931,593	813,030
Site 12	Urban 300	North	100,000	120,000	-493,829	-586,404	-608,622	-509,702	-541,144	-655,937
Site 13	Urban 40	North	100,000	120,000	-858,014	-975,222	-1,003,351	-878,078	-917,821	-1,063,158
Site 14	Urban 25	North	100,000	120,000	-719,216	-818,466	-842,333	-736,079	-769,866	-893,178
Site 15	Urban 25 HD	North	250,000	300,000	-791,057	-892,404	-916,727	-805,273	-833,433	-959,103
Site 16	Urban 15	North	250,000	300,000	-883,349	-1,003,405	-1,032,226	-903,993	-944,951	-1,093,862
Site 17	Urban 15 HD	North	250,000	300,000	-1,576,390	-1,701,332	-1,731,319	-1,593,917	-1,628,632	-1,783,560
Site 18	Urban 10	North	250,000	300,000	-547,428	-648,036	-672,182	-564,751	-599,065	-723,819
Site 19	Urban 8	North	250,000	300,000	-919,111	-1,072,357	-1,109,135	-945,498	-997,764	-1,187,788
Site 20	Urban 8 HD	North	250,000	300,000	-1,063,619	-1,161,579	-1,185,273	-1,077,311	-1,104,433	-1,226,553
Site 21	Urban 5	North	250,000	300,000	-286,279	-382,673	-405,807	-302,876	-335,752	-455,281
Site 22	Urban 3	North	250,000	300,000	-364,255	-499,058	-531,411	-387,466	-433,442	-600,598
Site 23	Urban Plot	North	250,000	300,000	-381,090	-523,623	-557,831	-405,632	-454,244	-630,986
Site 24	PRS 25	North	250,000	300,000	-1,798,793	-1,920,703	-1,949,961	-1,815,894	-1,849,767	-2,000,936
Site 25	Bungalows 12	North	50,000	300,000	63,268	-30,949	-53,561	48,751	19,998	-96,831

Source: HDH (December 2019)

10.42 The above analysis shows that the additional costs on increased standards does have a detrimental impact on viability. At 20% Affordable Housing there would be limited scope to introduce higher standards, beyond the Accessible and Adaptable Category 2 Standard.

10.43 The consultation on the Future Homes Standard is being carried out on the basis that any changes would be introduced from 2025. Whilst it is prudent to consider their impact now, there is little scope to introduce the emerging requirements at this stage.

Affordable Housing v Developer Contributions

10.44 As set out earlier, the core balance in a viability assessment is between the provision of Affordable Housing and the payment of developer contributions towards strategic infrastructure and mitigation measures that are required to make development acceptable. A further set of appraisals has been run with varied levels of developer contributions tested against varied Affordable Housing targets.

10.45 In this analysis it is assumed that all housing is built to the Accessible and Adaptable Standard, Category 2.

Table 10.8a Affordable Housing v Varied Developer Contributions – SOUTH (£/ha)

10% Affordable Housing, 100% Cat 2, Varied Developer Contribution

			EUV	BLV	Residual Value						
		£/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**
Site 1	Green 2,000	South	25,000	275,000	335,087	264,680	192,706	120,733	46,719	-29,719	-110,203
Site 2	Green 750	South	25,000	275,000	395,797	318,548	239,539	160,530	79,487	-2,770	-91,072
Site 3	Green 150	South	25,000	275,000	453,020	345,730	238,441	131,151	23,382	-89,193	-201,768
Site 4	Green 75	South	25,000	275,000	511,078	383,360	255,643	127,925	-3,534	-137,544	-272,294
Site 5	Green 35	South	25,000	275,000	384,466	262,687	139,713	12,534	-115,244	-243,296	-374,766
Site 6	Green 20	South	50,000	300,000	393,009	269,008	141,900	13,260	-115,380	-244,141	-376,499
Site 7	Green 12	South	50,000	300,000	559,599	433,413	306,162	176,652	47,142	-82,369	-211,879
Site 8	Green 9	South	50,000	300,000	1,604,062	1,458,850	1,313,639	1,168,427	1,023,215	878,004	729,878
Site 9	Green 6	South	50,000	300,000	1,475,838	1,330,626	1,183,543	1,034,122	884,701	734,990	582,625
Site 10	Green 3	South	50,000	300,000	1,368,868	1,269,254	1,169,640	1,070,026	969,830	868,253	766,676
Site 11	Green Plot	South	50,000	300,000	1,539,247	1,436,285	1,333,323	1,230,361	1,127,398	1,024,436	921,474
Site 12	Urban 300	South	100,000	120,000	71,110	-44,924	-165,997	-292,198	-423,933	-563,539	-703,145
Site 13	Urban 40	South	100,000	120,000	-116,550	-285,493	-459,086	-632,907	-806,729	-982,294	-1,158,392
Site 14	Urban 25	South	100,000	120,000	-91,567	-240,641	-393,656	-547,037	-700,418	-853,799	-1,008,874
Site 15	Urban 25 HD	South	250,000	300,000	-958,459	-1,180,370	-1,402,975	-1,627,303	-1,851,631	-2,075,960	-2,300,288
Site 16	Urban 15	South	250,000	300,000	-115,276	-291,599	-472,545	-653,964	-835,382	-1,016,800	-1,200,170
Site 17	Urban 15 HD	South	250,000	300,000	-776,909	-1,013,553	-1,250,197	-1,486,842	-1,725,024	-1,964,401	-2,203,779
Site 18	Urban 10	South	250,000	300,000	103,508	-58,794	-221,096	-386,640	-553,633	-720,626	-887,620
Site 19	Urban 8	South	250,000	300,000	104,766	-122,246	-349,258	-581,832	-815,404	-1,048,975	-1,282,547
Site 20	Urban 8 HD	South	250,000	300,000	-423,311	-607,451	-791,592	-975,732	-1,159,872	-1,344,351	-1,530,589
Site 21	Urban 5	South	250,000	300,000	202,835	40,756	-121,323	-284,023	-450,787	-617,550	-784,314
Site 22	Urban 3	South	250,000	300,000	293,776	131,253	-31,269	-193,792	-356,315	-523,392	-690,612
Site 23	Urban Plot	South	250,000	300,000	306,665	152,221	-2,222	-156,665	-311,109	-468,377	-627,288
Site 24	PRS 25	South	250,000	300,000	-1,631,993	-1,893,792	-2,157,665	-2,421,539	-2,685,412	-2,949,285	-3,213,159
Site 25	Bungalows 12	South	50,000	300,000	863,436	742,426	621,417	499,815	375,297	249,564	122,593

15% Affordable Housing, 100% Cat 2, Varied Developer Contribution

			EUV	BLV	Residual Value						
		£/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**
Site 1	Green 2,000	South	25,000	275,000	292,090	220,837	148,864	75,762	1,699	-78,493	-160,935
Site 2	Green 750	South	25,000	275,000	347,859	269,660	190,651	110,635	29,287	-57,240	-147,270
Site 3	Green 150	South	25,000	275,000	389,227	281,938	174,648	67,359	-43,553	-156,128	-270,561
Site 4	Green 75	South	25,000	275,000	435,610	307,892	180,174	51,289	-82,720	-216,730	-353,945
Site 5	Green 35	South	25,000	275,000	318,447	196,668	71,041	-56,737	-184,516	-314,735	-446,204
Site 6	Green 20	South	50,000	300,000	325,123	199,154	70,670	-57,970	-186,610	-317,594	-449,951
Site 7	Green 12	South	50,000	300,000	488,612	361,605	232,939	103,429	-26,081	-155,592	-286,478
Site 8	Green 9	South	50,000	300,000	1,476,558	1,331,347	1,186,135	1,040,923	895,711	748,099	598,678
Site 9	Green 6	South	50,000	300,000	1,355,495	1,209,132	1,059,711	910,291	760,870	608,719	456,354
Site 10	Green 3	South	50,000	300,000	1,368,868	1,269,254	1,169,640	1,070,026	969,830	868,253	766,676
Site 11	Green Plot	South	50,000	300,000	1,539,247	1,436,285	1,333,323	1,230,361	1,127,398	1,024,436	921,474
Site 12	Urban 300	South	100,000	120,000	16,965	-103,650	-227,414	-356,361	-492,926	-632,532	-772,138
Site 13	Urban 40	South	100,000	120,000	-193,691	-364,832	-538,654	-712,475	-887,096	-1,063,194	-1,239,292
Site 14	Urban 25	South	100,000	120,000	-155,460	-306,189	-459,570	-612,951	-766,332	-920,594	-1,075,931
Site 15	Urban 25 HD	South	250,000	300,000	-997,142	-1,219,053	-1,442,384	-1,666,712	-1,891,041	-2,115,369	-2,339,698
Site 16	Urban 15	South	250,000	300,000	-197,808	-376,236	-557,654	-739,072	-920,491	-1,102,962	-1,286,696
Site 17	Urban 15 HD	South	250,000	300,000	-874,839	-1,111,483	-1,348,127	-1,585,108	-1,824,485	-2,063,862	-2,303,240
Site 18	Urban 10	South	250,000	300,000	35,036	-127,267	-290,276	-457,269	-624,263	-791,256	-958,249
Site 19	Urban 8	South	250,000	300,000	-22,272	-249,284	-479,138	-712,710	-946,281	-1,179,853	-1,413,425
Site 20	Urban 8 HD	South	250,000	300,000	-505,832	-689,972	-874,113	-1,058,253	-1,242,394	-1,428,110	-1,614,348
Site 21	Urban 5	South	250,000	300,000	202,835	40,756	-121,323	-284,023	-450,787	-617,550	-784,314
Site 22	Urban 3	South	250,000	300,000	293,776	131,253	-31,269	-193,792	-356,315	-523,392	-690,612
Site 23	Urban Plot	South	250,000	300,000	306,665	152,221	-2,222	-156,665	-311,109	-468,377	-627,288
Site 24	PRS 25	South	250,000	300,000	-1,658,287	-1,920,600	-2,184,474	-2,448,347	-2,712,221	-2,976,094	-3,239,967
Site 25	Bungalows 12	South	50,000	300,000	756,899	635,889	514,707	390,189	264,749	137,779	10,808

Source: HDH (December 2019)

Table 10.8b Affordable Housing v Varied Developer Contributions – SOUTH (£/ha)

20% Affordable Housing, 100% Cat 2, Varied Developer Contribution

			EUV	BLV	Residual Value						
		£/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**
Site 1	Green 2,000	South	25,000	275,000	248,968	176,994	104,805	30,768	-46,999	-128,353	-212,944
Site 2	Green 750	South	25,000	275,000	299,781	220,772	141,763	60,436	-23,408	-112,211	-204,523
Site 3	Green 150	South	25,000	275,000	325,435	218,145	110,856	2,087	-110,488	-223,769	-339,585
Site 4	Green 75	South	25,000	275,000	360,141	232,424	104,706	-27,897	-161,906	-297,719	-435,596
Site 5	Green 35	South	25,000	275,000	252,428	129,156	1,769	-126,009	-254,704	-386,174	-517,643
Site 6	Green 20	South	50,000	300,000	255,454	128,079	-561	-129,200	-258,690	-391,047	-523,404
Site 7	Green 12	South	50,000	300,000	416,804	289,226	159,716	30,206	-99,305	-228,815	-361,979
Site 8	Green 9	South	50,000	300,000	1,349,054	1,203,843	1,058,631	913,419	766,320	616,899	466,837
Site 9	Green 6	South	50,000	300,000	1,234,722	1,085,301	935,880	786,459	634,813	482,448	330,083
Site 10	Green 3	South	50,000	300,000	1,368,868	1,269,254	1,169,640	1,070,026	969,830	868,253	766,676
Site 11	Green Plot	South	50,000	300,000	1,539,247	1,436,285	1,333,323	1,230,361	1,127,398	1,024,436	921,474
Site 12	Urban 300	South	100,000	120,000	-41,337	-162,630	-288,831	-422,314	-561,920	-701,526	-841,132
Site 13	Urban 40	South	100,000	120,000	-270,832	-444,400	-618,222	-792,043	-967,996	-1,144,094	-1,320,192
Site 14	Urban 25	South	100,000	120,000	-219,352	-372,102	-525,483	-678,864	-832,314	-987,651	-1,142,988
Site 15	Urban 25 HD	South	250,000	300,000	-1,035,825	-1,257,736	-1,481,793	-1,706,122	-1,930,450	-2,154,779	-2,379,107
Site 16	Urban 15	South	250,000	300,000	-280,341	-461,345	-642,763	-824,181	-1,005,754	-1,189,489	-1,373,223
Site 17	Urban 15 HD	South	250,000	300,000	-972,769	-1,209,413	-1,446,057	-1,684,569	-1,923,946	-2,163,323	-2,402,701
Site 18	Urban 10	South	250,000	300,000	-33,437	-195,739	-360,906	-527,899	-694,892	-861,885	-1,028,879
Site 19	Urban 8	South	250,000	300,000	-149,310	-376,444	-610,016	-843,587	-1,077,159	-1,310,731	-1,546,086
Site 20	Urban 8 HD	South	250,000	300,000	-588,353	-772,494	-956,634	-1,140,774	-1,325,630	-1,511,869	-1,698,108
Site 21	Urban 5	South	250,000	300,000	202,835	40,756	-121,323	-284,023	-450,787	-617,550	-784,314
Site 22	Urban 3	South	250,000	300,000	293,776	131,253	-31,269	-193,792	-356,315	-523,392	-690,612
Site 23	Urban Plot	South	250,000	300,000	306,665	152,221	-2,222	-156,665	-311,109	-468,377	-627,288
Site 24	PRS 25	South	250,000	300,000	-1,684,580	-1,947,409	-2,211,282	-2,475,156	-2,739,029	-3,002,903	-3,266,776
Site 25	Bungalows 12	South	50,000	300,000	650,362	529,352	405,081	279,935	152,964	25,993	-100,978

25% Affordable Housing, 100% Cat 2, Varied Developer Contribution

			EUV	BLV	Residual Value						
		£/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**
Site 1	Green 2,000	South	25,000	275,000	205,125	133,152	59,811	-15,505	-95,773	-179,202	-267,599
Site 2	Green 750	South	25,000	275,000	250,893	171,884	91,584	10,208	-77,877	-168,946	-264,039
Site 3	Green 150	South	25,000	275,000	261,642	154,353	47,063	-64,848	-177,423	-292,792	-408,609
Site 4	Green 75	South	25,000	275,000	284,673	156,955	26,926	-107,083	-241,493	-379,370	-517,248
Site 5	Green 35	South	25,000	275,000	186,409	60,276	-67,502	-195,280	-326,143	-457,613	-589,082
Site 6	Green 20	South	50,000	300,000	185,489	56,849	-71,791	-200,431	-332,142	-464,500	-596,857
Site 7	Green 12	South	50,000	300,000	344,996	216,003	86,493	-43,017	-172,528	-304,226	-437,479
Site 8	Green 9	South	50,000	300,000	1,221,550	1,076,339	931,127	784,541	635,120	485,417	333,052
Site 9	Green 6	South	50,000	300,000	1,110,891	961,470	812,049	660,907	508,542	356,177	203,812
Site 10	Green 3	South	50,000	300,000	1,368,868	1,269,254	1,169,640	1,070,026	969,830	868,253	766,676
Site 11	Green Plot	South	50,000	300,000	1,539,247	1,436,285	1,333,323	1,230,361	1,127,398	1,024,436	921,474
Site 12	Urban 300	South	100,000	120,000	-100,064	-224,048	-353,634	-491,308	-630,914	-770,519	-910,125
Site 13	Urban 40	South	100,000	120,000	-350,146	-523,968	-697,789	-872,798	-1,048,896	-1,224,994	-1,401,092
Site 14	Urban 25	South	100,000	120,000	-284,635	-438,016	-591,397	-744,778	-899,371	-1,054,708	-1,210,045
Site 15	Urban 25 HD	South	250,000	300,000	-1,074,508	-1,296,875	-1,521,203	-1,745,531	-1,969,860	-2,194,188	-2,418,516
Site 16	Urban 15	South	250,000	300,000	-365,035	-546,454	-727,872	-909,290	-1,092,281	-1,276,015	-1,459,749
Site 17	Urban 15 HD	South	250,000	300,000	-1,070,699	-1,307,343	-1,544,652	-1,784,030	-2,023,407	-2,262,784	-2,502,162
Site 18	Urban 10	South	250,000	300,000	-101,909	-264,542	-431,535	-598,528	-765,522	-932,515	-1,100,399
Site 19	Urban 8	South	250,000	300,000	-276,348	-507,322	-740,893	-974,465	-1,208,036	-1,442,428	-1,678,927
Site 20	Urban 8 HD	South	250,000	300,000	-670,875	-855,015	-1,039,155	-1,223,296	-1,409,389	-1,595,628	-1,781,867
Site 21	Urban 5	South	250,000	300,000	202,835	40,756	-121,323	-284,023	-450,787	-617,550	-784,314
Site 22	Urban 3	South	250,000	300,000	293,776	131,253	-31,269	-193,792	-356,315	-523,392	-690,612
Site 23	Urban Plot	South	250,000	300,000	306,665	152,221	-2,222	-156,665	-311,109	-468,377	-627,288
Site 24	PRS 25	South	250,000	300,000	-1,710,873	-1,974,218	-2,238,091	-2,501,964	-2,765,838	-3,029,711	-3,293,584
Site 25	Bungalows 12	South	50,000	300,000	543,824	419,973	295,120	168,149	41,179	-85,792	-212,763

Source: HDH (December 2019)

Table 10.8c Affordable Housing v Varied Developer Contributions – NORTH (£/ha)

10% Affordable Housing, 100% Cat 2, Varied Developer Contribution											
			EUV	BLV	Residual Value						
		£/unit			£0	£5,000	£10,000	£15,000	£20,000	£25,000	£30,000
Site 1	Green 2,000	North	25,000	275,000	88,415	14,378	-64,759	-146,937	-232,751	-327,283	-438,777
Site 2	Green 750	North	25,000	275,000	122,701	41,353	-44,092	-133,869	-227,501	-327,995	-439,508
Site 3	Green 150	North	25,000	275,000	88,680	-21,181	-133,756	-247,930	-363,746	-479,563	-596,883
Site 4	Green 75	North	25,000	275,000	81,042	-52,442	-186,451	-323,227	-461,104	-598,982	-737,763
Site 5	Green 35	North	25,000	275,000	-13,160	-140,938	-270,279	-401,748	-533,218	-664,687	-797,006
Site 6	Green 20	North	50,000	300,000	-15,446	-144,086	-274,228	-406,585	-538,942	-671,299	-803,656
Site 7	Green 12	North	50,000	300,000	154,177	24,666	-104,844	-234,645	-367,899	-501,153	-634,407
Site 8	Green 9	North	50,000	300,000	1,032,607	887,395	739,542	590,121	439,532	287,167	134,802
Site 9	Green 6	North	50,000	300,000	944,184	794,763	643,280	490,915	338,550	186,185	33,820
Site 10	Green 3	North	50,000	300,000	901,172	799,595	698,019	596,442	494,865	393,288	291,712
Site 11	Green Plot	North	50,000	300,000	1,005,389	902,427	799,465	696,502	593,540	490,578	387,615
Site 12	Urban 300	North	100,000	120,000	-311,939	-447,624	-587,230	-726,836	-866,442	-1,006,048	-1,145,654
Site 13	Urban 40	North	100,000	120,000	-640,854	-815,254	-991,352	-1,167,450	-1,343,548	-1,520,112	-1,698,269
Site 14	Urban 25	North	100,000	120,000	-540,013	-693,394	-847,440	-1,002,778	-1,158,115	-1,313,452	-1,468,790
Site 15	Urban 25 HD	North	250,000	300,000	-546,816	-766,676	-988,586	-1,210,497	-1,432,407	-1,656,060	-1,880,389
Site 16	Urban 15	North	250,000	300,000	-649,712	-831,130	-1,013,335	-1,197,069	-1,380,804	-1,564,538	-1,748,272
Site 17	Urban 15 HD	North	250,000	300,000	-1,266,963	-1,504,297	-1,743,674	-1,983,052	-2,222,429	-2,461,807	-2,701,184
Site 18	Urban 10	North	250,000	300,000	-350,829	-517,822	-684,816	-851,809	-1,018,830	-1,187,879	-1,356,928
Site 19	Urban 8	North	250,000	300,000	-544,834	-778,405	-1,011,977	-1,245,548	-1,481,079	-1,717,577	-1,954,076
Site 20	Urban 8 HD	North	250,000	300,000	-805,231	-989,371	-1,173,512	-1,359,522	-1,545,761	-1,732,000	-1,918,238
Site 21	Urban 5	North	250,000	300,000	-236,330	-402,934	-569,698	-736,462	-904,860	-1,073,755	-1,242,650
Site 22	Urban 3	North	250,000	300,000	-320,933	-487,799	-655,019	-822,240	-989,460	-1,156,681	-1,323,901
Site 23	Urban Plot	North	250,000	300,000	-342,068	-500,978	-659,889	-818,799	-977,710	-1,136,620	-1,295,531
Site 24	PRS 25	North	250,000	300,000	-1,631,993	-1,893,792	-2,157,665	-2,421,539	-2,685,412	-2,949,285	-3,213,159
Site 25	Bungalows 12	North	50,000	300,000	363,736	237,775	110,804	-16,167	-143,138	-270,108	-400,678

15% Affordable Housing, 100% Cat 2, Varied Developer Contribution											
			EUV	BLV	Residual Value						
		£/unit			£0	£5,000	£10,000	£15,000	£20,000	£25,000	£30,000
Site 1	Green 2,000	North	25,000	275,000	55,160	-20,538	-101,128	-185,074	-274,165	-379,837	-491,522
Site 2	Green 750	North	25,000	275,000	85,522	3,871	-84,431	-175,897	-272,459	-380,502	-492,186
Site 3	Green 150	North	25,000	275,000	41,717	-70,458	-183,033	-298,762	-414,578	-531,201	-648,577
Site 4	Green 75	North	25,000	275,000	23,166	-110,843	-245,588	-383,465	-521,342	-659,336	-799,011
Site 5	Green 35	North	25,000	275,000	-63,447	-191,225	-322,160	-453,629	-585,099	-716,646	-849,793
Site 6	Green 20	North	50,000	300,000	-67,521	-196,161	-327,946	-460,303	-592,661	-725,018	-858,015
Site 7	Green 12	North	50,000	300,000	99,919	-29,592	-159,102	-290,607	-423,861	-557,115	-690,369
Site 8	Green 9	North	50,000	300,000	932,469	785,922	636,501	486,826	334,461	182,096	29,731
Site 9	Green 6	North	50,000	300,000	845,603	695,122	542,757	390,392	238,027	85,662	-66,703
Site 10	Green 3	North	50,000	300,000	901,172	799,595	698,019	596,442	494,865	393,288	291,712
Site 11	Green Plot	North	50,000	300,000	1,005,389	902,427	799,465	696,502	593,540	490,578	387,615
Site 12	Urban 300	North	100,000	120,000	-357,528	-496,238	-635,844	-775,450	-915,056	-1,054,662	-1,194,268
Site 13	Urban 40	North	100,000	120,000	-696,048	-871,415	-1,047,513	-1,223,611	-1,399,709	-1,577,359	-1,755,517
Site 14	Urban 25	North	100,000	120,000	-584,911	-738,292	-893,166	-1,048,504	-1,203,841	-1,359,178	-1,514,516
Site 15	Urban 25 HD	North	250,000	300,000	-603,140	-823,924	-1,045,834	-1,267,745	-1,489,985	-1,714,313	-1,938,642
Site 16	Urban 15	North	250,000	300,000	-710,207	-891,625	-1,074,879	-1,258,614	-1,442,348	-1,626,082	-1,809,817
Site 17	Urban 15 HD	North	250,000	300,000	-1,343,502	-1,582,046	-1,821,423	-2,060,800	-2,300,178	-2,539,555	-2,778,933
Site 18	Urban 10	North	250,000	300,000	-399,871	-566,864	-733,857	-900,851	-1,068,791	-1,237,840	-1,406,889
Site 19	Urban 8	North	250,000	300,000	-647,245	-880,817	-1,114,389	-1,348,528	-1,585,027	-1,821,526	-2,058,024
Site 20	Urban 8 HD	North	250,000	300,000	-871,372	-1,055,513	-1,240,417	-1,426,656	-1,612,895	-1,799,133	-1,985,372
Site 21	Urban 5	North	250,000	300,000	-236,330	-402,934	-569,698	-736,462	-904,860	-1,073,755	-1,242,650
Site 22	Urban 3	North	250,000	300,000	-320,933	-487,799	-655,019	-822,240	-989,460	-1,156,681	-1,323,901
Site 23	Urban Plot	North	250,000	300,000	-342,068	-500,978	-659,889	-818,799	-977,710	-1,136,620	-1,295,531
Site 24	PRS 25	North	250,000	300,000	-1,658,287	-1,920,600	-2,184,474	-2,448,347	-2,712,221	-2,976,094	-3,239,967
Site 25	Bungalows 12	North	50,000	300,000	276,344	149,373	22,402	-104,569	-231,540	-361,161	-491,802

Source: HDH (December 2019)

Table 10.8d Affordable Housing v Varied Developer Contributions – NORTH (£/ha)

20% Affordable Housing, 100% Cat 2, Varied Developer Contribution											
			EUV	BLV	Residual Value						
		£/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**
Site 1	Green 2,000	North	25,000	275,000	21,905	-56,586	-138,635	-224,661	-320,896	-432,581	-544,266
Site 2	Green 750	North	25,000	275,000	48,344	-36,468	-126,131	-219,846	-321,495	-433,180	-544,864
Site 3	Green 150	North	25,000	275,000	-7,160	-119,735	-233,777	-349,594	-465,522	-582,884	-700,735
Site 4	Green 75	North	25,000	275,000	-35,236	-169,245	-305,826	-443,703	-581,581	-720,585	-860,260
Site 5	Green 35	North	25,000	275,000	-113,735	-242,572	-374,041	-505,511	-636,980	-769,433	-902,579
Site 6	Green 20	North	50,000	300,000	-119,596	-249,308	-381,665	-514,022	-646,379	-778,736	-912,673
Site 7	Green 12	North	50,000	300,000	45,661	-83,849	-213,360	-346,569	-479,823	-613,077	-746,331
Site 8	Green 9	North	50,000	300,000	832,302	682,882	533,461	381,755	229,390	77,025	-75,340
Site 9	Green 6	North	50,000	300,000	746,964	594,599	442,234	289,869	137,504	-14,861	-167,226
Site 10	Green 3	North	50,000	300,000	901,172	799,595	698,019	596,442	494,865	393,288	291,712
Site 11	Green Plot	North	50,000	300,000	1,005,389	902,427	799,465	696,502	593,540	490,578	387,615
Site 12	Urban 300	North	100,000	120,000	-405,246	-544,852	-684,458	-824,064	-963,670	-1,103,276	-1,242,881
Site 13	Urban 40	North	100,000	120,000	-751,478	-927,576	-1,103,674	-1,279,772	-1,456,449	-1,634,606	-1,812,764
Site 14	Urban 25	North	100,000	120,000	-629,809	-783,555	-938,893	-1,094,230	-1,249,567	-1,404,904	-1,560,242
Site 15	Urban 25 HD	North	250,000	300,000	-659,464	-881,172	-1,103,082	-1,324,993	-1,548,238	-1,772,566	-1,996,894
Site 16	Urban 15	North	250,000	300,000	-770,703	-952,689	-1,136,424	-1,320,158	-1,503,892	-1,687,627	-1,871,361
Site 17	Urban 15 HD	North	250,000	300,000	-1,420,417	-1,659,794	-1,899,172	-2,138,549	-2,377,927	-2,617,304	-2,856,682
Site 18	Urban 10	North	250,000	300,000	-448,912	-615,906	-782,899	-949,892	-1,118,752	-1,287,801	-1,456,849
Site 19	Urban 8	North	250,000	300,000	-749,657	-983,229	-1,216,801	-1,452,476	-1,688,975	-1,925,474	-2,161,973
Site 20	Urban 8 HD	North	250,000	300,000	-937,514	-1,121,654	-1,307,551	-1,493,789	-1,680,028	-1,866,267	-2,052,505
Site 21	Urban 5	North	250,000	300,000	-236,330	-402,934	-569,698	-736,462	-904,860	-1,073,755	-1,242,650
Site 22	Urban 3	North	250,000	300,000	-320,933	-487,799	-655,019	-822,240	-989,460	-1,156,681	-1,323,901
Site 23	Urban Plot	North	250,000	300,000	-342,068	-500,978	-659,889	-818,799	-977,710	-1,136,620	-1,295,531
Site 24	PRS 25	North	250,000	300,000	-1,684,580	-1,947,409	-2,211,282	-2,475,156	-2,739,029	-3,002,903	-3,266,776
Site 25	Bungalows 12	North	50,000	300,000	187,942	60,971	-66,000	-192,971	-321,643	-452,284	-582,925
25% Affordable Housing, 100% Cat 2, Varied Developer Contribution											
			EUV	BLV	Residual Value						
		£/unit			**£0**	**£5,000**	**£10,000**	**£15,000**	**£20,000**	**£25,000**	**£30,000**
Site 1	Green 2,000	North	25,000	275,000	-12,366	-92,826	-176,804	-266,418	-373,641	-485,326	-597,010
Site 2	Green 750	North	25,000	275,000	11,166	-76,807	-168,159	-265,109	-374,173	-485,858	-597,543
Site 3	Green 150	North	25,000	275,000	-56,437	-169,012	-284,609	-400,426	-517,198	-634,578	-753,318
Site 4	Green 75	North	25,000	275,000	-93,637	-228,187	-366,064	-503,942	-642,158	-781,833	-921,508
Site 5	Green 35	North	25,000	275,000	-164,022	-294,453	-425,922	-557,392	-689,074	-822,220	-955,366
Site 6	Green 20	North	50,000	300,000	-171,671	-303,026	-435,383	-567,741	-700,098	-833,314	-967,330
Site 7	Green 12	North	50,000	300,000	-8,597	-138,107	-269,278	-402,531	-535,785	-669,039	-802,293
Site 8	Green 9	North	50,000	300,000	729,262	579,841	429,050	276,685	124,320	-28,045	-180,410
Site 9	Green 6	North	50,000	300,000	646,441	494,076	341,711	189,346	36,981	-115,384	-267,749
Site 10	Green 3	North	50,000	300,000	901,172	799,595	698,019	596,442	494,865	393,288	291,712
Site 11	Green Plot	North	50,000	300,000	1,005,389	902,427	799,465	696,502	593,540	490,578	387,615
Site 12	Urban 300	North	100,000	120,000	-453,860	-593,466	-733,072	-872,678	-1,012,284	-1,151,890	-1,291,495
Site 13	Urban 40	North	100,000	120,000	-807,639	-983,737	-1,159,835	-1,335,933	-1,513,696	-1,691,854	-1,870,011
Site 14	Urban 25	North	100,000	120,000	-674,706	-829,281	-984,619	-1,139,956	-1,295,293	-1,450,630	-1,606,605
Site 15	Urban 25 HD	North	250,000	300,000	-716,509	-938,420	-1,160,330	-1,382,241	-1,606,491	-1,830,819	-2,055,147
Site 16	Urban 15	North	250,000	300,000	-831,199	-1,014,234	-1,197,968	-1,381,702	-1,565,437	-1,749,171	-1,932,905
Site 17	Urban 15 HD	North	250,000	300,000	-1,498,166	-1,737,543	-1,976,921	-2,216,298	-2,455,675	-2,695,053	-2,934,430
Site 18	Urban 10	North	250,000	300,000	-497,954	-664,947	-831,940	-999,663	-1,168,712	-1,337,761	-1,506,810
Site 19	Urban 8	North	250,000	300,000	-852,069	-1,085,641	-1,319,925	-1,556,424	-1,792,923	-2,029,422	-2,265,921
Site 20	Urban 8 HD	North	250,000	300,000	-1,003,655	-1,188,446	-1,374,684	-1,560,923	-1,747,162	-1,933,400	-2,119,639
Site 21	Urban 5	North	250,000	300,000	-236,330	-402,934	-569,698	-736,462	-904,860	-1,073,755	-1,242,650
Site 22	Urban 3	North	250,000	300,000	-320,933	-487,799	-655,019	-822,240	-989,460	-1,156,681	-1,323,901
Site 23	Urban Plot	North	250,000	300,000	-342,068	-500,978	-659,889	-818,799	-977,710	-1,136,620	-1,295,531
Site 24	PRS 25	North	250,000	300,000	-1,710,873	-1,974,218	-2,238,091	-2,501,964	-2,765,838	-3,029,711	-3,293,584
Site 25	Bungalows 12	North	50,000	300,000	99,540	-27,431	-154,402	-282,125	-412,766	-543,407	-674,048

Source: HDH (December 2019)

10.46 At the time of this assessment the Council has not completed the research behind the updated Infrastructure Delivery Plan (IDP) so do not know what levels of contribution will be sought from development in the future. In the base analysis it is assumed that the current typical contribution of about £2,000/unit will continue. As set out in Chapter 7 there is uncertainty around this pending the completion of the Councils Infrastructure Delivery Plan (IDP).

10.47 The above analysis suggests that there is not capacity to seek increased levels of developer contribution with an Affordable Housing target of 20%.

Suggested Affordable Housing Targets

10.48 In the sections above, the ability of development to bear a range of costs has been considered. How this information is brought together will be a matter for the Council – bearing in mind its own priorities.

10.49 The results vary significantly between the southern and the northern areas. In the higher value southern area, on the larger greenfield sites the 'tipping' point in terms of the Residual Value Exceeding the BLV is between 20% and 25% Affordable Housing. This is in line with expectations, on the basis that some sites are delivering affordable in this area and that viability has got a little worse (costs rising more than values) since the Affordable Housing target was set.

10.50 In the lower value northern area, the larger greenfield typologies produce Residual Values that are less than the BLV without Affordable Housing, indicating that not only is development unable to bear Affordable Housing in this area, but is also unlikely to be forthcoming.

10.51 The smaller sites (in the 6 unit to 10 unit band) that are within the parishes in the 'designated rural area', in both the north and south of the District, have higher Residual Values, reflecting the slightly higher value attributed to residential development on smaller sites. These types of site are able to bear Affordable Housing of up to 25% so we would recommend a lower threshold is set (6 is the minimum under paragraph 63 of the 2019 NPPF[64]).

10.52 Across both the northern and the southern areas, the brownfield typologies generate a Residual Values that is not only below the EUV, but is also negative. This indicates that development on these types of site is likely to be unviable, even without the provision of any Affordable Housing. The Council's experience on the ground, through the development management system, is that some schemes are coming forward within the urban areas and on greenfield sites in the northern area, but these are limited and are not generally delivering Affordable Housing (this is also, at least in part, because such sites tend to be small sites that are below the Affordable Housing policy threshold).

10.53 The Council should be cautious about allocating sites in the north of the District as these are unlikely to be forthcoming. Likewise, the Council should be cautious when relying on brownfield sites to deliver housing (for example within the five-year supply assessment) as

[64] Paragraph 63 of the 2019 NPPF says:

> *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.*

The definition of major development is in the Glossary to the 2019 NPPF:

> ***Major development:*** *For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

such sites are clearly challenging to deliver. The exception to this advice is where there is clear evidence that a policy compliant scheme can be delivered on the site.

10.54 The analysis in the base appraisals (above) assumes that the Affordable Housing is provided as 70% Affordable Rent and 30% Intermediate Housing. The 2019 NPPF sets out a requirement for low cost home ownership as part of the Affordable Housing mix. In the following analysis, the effect of this requirement has an impact on viability.

10.55 The results do show an improvement in viability, but it is not sufficient to justify an Affordable Housing target that is more than 20%.

10.56 The analysis considered the impact of Affordable Housing on development viability. It is also necessary to consider the ability to bear developer contributions. The results indicate that, without Affordable Housing, in the southern parts of the District, most greenfield sites can bear up to £15,000/unit in developer contributions. In the northern parts of the District the scope to bear developer contributions is limited.

10.57 We have tested the impact of higher building standards on development viability. The additional costs of building to Option 1 and Option 2 of these as set out in the Government's consultation on The Future Homes Standard have been tested. There is a requirement to test a scenario where all new homes are to be designed to be accessible and adaptable dwellings with 10% of the housing to be wheelchair adaptable dwellings.

10.58 The analysis shows that the additional costs on increased standards does have a detrimental impact on viability. At 20% Affordable Housing there would be limited scope to introduce higher standards, beyond the Accessible and Adaptable Category 2 Standard.

10.59 The consultation on the Future Homes Standard is being carried out on the basis that any changes would be introduced from 2025, which is likely to be in a future plan period. Whilst it is prudent to consider their impact now, there is little scope to introduce the emerging requirements at this stage.

10.60 The core balance in a viability assessment is between the provision of Affordable Housing and the payment of developer contributions towards strategic infrastructure and mitigation measures that are required to make development acceptable. A further set of appraisals has been run with varied levels of developer contributions tested against varied Affordable Housing targets.

10.61 At the time of this assessment the Council has not completed the research behind the updated Infrastructure Delivery Plan (IDP) so does not know what levels of contribution will be sought from development in the future. In the base analysis it is assumed that the current typical contribution of about £2,000/unit will continue. On this basis, the above analysis suggests that there is not capacity to seek increased levels of developer contribution with an Affordable Housing target of 20% Affordable Housing.

10.62 Should higher level of developer contributions be required to provide the infrastructure to support new development then it would be necessary to consider a lower affordable housing target. With a £5,000/unit developer contribution an affordable housing target of 10% would be appropriate in the southern area.

10.63 At the time of this report, no strategic sites have been identified. In due course these will need to be tested individually. There is no doubt that the delivery of any large site is challenging. Regardless of these results, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

10.64 In this context we particularly highlight paragraph 10-006 of the PPG:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*
>
> *PPG 10-006-20180724*

10.65 Based on the above, a 20% Affordable Housing target is used in the remaining analysis in this report.

Scope for CIL

10.66 As set out at the start of this report, part of the scope of this study is to consider the capacity for CIL. In the previous sections the ability to bear developer contributions was considered at varied levels of affordable housing. On greenfield sites in the south of the District, at 20% affordable housing there is scope for £2,000/unit, and at 10% affordable housing there is scope for £5,000 or so. Without affordable housing there is scope for £15,000 or so on greenfield sites in the south of the District.

10.67 The above analysis simply considers the ability to bear different levels of contribution, having no regard for how the contributions are paid. Developer contributions can be paid through the s106 regime or as CIL. Payments requested under the s106 regime are determined site by site and must be (as set out in CIL Regulation 122):

a. necessary to make the development acceptable in planning terms;
b. directly related to the development; and
c. fairly and reasonably related in scale and kind to the development.

10.68 Where a CIL is in place, it is mandatory on all developments within the categories and areas where the levy applies. This is unlike s106 agreements (including Affordable Housing) which are negotiated with developers (subject to the restrictions in CIL Regulation 122 and within paragraphs 10-007 and 10-008 of the PPG). This means that CIL must not prejudice the viability of most sites. This difference is reflected in the CIL Guidance (within the PPG) that refers to a buffer.

> *A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust. In all cases, the charging authority should be able to explain its approach clearly.*
>
> *PPG 25-020-20190901*

10.69 The level of the buffer has been debated at many CIL hearings, but generally CIL Examiners like to see a buffer of between 30% and 50% between the Residual Value and the Benchmark Land Value. On this basis there is limited scope to introduce CIL.

Commuted Sums

10.70 FDC's preference is for Affordable Housing to be delivered on-site. This approach is in line with Paragraph 62 of the 2019 NPPF that says:

> *Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:*
>
> *a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
>
> *b) the agreed approach contributes to the objective of creating mixed and balanced communities.*
>
> *Paragraph 62, 2019 NPPF*

10.71 It is sensible for councils to set out guidance as to how a commuted sum would be calculated so as to provide transparency, and to avoid the undue delays that might arise during s106 negotiations if details of a payment had to be developed from first principles on each occasion. The analysis provides a basis on which it would be possible to formulate appropriate arrangements for calculating the commuted sum. Across the country different councils have taken different approaches, sometimes calculating contributions on a site-by-site basis, other times setting out a predetermined 'commuted sum'.

Review of plan policy formulae

10.72 Some time ago we researched the nature of commuted sum formulations in then approved or emerging local planning policies. Whilst some relied on generalities, the vast majority which had developed a specific formula, had used one which derived from the Housing Corporation's[65] Total Cost Indicator (TCI) system. This system was designed to provide cost discipline, so as to ensure that Affordable Housing was procured by Registered Social

[65] The Housing Corporation was the non-departmental public body that funded new affordable housing and regulated housing associations in England. It was abolished in 2008 with its responsibilities being split between the Homes and Communities Agency and the Tenant Services Authority. In January 2018 Homes and Communities Agency was replaced by Homes England and Regulator of Social Housing.

Landlords on terms which produced value for money for the public subsidy, Social Housing Grant (SHG), which had been the normal funding basis through which it was provided.

10.73 Given that this was its purpose, the TCI was useful in providing a basis for calculating commuted sums. It was designed to provide cost guidance specifically related to each local council area; contained such guidance for each of a large number of different dwelling size bands; and was updated through indexing and readjustment each year, so remained current.

10.74 Unfortunately, the Housing Corporation replaced the TCI system with an approach which does not provide these benefits. This reflected, to some extent, the move towards a more targeted use of SHG and a greater reliance on developer subsidy. However, from the viewpoint of commuted sum formulation, the change is, in some respects, to be regretted.

Alternative approach

10.75 We have adopted an approach to the calculation of the developer contribution, utilising the site viability analysis. It is based upon the contribution that the developer would have made if an on-site affordable contribution were delivered.

10.76 The calculation works as follows:

a. Estimate the value of the site with 100% market housing.

b. Estimate the Residual Value of the site with the target level (i.e. the 20%) of Affordable Housing.

10.77 The difference between (a) and (b) is the reduction in site value due to the Affordable Housing policy contribution. This analysis is only undertaken in the southern area, where the delivery of is viable.

10.78 This is set out in the following table:

Table 10.9 Affordable Housing Contribution: Calculations

					Units		Residual Value		Difference	
					All	Affordable	0%	20%	Site	£/unit
Site 1	Green 2,000	South	Green	Agricultural	2,000	400	38,552,072	21,915,020	16,637,052	41,593
Site 2	Green 750	South	Green	Agricultural	750	150	16,931,778	9,975,903	6,955,875	46,372
Site 3	Green 150	South	Green	Agricultural	150	30	3,436,476	1,837,637	1,598,839	53,295
Site 4	Green 75	South	Green	Agricultural	75	15	1,724,224	889,810	834,414	55,628
Site 5	Green 35	South	Green	Agricultural	35	7	660,778	297,261	363,517	51,931
Site 6	Green 20	South	Green	Agricultural	20	4	387,111	171,343	215,768	53,942
Site 7	Green 12	South	Green	Paddock	12	2	312,242	178,531	133,711	55,713
Site 8	Green 9	South	Green	Paddock	9	2	546,077	392,610	153,468	85,260
Site 9	Green 6	South	Green	Paddock	6	1	335,210	238,380	96,829	80,691
Site 12	Urban 300	South	Brown	PDL	300	60	1,709,192	-874,659	2,583,851	43,064
Site 13	Urban 40	South	Brown	PDL	40	8	-10,938	-376,512	365,574	45,697
Site 14	Urban 25	South	Brown	PDL	25	5	-4,880	-220,989	216,109	43,222
Site 15	Urban 25 HD	South	Brown	PDL	25	5	-561,793	-653,091	91,298	18,260
Site 16	Urban 15	South	Brown	PDL	15	3	102	-142,219	142,321	47,440
Site 17	Urban 15 HD	South	Brown	PDL	15	3	-219,370	-350,015	130,646	43,549
Site 18	Urban 10	South	Brown	PDL	10	2	60,515	-25,395	85,910	42,955
Site 19	Urban 8	South	Brown	PDL	8	2	52,210	-38,128	90,338	56,461
Site 20	Urban 8 HD	South	Brown	PDL	8	2	-72,739	-148,187	75,448	47,155
Site 24	PRS 25	South	Brown	PDL	25	5	-841,705	-894,985	53,280	10,656
Site 25	Bungalows 12	South	Green	Agricultural	12	2	500,426	295,639	204,787	85,328

Source: HDH (December 2019)

10.79 Taking the appraisal for Typology 4 as an example, the Residual Value with no Affordable Housing, i.e. 75 market dwellings, is £1,724,224. With the option of 20% Affordable Housing, the Residual Value falls to £889,810. The developer's contribution is £834,4149 (£1,724,224

- £889,810); divided by 15 affordable dwellings (20% of 75), this gives a cost of £55,628 per affordable dwelling.

10.80 The calculated contributions in the tables above vary, but the average is about £45,000/unit.

Suggested guidance

10.81 Paragraph 62 of the 2018 NPPF is clear that off-site provision or financial contribution in lieu 'can be robustly justified'. On this basis, the above calculations provide a sound basis for determining a commuted sum figure. There are two alternatives open to the Council. The first is to work to a published 'standard commuted sum payment'. If FDC were to take this option, we would recommend a £45,000/unit payment per affordable unit not delivered on-site.

10.82 FDC is currently preparing a new Local Plan. This document will be long lived and is likely to be in place across several economic cycles. We would therefore recommend that FDC prepares separate guidance setting out the amount of the payment, and to allow a simple review should viability change.

10.83 Alternatively, FDC may prefer to calculate the commuted sum scheme-by-scheme as it does now. This has the advantage of being an up to date figure, but the disadvantage of a lack of clarity for developers. The methodology used is to assess the Open Market Value of the units that would be affordable units, and then deduct from that the amount that a housing association would pay for those units as affordable units – the difference being the commuted sum.

Impact of Change in Values and Costs

10.84 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 10.08% over the next 3 years[66]. We have tested a scenario with this increase in build costs.

10.85 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested four price change scenarios, minus 10% and 5%, and plus 10% and 5% (though the September 2019 consultation it was suggested that a +5% / -5% change should be tested, we do not consider this to be sufficient.. In this analysis, we have assumed all other matters in the base appraisals remain unchanged. It is important to note that, in the following table, only the costs of construction and the value of the market housing are altered.

[66] See Table 1.1 (Page 7) of in *Quarterly Review of Building Prices*

Table 10.10a Impact of Price and Cost Change - SOUTH (£/ha)

5% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value								
		Value						**-10%**	**-5%**	**0**	**+5%**	**+10%**	**+15%**
		BCIS			**+15%**	**+10%**	**+5%**						
Site 1	Green 2,000	South	25,000	275,000	21,591	133,525	242,616	97,379	224,729	349,974	474,283	597,221	719,568
Site 2	Green 750	South	25,000	275,000	52,878	175,486	295,163	133,244	274,124	412,897	550,617	687,197	822,757
Site 3	Green 150	South	25,000	275,000	-15,321	149,283	311,590	100,351	287,124	473,896	660,669	847,442	1,034,214
Site 4	Green 75	South	25,000	275,000	-47,039	150,983	343,221	94,877	315,168	535,460	755,751	976,042	1,196,333
Site 5	Green 35	South	25,000	275,000	-159,789	31,484	219,481	-13,983	197,815	401,774	605,733	809,691	1,013,650
Site 6	Green 20	South	50,000	300,000	-162,329	31,432	224,537	-14,827	201,854	411,855	618,563	825,271	1,031,978
Site 7	Green 12	South	50,000	300,000	37,185	220,324	401,826	156,630	370,594	580,012	784,905	989,797	1,194,689
Site 8	Green 9	South	50,000	300,000	942,971	1,186,475	1,429,978	1,014,778	1,344,130	1,673,481	2,002,833	2,332,185	2,661,536
Site 9	Green 6	South	50,000	300,000	856,962	1,086,791	1,314,742	926,651	1,236,549	1,538,096	1,839,265	2,140,434	2,441,603
Site 10	Green 3	South	50,000	300,000	770,096	958,566	1,144,195	813,045	1,072,840	1,329,022	1,585,205	1,836,466	2,085,432
Site 11	Green Plot	South	50,000	300,000	861,260	1,073,528	1,285,795	910,818	1,204,440	1,498,063	1,791,685	2,085,307	2,378,929
Site 12	Urban 300	South	100,000	120,000	-531,681	-312,054	-109,899	-324,145	-114,465	80,604	264,552	444,182	623,273
Site 13	Urban 40	South	100,000	120,000	-951,180	-667,217	-384,310	-661,341	-381,372	-106,987	164,048	424,410	683,406
Site 14	Urban 25	South	100,000	120,000	-806,955	-565,414	-323,874	-561,736	-322,034	-87,304	145,366	372,019	593,765
Site 15	Urban 25 HD	South	250,000	300,000	-1,671,598	-1,449,278	-1,228,463	-1,355,634	-1,181,444	-1,008,540	-835,637	-663,312	-492,964
Site 16	Urban 15	South	250,000	300,000	-960,205	-672,526	-384,847	-668,057	-382,612	-103,273	173,797	448,918	716,767
Site 17	Urban 15 HD	South	250,000	300,000	-1,644,270	-1,353,912	-1,063,774	-1,285,082	-1,029,359	-773,636	-517,914	-263,806	-15,586
Site 18	Urban 10	South	250,000	300,000	-592,625	-355,693	-123,217	-373,993	-131,804	107,059	345,922	582,761	816,529
Site 19	Urban 8	South	250,000	300,000	-864,281	-524,077	-189,651	-543,541	-198,671	140,999	480,668	820,338	1,153,897
Site 20	Urban 8 HD	South	250,000	300,000	-1,064,548	-847,847	-631,147	-812,746	-613,596	-414,446	-216,054	-22,746	170,561
Site 21	Urban 5	South	250,000	300,000	-492,422	-278,427	-69,980	-307,903	-84,019	138,003	360,026	582,048	804,070
Site 22	Urban 3	South	250,000	300,000	-651,965	-352,943	-62,088	-394,503	-82,003	228,767	539,537	850,306	1,161,076
Site 23	Urban Plot	South	250,000	300,000	-686,660	-370,236	-62,641	-413,057	-83,035	244,888	572,810	900,733	1,228,655
Site 24	PRS 25	South	250,000	300,000	-2,491,337	-2,230,444	-1,969,552	-2,077,390	-1,893,025	-1,710,204	-1,528,563	-1,346,922	-1,165,281
Site 25	Bungalows 12	South	50,000	300,000	921,569	921,569	921,569	411,274	667,965	921,569	1,175,174	1,428,778	1,682,383

10% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value								
		Value						**-10%**	**-5%**	**0**	**+5%**	**+10%**	**+15%**
		BCIS			**+15%**	**+10%**	**+5%**						
Site 1	Green 2,000	South	25,000	275,000	-20,652	91,781	200,215	63,889	186,486	306,978	425,804	544,004	660,956
Site 2	Green 750	South	25,000	275,000	7,395	129,163	247,861	95,805	231,443	364,958	496,604	627,923	757,505
Site 3	Green 150	South	25,000	275,000	-75,390	89,852	249,978	53,051	231,578	410,104	588,630	767,157	945,683
Site 4	Green 75	South	25,000	275,000	-118,339	80,232	270,258	36,982	249,406	459,991	670,576	881,161	1,091,745
Site 5	Green 35	South	25,000	275,000	-220,829	-32,300	155,322	-64,271	139,645	335,755	530,667	725,579	920,492
Site 6	Green 20	South	50,000	300,000	-225,729	-34,578	156,573	-66,902	140,411	343,969	541,549	739,129	936,709
Site 7	Green 12	South	50,000	300,000	-28,762	151,951	332,396	102,372	307,875	509,618	706,082	901,937	1,097,792
Site 8	Green 9	South	50,000	300,000	830,301	1,068,916	1,307,447	917,377	1,231,677	1,545,978	1,860,278	2,174,578	2,488,878
Site 9	Green 6	South	50,000	300,000	744,343	970,507	1,196,561	830,595	1,126,606	1,417,753	1,705,425	1,993,097	2,280,769
Site 10	Green 3	South	50,000	300,000	770,096	958,566	1,144,195	813,045	1,072,840	1,329,022	1,585,205	1,836,466	2,085,432
Site 11	Green Plot	South	50,000	300,000	861,260	1,073,528	1,285,795	910,818	1,204,440	1,498,063	1,791,685	2,085,307	2,378,929
Site 12	Urban 300	South	100,000	120,000	-591,924	-371,254	-166,137	-369,520	-164,639	26,592	203,202	375,762	547,484
Site 13	Urban 40	South	100,000	120,000	-1,021,061	-739,534	-460,253	-716,265	-448,618	-184,128	75,667	328,092	575,690
Site 14	Urban 25	South	100,000	120,000	-862,568	-624,461	-386,353	-606,400	-377,323	-151,196	71,160	291,293	503,385
Site 15	Urban 25 HD	South	250,000	300,000	-1,705,629	-1,485,102	-1,265,373	-1,379,969	-1,212,701	-1,047,223	-881,746	-716,268	-552,946
Site 16	Urban 15	South	250,000	300,000	-1,035,876	-751,343	-466,809	-728,279	-455,278	-185,805	79,187	344,179	603,576
Site 17	Urban 15 HD	South	250,000	300,000	-1,741,014	-1,450,051	-1,160,809	-1,361,621	-1,116,594	-871,566	-626,539	-381,512	-141,766
Site 18	Urban 10	South	250,000	300,000	-653,068	-419,531	-188,389	-422,795	-189,682	38,587	266,856	494,833	718,692
Site 19	Urban 8	South	250,000	300,000	-995,159	-654,955	-316,689	-645,637	-311,740	13,961	339,662	665,363	988,217
Site 20	Urban 8 HD	South	250,000	300,000	-1,147,069	-930,369	-713,668	-878,887	-687,927	-496,967	-306,007	-118,746	66,612
Site 21	Urban 5	South	250,000	300,000	-492,422	-278,427	-69,980	-307,903	-84,019	138,003	360,026	582,048	804,070
Site 22	Urban 3	South	250,000	300,000	-651,965	-352,943	-62,088	-394,503	-82,003	228,767	539,537	850,306	1,161,076
Site 23	Urban Plot	South	250,000	300,000	-686,660	-370,236	-62,641	-413,057	-83,035	244,888	572,810	900,733	1,228,655
Site 24	PRS 25	South	250,000	300,000	-2,514,485	-2,254,813	-1,995,140	-2,099,068	-1,917,268	-1,736,497	-1,557,384	-1,378,270	-1,199,157
Site 25	Bungalows 12	South	50,000	300,000	815,032	815,032	815,032	324,122	572,348	815,032	1,057,717	1,300,401	1,543,086

Source: HDH (December 2019)

Table 10.10b Impact of Price and Cost Change - SOUTH (£/ha)

15% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value									
		Value							-10%	-5%	0	+5%	+10%	+15%
		BCIS			+15%	+10%	+5%							
Site 1	Green 2,000	South	25,000	275,000	-64,603	49,752	157,813		30,400	148,243	263,981	377,325	490,669	602,344
Site 2	Green 750	South	25,000	275,000	-41,681	82,228	200,559		58,367	188,762	317,020	442,590	568,161	692,252
Site 3	Green 150	South	25,000	275,000	-135,460	30,144	188,367		4,379	176,031	346,311	516,592	686,872	857,152
Site 4	Green 75	South	25,000	275,000	-189,638	6,813	197,296		-21,835	183,644	384,523	585,401	786,280	987,158
Site 5	Green 35	South	25,000	275,000	-283,430	-96,083	89,701		-114,558	80,464	269,735	455,601	641,468	827,334
Site 6	Green 20	South	50,000	300,000	-290,719	-100,589	87,952		-118,977	78,758	274,846	464,535	652,987	841,439
Site 7	Green 12	South	50,000	300,000	-94,710	83,579	261,867		48,115	244,135	437,809	627,259	814,077	1,000,894
Site 8	Green 9	South	50,000	300,000	714,452	951,358	1,184,916		819,589	1,119,225	1,418,474	1,717,722	2,016,971	2,316,220
Site 9	Green 6	South	50,000	300,000	629,615	854,223	1,076,504		734,235	1,016,662	1,297,410	1,571,586	1,845,761	2,119,936
Site 10	Green 3	South	50,000	300,000	770,096	958,566	1,144,195		813,045	1,072,840	1,329,022	1,585,205	1,836,466	2,085,432
Site 11	Green Plot	South	50,000	300,000	861,260	1,073,528	1,285,795		910,818	1,204,440	1,498,063	1,791,685	2,085,307	2,378,929
Site 12	Urban 300	South	100,000	120,000	-652,168	-431,561	-224,918		-417,165	-216,819	-31,027	141,056	307,343	471,156
Site 13	Urban 40	South	100,000	120,000	-1,090,942	-811,852	-536,195		-771,452	-515,864	-261,268	-13,434	231,775	467,973
Site 14	Urban 25	South	100,000	120,000	-919,042	-683,507	-448,833		-651,064	-432,612	-215,089	-3,046	208,408	413,005
Site 15	Urban 25 HD	South	250,000	300,000	-1,739,659	-1,520,926	-1,302,282		-1,404,303	-1,243,958	-1,085,906	-927,855	-769,803	-612,929
Site 16	Urban 15	South	250,000	300,000	-1,112,723	-830,159	-548,772		-788,501	-527,943	-268,338	-15,424	237,490	487,690
Site 17	Urban 15 HD	South	250,000	300,000	-1,837,757	-1,546,190	-1,257,843		-1,438,419	-1,203,828	-969,497	-735,165	-500,834	-267,946
Site 18	Urban 10	South	250,000	300,000	-713,511	-483,369	-253,561		-471,597	-247,561	-29,885	187,790	405,466	620,376
Site 19	Urban 8	South	250,000	300,000	-1,126,036	-785,832	-445,628		-747,732	-426,578	-113,077	198,655	510,388	822,120
Site 20	Urban 8 HD	South	250,000	300,000	-1,229,591	-1,012,890	-796,189		-945,029	-762,258	-579,488	-396,718	-214,745	-37,337
Site 21	Urban 5	South	250,000	300,000	-492,422	-278,427	-69,980		-307,903	-84,019	138,003	360,026	582,048	804,070
Site 22	Urban 3	South	250,000	300,000	-651,965	-352,943	-62,088		-394,503	-82,003	228,767	539,537	850,306	1,161,076
Site 23	Urban Plot	South	250,000	300,000	-686,660	-370,236	-62,641		-413,057	-83,035	244,888	572,810	900,733	1,228,655
Site 24	PRS 25	South	250,000	300,000	-2,537,633	-2,279,181	-2,020,729		-2,120,746	-1,941,511	-1,762,790	-1,586,204	-1,409,618	-1,233,033
Site 25	Bungalows 12	South	50,000	300,000	708,495	708,495	708,495		235,481	475,452	708,495	940,260	1,172,024	1,403,789

20% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value									
		Value							-10%	-5%	0	+5%	+10%	+15%
		BCIS			+15%	+10%	+5%							
Site 1	Green 2,000	South	25,000	275,000	-108,931	7,723	115,412		-3,417	110,001	220,179	328,846	436,708	543,732
Site 2	Green 750	South	25,000	275,000	-90,835	35,294	153,256		20,928	146,081	268,178	388,577	508,073	626,999
Site 3	Green 150	South	25,000	275,000	-195,530	-32,093	126,755		-45,251	120,485	282,519	444,553	606,587	768,620
Site 4	Green 75	South	25,000	275,000	-261,730	-67,116	124,333		-80,652	117,882	309,054	500,226	691,399	882,571
Site 5	Green 35	South	25,000	275,000	-346,400	-159,867	23,174		-164,846	20,684	203,716	380,536	557,356	734,176
Site 6	Green 20	South	50,000	300,000	-356,115	-166,599	19,332		-171,052	17,106	204,993	387,521	566,845	746,169
Site 7	Green 12	South	50,000	300,000	-160,657	15,206	191,069		-6,143	180,395	366,001	548,436	726,217	903,997
Site 8	Green 9	South	50,000	300,000	598,603	833,800	1,062,385		719,364	1,006,772	1,290,970	1,575,167	1,859,365	2,143,562
Site 9	Green 6	South	50,000	300,000	514,888	737,701	956,446		636,287	906,719	1,174,953	1,437,746	1,698,424	1,959,103
Site 10	Green 3	South	50,000	300,000	770,096	958,566	1,144,195		813,045	1,072,840	1,329,022	1,585,205	1,836,466	2,085,432
Site 11	Green Plot	South	50,000	300,000	861,260	1,073,528	1,285,795		910,818	1,204,440	1,498,063	1,791,685	2,085,307	2,378,929
Site 12	Urban 300	South	100,000	120,000	-712,412	-494,721	-283,698		-465,552	-268,999	-89,753	78,910	238,923	394,827
Site 13	Urban 40	South	100,000	120,000	-1,160,824	-885,230	-612,138		-827,338	-583,110	-340,107	-102,536	133,224	360,257
Site 14	Urban 25	South	100,000	120,000	-975,667	-742,553	-511,313		-695,729	-487,901	-280,074	-77,252	124,478	322,626
Site 15	Urban 25 HD	South	250,000	300,000	-1,773,690	-1,556,749	-1,339,809		-1,428,638	-1,275,753	-1,124,589	-973,964	-823,338	-672,911
Site 16	Urban 15	South	250,000	300,000	-1,189,691	-908,976	-630,735		-848,723	-600,609	-352,494	-110,035	130,801	371,218
Site 17	Urban 15 HD	South	250,000	300,000	-1,934,501	-1,643,730	-1,354,878		-1,516,168	-1,291,062	-1,067,427	-843,791	-620,155	-396,519
Site 18	Urban 10	South	250,000	300,000	-773,953	-547,208	-320,462		-520,398	-307,057	-98,358	108,724	315,806	522,060
Site 19	Urban 8	South	250,000	300,000	-1,256,914	-916,710	-576,505		-849,828	-543,065	-240,115	57,649	355,412	653,176
Site 20	Urban 8 HD	South	250,000	300,000	-1,312,682	-1,095,411	-878,710		-1,011,170	-836,590	-662,010	-487,429	-312,849	-141,287
Site 21	Urban 5	South	250,000	300,000	-492,422	-278,427	-69,980		-307,903	-84,019	138,003	360,026	582,048	804,070
Site 22	Urban 3	South	250,000	300,000	-651,965	-352,943	-62,088		-394,503	-82,003	228,767	539,537	850,306	1,161,076
Site 23	Urban Plot	South	250,000	300,000	-686,660	-370,236	-62,641		-413,057	-83,035	244,888	572,810	900,733	1,228,655
Site 24	PRS 25	South	250,000	300,000	-2,560,781	-2,303,549	-2,046,317		-2,142,423	-1,965,754	-1,789,085	-1,615,025	-1,440,967	-1,266,908
Site 25	Bungalows 12	South	50,000	300,000	601,958	601,958	601,958		146,611	377,063	601,958	822,802	1,043,647	1,264,492

Source: HDH (December 2019)

Table 10.10c Impact of Price and Cost Change - NORTH (£/ha)

5% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value									
		Value							-10%	-5%	0	+5%	+10%	+15%
		BCIS			+15%	+10%	+5%							
Site 1	Green 2,000	North	25,000	275,000	-277,445	-145,374	-21,945		-156,728	-27,253	92,055	206,590	319,532	431,155
Site 2	Green 750	North	25,000	275,000	-274,194	-131,263	3,776		-146,588	-3,427	127,340	254,021	379,169	502,837
Site 3	Green 150	North	25,000	275,000	-421,594	-246,388	-74,662		-258,565	-80,335	92,728	260,442	428,156	595,870
Site 4	Green 75	North	25,000	275,000	-527,098	-319,568	-115,343		-332,167	-121,192	85,747	283,698	481,511	679,323
Site 5	Green 35	North	25,000	275,000	-598,441	-401,643	-205,256		-404,900	-206,589	-13,983	177,282	360,982	544,545
Site 6	Green 20	North	50,000	300,000	-606,817	-407,457	-208,588		-410,940	-210,028	-14,827	180,374	370,513	556,550
Site 7	Green 12	North	50,000	300,000	-397,521	-209,647	-26,509		-230,893	-36,857	156,630	349,511	539,034	723,437
Site 8	Green 9	North	50,000	300,000	326,621	580,532	831,094		464,797	773,566	1,074,660	1,374,071	1,673,481	1,972,892
Site 9	Green 6	North	50,000	300,000	284,516	518,873	753,168		413,033	700,310	982,996	1,264,307	1,538,096	1,811,886
Site 10	Green 3	North	50,000	300,000	295,132	483,602	672,071		385,577	623,059	860,541	1,096,129	1,329,022	1,561,915
Site 11	Green Plot	North	50,000	300,000	327,402	539,669	751,937		430,346	697,275	964,204	1,231,133	1,498,063	1,764,992
Site 12	Urban 300	North	100,000	120,000	-994,569	-768,128	-541,687		-736,989	-526,118	-319,293	-129,918	48,122	214,594
Site 13	Urban 40	North	100,000	120,000	-1,513,271	-1,226,659	-940,047		-1,165,562	-909,498	-655,188	-402,908	-154,768	90,110
Site 14	Urban 25	North	100,000	120,000	-1,287,039	-1,042,418	-798,009		-991,644	-772,463	-556,468	-340,473	-128,212	81,445
Site 15	Urban 25 HD	North	250,000	300,000	-1,236,051	-1,016,128	-796,205		-965,315	-770,798	-578,138	-386,497	-195,808	-9,788
Site 16	Urban 15	North	250,000	300,000	-1,531,871	-1,240,520	-949,462		-1,179,960	-918,997	-661,783	-404,569	-151,988	97,679
Site 17	Urban 15 HD	North	250,000	300,000	-2,163,388	-1,869,899	-1,576,410		-1,750,127	-1,516,524	-1,285,082	-1,054,932	-824,781	-594,630
Site 18	Urban 10	North	250,000	300,000	-1,079,840	-842,450	-605,517		-812,075	-590,330	-368,585	-150,178	65,061	280,301
Site 19	Urban 8	North	250,000	300,000	-1,559,138	-1,216,259	-876,054		-1,166,504	-851,177	-535,850	-224,799	81,277	387,353
Site 20	Urban 8 HD	North	250,000	300,000	-1,465,679	-1,246,509	-1,029,446		-1,172,015	-991,981	-812,746	-633,511	-454,276	-275,041
Site 21	Urban 5	North	250,000	300,000	-947,028	-730,866	-516,871		-715,245	-508,987	-302,876	-101,098	98,967	299,031
Site 22	Urban 3	North	250,000	300,000	-1,285,254	-985,991	-686,729		-964,463	-675,965	-387,466	-105,908	174,126	454,160
Site 23	Urban Plot	North	250,000	300,000	-1,354,903	-1,038,479	-722,056		-1,014,476	-710,054	-405,632	-108,260	187,231	482,721
Site 24	PRS 25	North	250,000	300,000	-2,491,337	-2,230,444	-1,969,552		-2,077,390	-1,893,025	-1,710,204	-1,528,563	-1,346,922	-1,165,281
Site 25	Bungalows 12	North	50,000	300,000	400,623	400,623	400,623		-75,529	163,415	400,623	631,736	859,462	1,087,189

10% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value									
		Value							-10%	-5%	0	+5%	+10%	+15%
		BCIS			+15%	+10%	+5%							
Site 1	Green 2,000	North	25,000	275,000	-315,470	-179,771	-56,385		-183,641	-57,701	58,800	169,147	277,877	384,578
Site 2	Green 750	North	25,000	275,000	-315,712	-169,607	-34,791		-176,045	-37,549	90,162	212,227	332,718	450,931
Site 3	Green 150	North	25,000	275,000	-465,363	-292,511	-121,650		-293,388	-121,843	45,764	206,074	366,383	526,693
Site 4	Green 75	North	25,000	275,000	-579,222	-374,396	-171,116		-373,562	-170,448	27,964	219,323	408,419	597,516
Site 5	Green 35	North	25,000	275,000	-641,852	-447,877	-253,903		-439,180	-249,554	-64,271	119,589	296,772	472,193
Site 6	Green 20	North	50,000	300,000	-652,480	-455,805	-259,131		-446,898	-254,677	-66,902	119,679	304,039	482,275
Site 7	Green 12	North	50,000	300,000	-445,997	-260,060	-78,341		-269,271	-82,580	102,372	287,325	469,311	647,325
Site 8	Green 9	North	50,000	300,000	237,203	487,484	733,170		388,440	684,605	974,522	1,260,250	1,545,978	1,831,705
Site 9	Green 6	North	50,000	300,000	195,537	426,046	656,555		338,258	612,661	884,415	1,153,516	1,417,753	1,679,273
Site 10	Green 3	North	50,000	300,000	295,132	483,602	672,071		385,577	623,059	860,541	1,096,129	1,329,022	1,561,915
Site 11	Green Plot	North	50,000	300,000	327,402	539,669	751,937		430,346	697,275	964,204	1,231,133	1,498,063	1,764,992
Site 12	Urban 300	North	100,000	120,000	-1,034,433	-810,909	-587,385		-767,035	-565,448	-364,882	-180,067	-6,067	154,683
Site 13	Urban 40	North	100,000	120,000	-1,559,332	-1,275,474	-992,535		-1,199,183	-954,389	-710,383	-469,206	-229,806	4,295
Site 14	Urban 25	North	100,000	120,000	-1,322,333	-1,081,189	-840,045		-1,017,935	-808,418	-601,365	-394,945	-190,292	10,073
Site 15	Urban 25 HD	North	250,000	300,000	-1,287,978	-1,069,829	-851,679		-1,005,854	-819,692	-634,462	-451,051	-267,640	-88,384
Site 16	Urban 15	North	250,000	300,000	-1,583,857	-1,295,692	-1,007,526		-1,218,743	-969,051	-722,279	-476,278	-232,397	6,387
Site 17	Urban 15 HD	North	250,000	300,000	-2,238,419	-1,945,836	-1,653,253		-1,808,335	-1,584,503	-1,361,621	-1,141,096	-920,572	-700,047
Site 18	Urban 10	North	250,000	300,000	-1,119,489	-884,700	-651,163		-841,447	-629,537	-417,627	-207,242	-1,548	204,145
Site 19	Urban 8	North	250,000	300,000	-1,663,086	-1,318,671	-978,466		-1,243,473	-940,622	-638,262	-336,794	-43,305	250,184
Site 20	Urban 8 HD	North	250,000	300,000	-1,532,812	-1,313,642	-1,095,588		-1,224,186	-1,050,751	-878,887	-707,023	-535,159	-363,295
Site 21	Urban 5	North	250,000	300,000	-947,028	-730,866	-516,871		-715,245	-508,987	-302,876	-101,098	98,967	299,031
Site 22	Urban 3	North	250,000	300,000	-1,285,254	-985,991	-686,729		-964,463	-675,965	-387,466	-105,908	174,126	454,160
Site 23	Urban Plot	North	250,000	300,000	-1,354,903	-1,038,479	-722,056		-1,014,476	-710,054	-405,632	-108,260	187,231	482,721
Site 24	PRS 25	North	250,000	300,000	-2,514,485	-2,254,813	-1,995,140		-2,099,068	-1,917,268	-1,736,497	-1,557,384	-1,378,270	-1,199,157
Site 25	Bungalows 12	North	50,000	300,000	313,929	313,929	313,929		-143,354	85,302	313,929	537,678	755,599	973,520

Source: HDH (December 2019)

Table 10.10d Impact of Price and Cost Change - NORTH (£/ha)

15% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value								
		Value						-10%	-5%	0	+5%	+10%	+15%
		BCIS			+15%	+10%	+5%						
Site 1	Green 2,000	North	25,000	275,000	-360,511	-215,591	-90,826	-211,102	-88,150	25,545	-88,150	235,668	338,001
Site 2	Green 750	North	25,000	275,000	-360,823	-209,215	-73,358	-206,606	-71,670	52,983	-71,670	285,644	399,025
Site 3	Green 150	North	25,000	275,000	-509,656	-338,634	-168,639	-328,211	-163,350	-2,913	-163,350	304,610	457,515
Site 4	Green 75	North	25,000	275,000	-631,346	-429,225	-227,104	-414,958	-219,971	-30,438	-219,971	335,328	515,709
Site 5	Green 35	North	25,000	275,000	-685,264	-494,112	-302,960	-473,459	-292,634	-114,558	-292,634	232,562	399,842
Site 6	Green 20	North	50,000	300,000	-698,142	-504,153	-310,164	-482,856	-299,515	-118,977	-299,515	236,063	407,999
Site 7	Green 12	North	50,000	300,000	-494,473	-311,031	-130,174	-307,649	-128,304	48,115	-128,304	399,363	571,214
Site 8	Green 9	North	50,000	300,000	147,786	392,849	635,247	312,084	595,645	874,385	595,645	1,418,474	1,690,518
Site 9	Green 6	North	50,000	300,000	106,558	333,219	559,880	263,484	525,012	785,835	525,012	1,297,410	1,546,661
Site 10	Green 3	North	50,000	300,000	295,132	483,602	672,071	385,577	623,059	860,541	623,059	1,329,022	1,561,915
Site 11	Green Plot	North	50,000	300,000	327,402	539,669	751,937	430,346	697,275	964,204	697,275	1,498,063	1,764,992
Site 12	Urban 300	North	100,000	120,000	-1,074,298	-853,690	-633,082	-797,081	-604,778	-412,474	-604,778	-63,238	94,771
Site 13	Urban 40	North	100,000	120,000	-1,605,432	-1,324,289	-1,045,023	-1,232,804	-999,280	-765,756	-999,280	-305,432	-81,521
Site 14	Urban 25	North	100,000	120,000	-1,357,627	-1,119,960	-882,293	-1,044,226	-844,426	-646,263	-844,426	-252,569	-61,300
Site 15	Urban 25 HD	North	250,000	300,000	-1,339,905	-1,123,529	-907,153	-1,046,394	-868,586	-690,787	-868,586	-340,426	-166,979
Site 16	Urban 15	North	250,000	300,000	-1,635,843	-1,350,864	-1,065,884	-1,257,525	-1,019,215	-782,775	-1,019,215	-313,197	-84,906
Site 17	Urban 15 HD	North	250,000	300,000	-2,313,450	-2,021,773	-1,730,096	-1,866,543	-1,652,481	-1,438,419	-1,652,481	-1,016,363	-805,464
Site 18	Urban 10	North	250,000	300,000	-1,159,138	-926,951	-696,809	-870,820	-668,744	-466,668	-668,744	-68,158	127,989
Site 19	Urban 8	North	250,000	300,000	-1,767,035	-1,422,567	-1,080,878	-1,321,097	-1,030,066	-740,674	-1,030,066	-167,887	113,015
Site 20	Urban 8 HD	North	250,000	300,000	-1,599,946	-1,380,776	-1,161,729	-1,276,356	-1,109,522	-945,029	-1,109,522	-616,042	-451,549
Site 21	Urban 5	North	250,000	300,000	-947,028	-730,866	-516,871	-715,245	-508,987	-302,876	-508,987	98,967	299,031
Site 22	Urban 3	North	250,000	300,000	-1,285,254	-985,991	-686,729	-964,463	-675,965	-387,466	-675,965	174,126	454,160
Site 23	Urban Plot	North	250,000	300,000	-1,354,903	-1,038,479	-722,056	-1,014,476	-710,054	-405,632	-710,054	187,231	482,721
Site 24	PRS 25	North	250,000	300,000	-2,537,633	-2,279,181	-2,020,729	-2,120,746	-1,941,511	-1,762,790	-1,941,511	-1,409,618	-1,233,033
Site 25	Bungalows 12	North	50,000	300,000	225,555	225,555	225,555	-211,179	7,188	225,555	7,188	651,736	859,851

20% Affordable. Impact of change in BCIS and Value

			EUV	BLV	Residual Value								
		Value						-10%	-5%	0	+5%	+10%	+15%
		BCIS			+15%	+10%	+5%						
Site 1	Green 2,000	North	25,000	275,000	-406,545	-252,957	-126,606	-239,733	-119,830	-8,425	93,919	193,196	291,424
Site 2	Green 750	North	25,000	275,000	-406,778	-249,570	-112,779	-237,747	-106,554	15,805	128,504	238,276	347,119
Site 3	Green 150	North	25,000	275,000	-554,175	-384,758	-216,614	-363,034	-205,752	-52,190	97,337	242,837	388,337
Site 4	Green 75	North	25,000	275,000	-684,127	-484,054	-284,638	-456,353	-270,787	-88,839	90,569	262,237	433,901
Site 5	Green 35	North	25,000	275,000	-729,152	-540,347	-352,018	-507,738	-335,714	-164,846	2,131	167,952	327,490
Site 6	Green 20	North	50,000	300,000	-743,805	-552,501	-361,197	-518,814	-344,354	-171,052	-1,710	167,632	333,724
Site 7	Green 12	North	50,000	300,000	-542,949	-362,003	-182,006	-346,026	-174,027	-6,143	161,741	329,415	494,055
Site 8	Green 9	North	50,000	300,000	58,369	298,214	537,324	235,727	506,684	772,534	1,032,608	1,290,970	1,549,331
Site 9	Green 6	North	50,000	300,000	17,579	240,392	463,205	188,709	437,364	686,018	931,104	1,174,953	1,414,048
Site 10	Green 3	North	50,000	300,000	295,132	483,602	672,071	385,577	623,059	860,541	1,096,129	1,329,022	1,561,915
Site 11	Green Plot	North	50,000	300,000	327,402	539,669	751,937	430,346	697,275	964,204	1,231,133	1,498,063	1,764,992
Site 12	Urban 300	North	100,000	120,000	-1,114,162	-896,471	-678,780	-827,127	-644,108	-461,088	-283,399	-120,409	34,860
Site 13	Urban 40	North	100,000	120,000	-1,651,532	-1,373,105	-1,097,511	-1,266,425	-1,044,171	-821,917	-601,802	-382,833	-167,336
Site 14	Urban 25	North	100,000	120,000	-1,392,920	-1,158,731	-924,542	-1,070,517	-880,435	-691,161	-503,888	-316,615	-132,672
Site 15	Urban 25 HD	North	250,000	300,000	-1,391,832	-1,177,230	-962,628	-1,086,933	-917,479	-748,025	-580,161	-413,212	-246,262
Site 16	Urban 15	North	250,000	300,000	-1,687,829	-1,406,036	-1,124,242	-1,296,308	-1,069,378	-843,270	-619,694	-396,118	-176,198
Site 17	Urban 15 HD	North	250,000	300,000	-2,388,482	-2,097,710	-1,806,939	-1,924,751	-1,720,459	-1,516,168	-1,313,426	-1,112,154	-910,882
Site 18	Urban 10	North	250,000	300,000	-1,198,786	-969,249	-742,455	-900,426	-707,951	-515,710	-323,468	-134,768	51,834
Site 19	Urban 8	North	250,000	300,000	-1,870,983	-1,526,515	-1,183,290	-1,398,720	-1,119,510	-843,086	-566,662	-292,469	-24,154
Site 20	Urban 8 HD	North	250,000	300,000	-1,667,079	-1,447,909	-1,228,739	-1,328,527	-1,169,048	-1,011,170	-854,048	-696,926	-539,803
Site 21	Urban 5	North	250,000	300,000	-947,028	-730,866	-516,871	-715,245	-508,987	-302,876	-101,098	98,967	299,031
Site 22	Urban 3	North	250,000	300,000	-1,285,254	-985,991	-686,729	-964,463	-675,965	-387,466	-105,908	174,126	454,160
Site 23	Urban Plot	North	250,000	300,000	-1,354,903	-1,038,479	-722,056	-1,014,476	-710,054	-405,632	-108,260	187,231	482,721
Site 24	PRS 25	North	250,000	300,000	-2,560,781	-2,303,549	-2,046,317	-2,142,423	-1,965,754	-1,789,085	-1,615,025	-1,440,967	-1,266,908
Site 25	Bungalows 12	North	50,000	300,000	137,153	137,153	137,153	-280,070	-70,925	137,153	344,599	547,873	746,183

Source: HDH (December 2019)

10.86 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

Review

10.87 The direction of the market, as set out in Chapter 4 above, is improving, and there is an improved sentiment that the economy and property markets are improving. There is however some level of uncertainty. Bearing in mind FDC's wish to develop housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of development change significantly it should consider undertaking a limited review of the Plan to adjust the Affordable Housing requirements or levels of developer contribution.

10.88 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> *How should viability be reviewed during the lifetime of a project?*
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

10.89 It is recommended that, in sites where the policy requirements are flexed, the Council includes review mechanisms.

Older People's Housing

10.90 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for a range of Affordable Housing requirements. The results of these are summarised as follows. In each case allowance has been made for a s106 developer contribution of £500/unit. The full appraisals are set out in **Appendix 13** below:

Table 10.11 Older People's Housing (Sheltered), Appraisal Results (£/ha)					
		Affordable %	EUV	BLV	Residual Value
Site 2	Green	0%	50,000	250,000	-998,773
Site 3	Green	5%	50,000	250,000	-1,243,607
Site 4	Green	10%	50,000	250,000	-1,488,441
Site 5	Green	15%	50,000	250,000	-1,731,305
Site 6	Green	20%	50,000	250,000	-1,976,140
Site 7	Green	25%	50,000	250,000	-2,220,974
Site 8	Green	30%	50,000	250,000	-2,465,961
Site 14	Brown	0%	100,000	120,000	-2,127,200
Site 15	Brown	5%	100,000	120,000	-2,372,034
Site 16	Brown	10%	100,000	120,000	-2,618,647
Site 17	Brown	15%	100,000	120,000	-2,865,243
Site 18	Brown	20%	100,000	120,000	-3,113,809
Site 19	Brown	25%	100,000	120,000	-3,362,375
Site 20	Brown	30%	100,000	120,000	-3,610,941

Source: HDH (December 2019)

Table 10.12 Older People's Housing (Extracare), Appraisal Results (£/ha)					
		Affordable %	EUV	BLV	Residual Value
Site 2	Green	0%	50,000	250,000	-2,649,876
Site 3	Green	5%	50,000	250,000	-2,969,322
Site 4	Green	10%	50,000	250,000	-3,293,193
Site 5	Green	15%	50,000	250,000	-3,619,496
Site 6	Green	20%	50,000	250,000	-3,943,829
Site 7	Green	25%	50,000	250,000	-4,268,162
Site 8	Green	30%	50,000	250,000	-4,592,496
Site 14	Brown	0%	100,000	120,000	-4,122,624
Site 15	Brown	5%	100,000	120,000	-4,446,709
Site 16	Brown	10%	100,000	120,000	-4,770,795
Site 17	Brown	15%	100,000	120,000	-5,094,880
Site 18	Brown	20%	100,000	120,000	-5,420,935
Site 19	Brown	25%	100,000	120,000	-5,749,082
Site 20	Brown	30%	100,000	120,000	-6,078,131

Source: HDH (December 2019)

10.91 Based on this analysis, specialist older people's housing is not able to bear developer contributions (financial or Affordable Housing) in the FDC area.

11. Non-Residential Appraisals

11.1 Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types.

11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV 'plus').

11.3 It is important to note that a report of this type applies relatively simple assumptions that are broadly reflective of an area to make an assessment of viability. The fact that a site is shown as viable does not necessarily mean that it will come forward and vice versa. An important part of any final consideration of viability will be relating the results of this study to what is actually happening on the ground in terms of development, and what planning applications are being determined – and on what basis.

11.4 The full appraisals are set in **Appendix 13** below.

Table 11.1 Employment

Greenfield					
		Offices - Central	Offices - Park	Larger Industrial	Smaller Industrial
CIL	£/m2	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-3,143,889**	**-2,670,578**	**-1,321,255**	**-279,038**
Existing Use Value	£/ha	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	300,000	300,000	300,000	300,000
Residual Value	£/ha	-50,302,232	-6,676,445	-1,321,255	-2,790,378
BROWNFIELD					
		Offices - Central	Offices - Park	Larger Industrial	Smaller Industrial
CIL	£/m2	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-3,517,429**	**-3,005,343**	**-1,606,847**	**-312,926**
Existing Use Value	£/ha	100,000	100,000	100,000	100,000
Viability Threshold	£/ha	120,000	120,000	120,000	120,000
Residual Value	£/ha	-56,278,858	-7,513,358	-1,606,847	-3,129,258

Source: HDH (December 2019)

11.5 To a large extent the above results are reflective of the current market in the District and more widely. Office and industrial development are shown as being unviable, however this is not just an issue within FDC, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward (and it is coming forward), it tends to be from existing businesses for operational reasons, for example existing local businesses moving to more appropriate and better located town edge properties.

11.6 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the FDC area is 'user led' being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.

11.7 It is clear that the delivery of the employment uses is challenging in the current market. We would urge caution in relation to setting policy requirements for employment uses that would unduly impact on viability.

Table 11.2 Retail and Hotels

Greenfield							
		Prime Retail	Secondary Retail	Supermarket	Smaller Supermarket	Retail Warehouse	Hotel
CIL	£/m2	**0**	**0**	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-220,950**	**-228,122**	**5,926,363**	**2,079,312**	**6,101,729**	**1,411,348**
Existing Use Value	£/ha	50,000	50,000	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	300,000	300,000	300,000	300,000	300,000	250,000
Residual Value	£/ha	-11,784,002	-12,166,486	4,444,773	6,931,038	7,627,161	3,216,748
BROWNFIELD							
		Prime Retail	Secondary Retail	Supermarket	Smaller Supermarket	Retail Warehouse	Hotel
CIL	£/m2	**0**	**0**	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-238,353**	**-245,524**	**5,383,135**	**1,950,772**	**5,794,791**	**1,187,385**
Existing Use Value	£/ha	100,000	100,000	100,000	100,000	100,000	100,000
Viability Threshold	£/ha	120,000	120,000	120,000	120,000	120,000	120,000
Residual Value	£/ha	-12,712,143	-13,094,626	4,037,352	6,502,572	7,243,489	2,706,289

Source: HDH (December 2019)

11.8 The larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The Plan supports the development of retail uses in the town centres but there are limited remaining opportunities within the town centres beyond those being currently pursued. The Council wishes to see a broad range of retailing in the towns, and the Plan directs this towards the town centres.

11.9 The analysis included hotel use. This is shown to be viable on greenfield and brownfield land.

12. Findings and Recommendations

12.1 This chapter provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment of this type is, by its very nature, a technical document that is prepared to address the very specific requirements of national planning policy. As this is a summary chapter, some of the content of earlier chapters is repeated.

12.2 This Viability Assessment sets out the methodology used, the key assumptions adopted, and the results. It has been prepared to assist the Council with the assessment of the viability of the emerging Local Plan. The 2019 National Planning Policy Framework (2019 NPPF), the updated Planning Practice Guidance (PPG) and the Harman Viability Guidance require stakeholder engagement – particularly with members of the development industry. Consultation has taken place and, whilst there was not universal agreement, a broad consensus was achieved.

12.3 Fenland District Council (FDC / the Council) is preparing a Local Plan that will set out the future spatial strategy for the District and will include sites for allocation. The first stage of this is the publication of an 'Issues and Options' consultation document. Responses to the Issues and Options document will inform the scope and direction of the draft Local Plan, which the Council intends to publish for consultation in –the summer of 2020.

12.4 This Viability Assessment has been commissioned to inform the further development of the Plan. HDH Planning & Development Ltd has been appointed to advise FDC in connection with several matters:

a. Review of Affordable Housing policy within the District (including tenure split).

b. Whole plan viability to consider all other standards and policy requirements.

c. To consider the scope for Community Infrastructure Levy (CIL).

12.5 In the three or so years before this report, various Government announcements were made about changes to the planning processes. The Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework, (2018 NPPF), and published new Planning Practice Guidance (PPG) in July 2018. In February 2019 the NPPF was further updated (2019 NPPF), although these changes did not impact on viability. In May 2019 the viability sections of the PPG were updated again. In addition to these changes, the CIL Regulations and accompanying guidance (within the PPG) were also updated from 1st September 2019. The methodology used in this report is consistent with the 2019 NPPF, the CIL Regulations (as amended) and the updated PPG.

Compliance

12.6 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As a firm regulated by the RICS it is necessary to have regard to RICS Professional Standards and Guidance. There are two principle pieces of relevant guidance, being the *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)* and *Financial Viability in planning (1st edition), RICS guidance note 2012*.

12.7 *Financial Viability in planning (1st edition), RICS guidance note 2012* is currently subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (May 2019). As part of the review, *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance has been followed in full.

Viability Testing under the 2019 NPPF and Updated PPG

12.8 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2019 NPPF. The overall requirement (as set out at PPG 10-001-20190509) is that '*policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106 .*'

12.9 This study is based on typologies that are representative of the sites to be allocated in the new Local Plan.

12.10 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV+) approach:

> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. Landowners and site purchasers should consider policy requirements when agreeing land transactions. This approach is often called 'existing use value plus' (EUV+).*

12.11 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

Viability Guidance

12.12 There is no specific technical guidance on how to test the viability in the 2019 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012 (known as the **Harman Guidance**).

12.13 In line with the updated PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning.

12.14 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)

LESS

Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

RESIDUAL VALUE

12.15 The 2019 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from FDC has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of Affordable Housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it so that it can then be used as a sound base for the assessment.

12.16 The PPG requires stakeholder engagement. So a consultation event was held on 19th September 2019. Representatives of the main developers, development site landowners, 'call for site' landowners, their agents, planning agents and consultants working in the District and housing providers were invited.

Viability Process

12.17 The assessment of viability as required under the 2019 NPPF and the CIL Regulations is a quantitative and qualitative process. The basic viability methodology involves preparing financial development appraisals for a representative range of 'typologies', and using these to assess whether development, generally, is viable. The sites were modelled based on discussions with Council officers, the existing available evidence supplied and on our own experience of development.

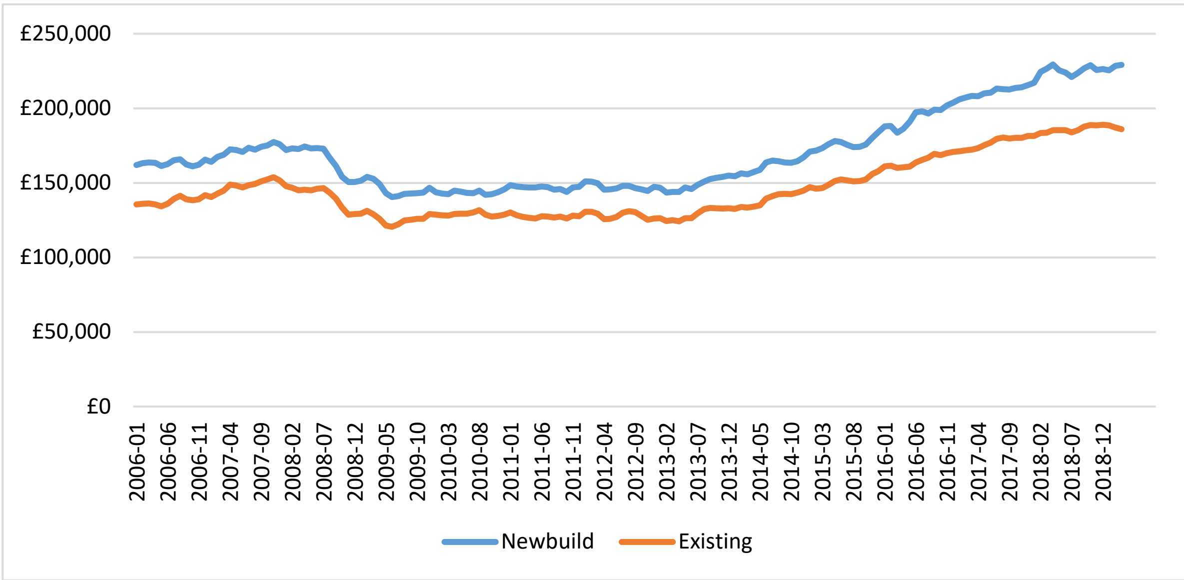
Residential Market

12.18 An assessment of the housing market was undertaken. The study is concerned not just with the prices but the differences across different areas.

12.19 When ranked across England and Wales, the average house price for FDC is 250th (out of 348) at about £202,805. To set this in context, the Council at the middle of the rank (174 – Herefordshire), has an average price of £264,989. It is relevant to note that FDC's median price is a lower than the mean at £185,000.

12.20 Prices in the FDC area have seen a significant recovery since the bottom of the market in mid-2009. A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes in Fenland (£229,105) is about £43,000, or 23% higher than the average price paid for existing homes (£186,046).

Figure 12.1 Change in House Prices. Existing v Newbuild – Fenland



Source: Figure 4.2 FDC Viability Assessment (December 2019)

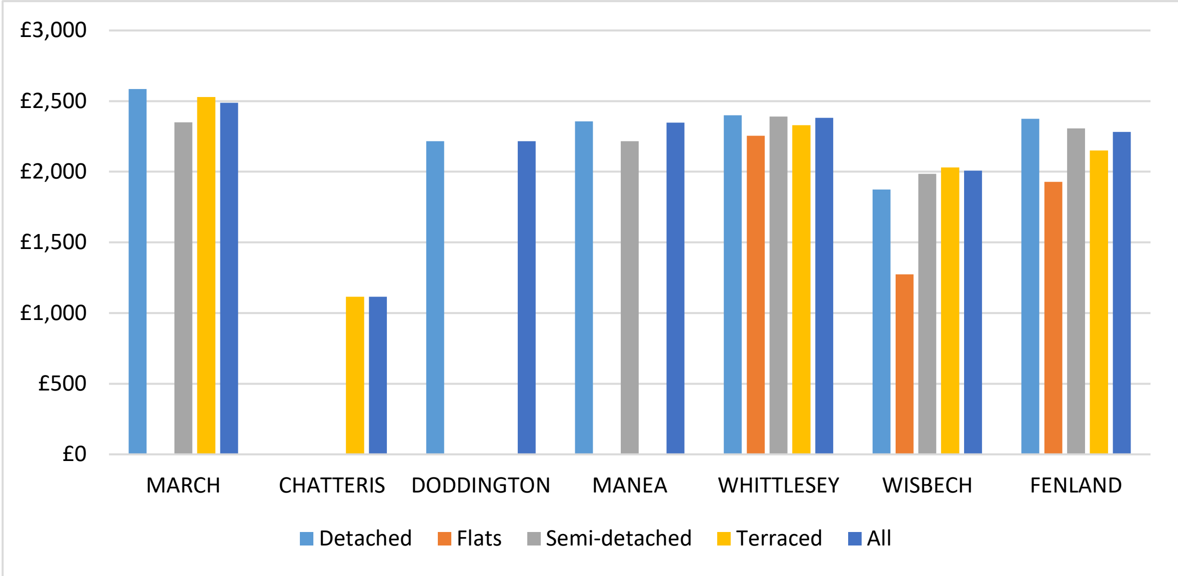
12.21 This report is being completed after the United Kingdom voted to leave the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty. Negotiations around the details of the exit are underway but not concluded, so the future of trade with the EU and wider world are not yet known. A range of views as to the impact on house prices have been expressed that cover nearly the whole spectrum of possibilities. There is clearly uncertainty in the market, and it is not for this study to try to predict how the market may change in the coming years, and whether or not there will be a further increase in house prices.

The Local Market

12.22 A survey of asking prices across the FDC area was carried out in August 2019.

12.23 The Land Registry publishes data of all homes sold. Across the FDC area 2,632 home sales are recorded since the start of 2018. These transactions (as recorded by the Land Registry) have an average price of £208,894. 320 newbuild home sales are recorded since the start of 2017. Each dwelling sold requires an Energy Performance Certificate (EPC). The EPC contains the floor area (the Gross Internal Area – GIA). The price paid data from the Land Registry has been married with the floor area from the EPC Register. The Land Registry data can be broken down by house type and is summarised as follows:

Figure 12.2 Average Price Paid (£/m²)



Source: Figure 4.9 FDC Viability Assessment (December 2019). Land Registry and EPC Register (August 2019) Contains HM Land Registry data © Crown copyright and database right 2019. This data is licensed under the Open Government Licence v3.0.

12.24 The average price paid is £2,283/m², ranging from £1,115/m² to over £3,260/m².

Price Assumptions for Financial Appraisals

12.25 Bringing together the evidence (which we acknowledge is varied), the following price assumptions are used:

Table 12.1 Post-consultation Residential Price Assumptions (£/m²)

	Higher Value	Lower Value
Urban Sites	£2,275	£2,050
Flatted Schemes	£2,500	£2,250
Large Greenfield Sites	£2,450	£2,200
Medium Greenfield Sites	£2,400	£2,160
Small Greenfield Sites	£2,750	£2,500

Source: Table 4.8 FDC Viability Assessment HDH (December 2019)

12.26 The results are presented for two price areas. For this assessment we have divided the District with the area to the north of where the A47 crosses the River Nene (by the Rings End Roundabout at Guyhirn) being a lower value area, and the remainder of the District being a higher value area.

Build to Rent

12.27 The Council has not seen Build to Rent schemes coming forward however this is a growing development format. The Built to Rent sector is a different sector to mainstream housing and treated differently to mainstream housing under the PPG. A survey of market rents across the FDC area has been undertaken and from this the values of Private Rented Housing derived.

Table 12.2 Capitalisation of Private Rents

	1 bed	2 bed	3 bed	4 bed
Gross Rent (£/month)	£510	£625	£680	£900
Gross Rent (£/annum)	£6,120	£7,500	£8,160	£10,800
Net Rent	£4,896	£6,000	£6,528	£8,640
Value	£97,920	£120,000	£130,560	£172,800
m^2	50	70	84	97
£/m^2	£1,958	£1,714	£1,554	£1,781

Source: Table 4.9 FDC Viability Assessment HDH (December 2019)

12.28 In this study we have assumed a value for private rent, in all areas, of £1,750/m^2.

Affordable Housing

12.29 In this study, it is assumed that Affordable Housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the FDC area:

a. Social Rent – a value of £1,180/m^2.

b. Affordable Rent – a value of £1,400/m^2.

c. Intermediate Products for Sale – 70% of Open Market Value.

Older People's Housing

12.30 Housing for older people is generally a growing sector due to the demographic changes and the aging population. Based on the above, a value of £2,800/m^2 is assumed for Sheltered housing and £3,000/m^2 is assumed for Extracare.

Non-Residential Market

12.31 The following assumptions have been used:

Table 12.3 Commercial Values £/m² 2019					
	Rent £/m²	Yield	Rent free period		Assumption
Offices	£215	7.00%	1.0	£1,335	£1,500
Industrial	£75	7.00%	1.0	£1,001	£1,000
Retail - Centre	£270	8.00%	2.0	£2,894	£2,900
Retail (elsewhere)	£150	10.00%	2.0	£1,240	£1,250
Large Supermarket	£250	5.50%	1.0	£4,308	£4,300
Small Supermarket	£215	5.00%	1.0	£4,095	£4,100
Retail warehouse	£180	6.00%	2.0	£2,670	£3,270
Hotel (per room)	£4,500	5.50%	0.0	£81,818	£3,300

Source: Table 5.2 FDC Viability Assessment HDH (December 2019)

Land Values

12.32 In this assessment the following Existing Use Value (EUV) assumptions are used.

Table 12.4 Existing Use Value Land Prices £/ha August 2019		
Industrial Land	1ha + Less than 1ha	£100,000 £250,000
Agricultural		£25,000
Paddock		£50,000

Source: Table 6.4 FDC Viability Assessment HDH (December 2019)

12.33 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following BLV assumptions are made:

Brownfield/Urban Sites: EUV Plus 20%.

Greenfield Sites: EUV Plus £250,000/ha.

Development Costs

12.34 These are the costs and other assumptions required to produce the financial appraisals.

Construction costs: baseline costs

12.35 The cost assumptions are derived from the Building Cost Information Service (BCIS)[67] data – using the figures re-based for Cambridgeshire[68]. The cost figure for 'Estate Housing –

[67] BCIS is the Building Cost Information Service of the Royal Institution of Chartered Surveyors.

[68] The sample size for Fenland is very small (16) so the larger area is used.

Generally' is £1,281/m^2 at the time of this study: Through the September 2019 consultation it was suggested that a figure between the lower quartile figure and the median was appropriate and had been used.

Other normal development costs

12.36 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs).

12.37 A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes, to 15% for the larger greenfield schemes.

Abnormal development costs and brownfield sites

12.38 An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs. Abnormal costs will be reflected in land value (and, in due course, at the development management stage, in the BLV). Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs. It is not the purpose of a study of this type to standardise land prices across an area.

Fees

12.39 For residential and non-residential development we have assumed professional fees amount to 9% of build costs. Separate allowances are made for planning fees, acquisition, sales and finance costs.

Contingencies

12.40 For previously undeveloped and otherwise straightforward sites, a contingency of 2.5% has been allowed for, with a higher figure of 5% on more risky types of development, previously developed land. So, the 5% figure was used on the brownfield sites and the 2.5% figure on the remainder.

S106 Contributions and the costs of infrastructure

12.41 For many years, FDC has sought payments from developers to mitigate the impact of the development through improvements to the local infrastructure. In line with the Council's expectations it is assumed all the modelled residential sites will contribute £2,000/unit. Bearing in mind the considerable uncertainly in this regard a range of higher costs have also been tested.

Financial and Other Appraisal Assumptions

Interest rates

12.42 Our appraisals assume interest of 6% p.a. for total debit balances, we have made no allowance for any equity provided by the developer.

12.43 An arrangement fee of 1% of the peak borrowing requirement is also allowed for.

Developers' return

12.44 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions. The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies*'. An assumption of 17.5% is used across market and Affordable Housing.

Site Acquisition and Disposal Costs

12.45 An allowance 1% for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates.

12.46 For market and for Affordable Housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts. For disposals of Affordable Housing, these figures can be reduced significantly depending on the category, so in fact the marketing and disposal of the affordable element is probably less expensive than this.

Local Plan Policy Requirements

12.47 The specific purpose of this study is to inform the development of the emerging Local Plan and then, in due course, to assess the cumulative impact of the policies in the new Local Plan. The development of the policies is at an early stage and the options are still being explored, having said this, the policies can be separated into various and tested.

Modelling

12.48 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan.

Residential Appraisals

12.49 The appraisals use the residual valuation approach – they assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents and a developers' return. The Residual Value represents the maximum bid for the site where the payment is made in a single tranche on the acquisition of a site. In order for the proposed development to be viable, it is necessary for this Residual Value to exceed the EUV by a satisfactory margin, being the Benchmark Land Value (BLV).

12.50 Several sets of appraisals have been run, including with varied levels of Affordable Housing and developer contributions.

12.51 These appraisals are based on the following assumptions. These base appraisals have been based on 30% Affordable Housing.

a.	Affordable Housing	30% on sites of 10 units and larger (6 units and larger in rural areas) as 70% Affordable Rent, 30% Intermediate.
b.	Design	NDSS
		Water efficiency / Car Charging Points
c.	Developer Contributions	s106 - £2,000/unit.

12.52 The results vary across the modelled sites, although this is largely due to the different assumptions around the nature of each typology. The additional costs associated with brownfield sites result in lower Residual Values.

12.53 In the following tables the Residual Value is compared with the BLV. The Benchmark Land Value being an amount over and above the Existing Use Value that is sufficient to provide the willing landowner with a premium, and induce them to sell the land for development as set out in Chapter 6 above.

Table 12.5a Residual Value v Benchmark Land Value - SOUTH 30% Affordable (70% Social Rent / 30% Intermediate), s106 £2,000/unit					
			EUV	BLV	Residual Value
Site 1	Green 2,000	South	25,000	275,000	140,018
Site 2	Green 750	South	25,000	275,000	178,655
Site 3	Green 150	South	25,000	275,000	166,115
Site 4	Green 75	South	25,000	275,000	171,397
Site 5	Green 35	South	25,000	275,000	80,760
Site 6	Green 20	South	50,000	300,000	76,153
Site 7	Green 12	South	50,000	300,000	233,750
Site 8	Green 9	South	50,000	300,000	1,052,920
Site 9	Green 6	South	50,000	300,000	943,653
Site 10	Green 3	South	50,000	300,000	1,343,358
Site 11	Green Plot	South	50,000	300,000	1,514,526
Site 12	Urban 300	South	100,000	120,000	-195,590
Site 13	Urban 40	South	100,000	120,000	-479,706
Site 14	Urban 25	South	100,000	120,000	-395,312
Site 15	Urban 25 HD	South	250,000	300,000	-1,187,858
Site 16	Urban 15	South	250,000	300,000	-502,528
Site 17	Urban 15 HD	South	250,000	300,000	-1,246,015
Site 18	Urban 10	South	250,000	300,000	-218,722
Site 19	Urban 8	South	250,000	300,000	-471,670
Site 20	Urban 8 HD	South	250,000	300,000	-813,359
Site 21	Urban 5	South	250,000	300,000	154,135
Site 22	Urban 3	South	250,000	300,000	251,326
Site 23	Urban Plot	South	250,000	300,000	268,740
Site 24	PRS 25	South	250,000	300,000	-1,825,683
Site 25	Bungalows 12	South	50,000	300,000	399,168

Source: Table 10.2a FDC Viability Assessment HDH (December 2019)

Table 12.5b Residual Value v Benchmark Land Value - NORTH 30% Affordable (70% Social Rent / 30% Intermediate), s106 £2,000/unit					
			EUV	BLV	Residual Value
Site 1	Green 2,000	North	25,000	275,000	-72,129
Site 2	Green 750	North	25,000	275,000	-54,941
Site 3	Green 150	North	25,000	275,000	-139,012
Site 4	Green 75	North	25,000	275,000	-191,708
Site 5	Green 35	North	25,000	275,000	-253,986
Site 6	Green 20	North	50,000	300,000	-263,595
Site 7	Green 12	North	50,000	300,000	-101,395
Site 8	Green 9	North	50,000	300,000	583,903
Site 9	Green 6	North	50,000	300,000	501,657
Site 10	Green 3	North	50,000	300,000	875,159
Site 11	Green Plot	North	50,000	300,000	980,668
Site 12	Urban 300	North	100,000	120,000	-542,658
Site 13	Urban 40	North	100,000	120,000	-914,446
Site 14	Urban 25	North	100,000	120,000	-765,004
Site 15	Urban 25 HD	North	250,000	300,000	-848,423
Site 16	Urban 15	North	250,000	300,000	-945,096
Site 17	Urban 15 HD	North	250,000	300,000	-1,654,194
Site 18	Urban 10	North	250,000	300,000	-596,733
Site 19	Urban 8	North	250,000	300,000	-1,021,523
Site 20	Urban 8 HD	North	250,000	300,000	-1,129,987
Site 21	Urban 5	North	250,000	300,000	-286,279
Site 22	Urban 3	North	250,000	300,000	-364,255
Site 23	Urban Plot	North	250,000	300,000	-381,090
Site 24	PRS 25	North	250,000	300,000	-1,825,683
Site 25	Bungalows 12	North	50,000	300,000	-25,263

Source: Table 10.2b FDC Viability Assessment HDH (December 2019)

12.54 At the 30% Affordable Housing, the only typology where the Residual Value exceeds the BLV is the typology modelled at lower density with bungalows. Bungalows are modelled with a higher value. The Residual Values are notably higher in the higher value southern area and the lower value northern area.

12.55 These results are very much to be expected as the Council's Affordable Housing target is 25% across most sites, with 20% on smaller sites. A range of further appraisals have been run to inform the development of planning policy.

12.56 The core purpose of this study is to consider an appropriate Affordable Housing target. Sensitivity testing was carried out based on the (current) preferred mix of 70% Affordable Rent / 30% Intermediate Housing.

12.57 The results are significantly different across the southern and the northern areas. In the higher value southern area, on the larger greenfield sites, the 'tipping' point in terms of the Residual Value exceeding the BLV is between 20% and 25% Affordable Housing. This is in line with expectations, on the basis that some sites are delivering affordable in this area and that viability has got a little worse (costs rising more than values) since the Affordable Housing target was set. This would suggest that a 20% target would be appropriate.

12.58 In the lower value northern area, the larger greenfield typologies produce Residual Values that are less than the BLV without Affordable Housing, indicating that not only is development unable to bear Affordable Housing in this area, but is also unlikely to be forthcoming.

12.59 The smaller sites (in the 6 unit to 10 unit band) that are within the parishes in the 'designated rural area', in both the north and south of the District, have higher Residual Values, reflecting the slightly higher value attributed to residential development on smaller sites. These types of site are able to bear Affordable Housing so we would recommend a lower threshold is set. If a 20% Affordable Housing target is adopted, then the lowest practical threshold that allows for the delivery of a whole unit is 5. A policy threshold of 5 units would be appropriate.

12.60 Across both the northern and the southern areas, the brownfield typologies generate Residual Values that are not only below the EUV, but are also negative. This indicates that development on these types of site is likely to be unviable, even without the provision of any Affordable Housing. The Council's experience on the ground, through the development management system, is that some schemes are coming forward within the urban areas and on greenfield sites, but these are limited and are not generally delivering Affordable Housing (this is also, at least in part, because such sites tend to be small sites that are below the Affordable Housing policy threshold.

12.61 The Council should be cautious about allocating sites in the north of the District as these are unlikely to be forthcoming. Likewise, the Council should be cautious when relying on brownfield/urban sites to deliver housing (for example within the five year supply assessment) as such sites are clearly challenging to deliver. The exception to this advice is where there is clear evidence that a policy compliant scheme can be delivered on a site.

Developer Contributions

12.62 The initial analysis considered the impact of Affordable Housing on development viability. The ability to bear developer contributions (without Affordable Housing) was also considered

12.63 Most greenfield sites can bear up to £15,000/unit in developer contributions. In the northern parts of the District the scope to bear developer contributions is limited.

Varied Developer's Return

12.64 Through the consultation process, a range of views were expressed at to the appropriate developer's return. This is an area where there was not a consensus. A range of assumptions have been tested.

12.65 In the initial iteration of this assessment, the developer's return is assessed as 17.5% of the value of market housing and 6% of the value of Affordable Housing. 17.5% is the middle of the range suggested in the PPG.

12.66 It is accepted that using different assumptions in this regard has an impact on the Residual Value. It is notable that if the 20% assumption is used on both market and Affordable Housing, at 20% Affordable Housing little development is viable. This does not represent what is happening on the ground, as development is coming forward.

Other Policy Requirements

12.67 The Council is at an early stage of the plan-making process. We have been asked to test the impact of higher building standards on development viability. We have tested the additional costs of building to Option 1 and Option 2 as set out in the Government's consultation on 'The Future Homes Standard'.

12.68 The Council is also investigating seeking additional standards around accessible and adaptable standards. We have assessed what the impact would be of requiring all new homes to be designed to be accessible and adaptable dwellings with 10% of housing to be wheelchair adaptable dwellings.

12.69 The analysis shows that the additional costs on increased standards does have a detrimental impact on viability. At 20% Affordable Housing there would be limited scope to introduce higher standards, beyond the Accessible and Adaptable Category 2 Standard.

12.70 The consultation on the Future Homes Standard is being carried out on the basis any changes would be introduced from 2025. Whilst it is prudent to consider their impact now, there is little scope to introduce the emerging requirements at this stage.

Affordable Housing v Developer Contributions

12.71 The core balance in a viability assessment is between the provision of Affordable Housing and the payment of developer contributions towards strategic infrastructure and mitigation measures that are required to make development acceptable.

12.72 At the time of this assessment the Council has not completed the research behind the updated Infrastructure Delivery Plan (IDP) so does not know what levels of contribution will be sought from development in the future. In the base analysis it is assumed that the current typical contribution of about £2,000/unit will continue, although there is uncertainty around this pending the completion of the Councils Infrastructure Delivery Plan (IDP).

12.73 The analysis suggests that there is not capacity to seek increased levels of developer contribution with an Affordable Housing target of 20%.

Suggested Affordable Housing Targets

12.74 In the sections above, the ability of development to bear a range of costs has been considered. How this information is brought together will be a matter for the Council – bearing in mind its own priorities.

12.75 The results vary significantly between the southern and the northern areas. At the time of this assessment, the Council has not completed the research behind the updated Infrastructure Delivery Plan (IDP) so does not know what levels of contribution will be sought from development in the future. In the base analysis it is assumed that the current typical contribution of about £2,000/unit will continue. The above analysis suggests that there is not capacity to seek increased levels of developer contribution with an Affordable Housing target of 20%.

12.76 Should higher level of developer contributions be required to provide the infrastructure to support new development then it may be necessary to consider a lower affordable housing target. With a £5,000/unit developer contribution an affordable housing target of 10% would be appropriate in the southern area.

12.77 The smaller sites (in the 6 unit to 10 unit band) that are within the parishes in the 'designated rural area', in both the north and south of the District, have higher Residual Values, reflecting the slightly higher value attributed to residential development on smaller sites. These types of site are able to bear Affordable Housing of up to 25% so we would recommend a lower threshold is set (6 is the minimum under paragraph 63 of the 2019 NPPF).

12.78 At the time of this report, no strategic sites have been identified. In due course these will need to be tested individually. There is no doubt that the delivery of any large site is challenging. Regardless of these results, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

12.79 In this context we particularly highlight paragraph 10-006 of the PPG:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*
>
> *PPG 10-006-20180724*

12.80 Based on the above a 20% Affordable Housing target is suggested on greenfield sites.

Scope for CIL

12.81 In the previous sections the ability to bear developer contributions was considered at varied levels of affordable housing. On greenfield sites in the south of the District, at 20% affordable housing there is scope for £2,000/unit, and at 10% affordable housing there is scope for £5,000 or so. Without affordable housing there is scope for £15,000 or so on greenfield sites in the south of the District.

12.82 The above analysis simply considers the ability to bear different levels of contribution, having no regard for how the contributions are paid. Developer contributions can be paid through the s106 regime or as CIL. Payments requested under the s106 regime are determined site by site as set out in CIL Regulation 122.

12.83 Where a CIL is in place, it is mandatory on all developments within the categories and areas where the levy applies. This is unlike s106 agreements (including Affordable Housing) which are negotiated with developers (subject to the restrictions in CIL Regulation 122 and within paragraphs 10-007 and 10-008 of the PPG). This means that CIL must not prejudice the viability of most sites. This difference is reflected in the CIL Guidance (within the PPG) that refers to a buffer.

12.84 The level of the buffer has been debated at many CIL hearings, but generally CIL Examiners like to see a buffer of between 30% and 50% between the Residual Value and the Benchmark Land Value. On this basis there is limited scope to introduce CIL.

Commuted Sums

12.85 The Council's preference is for Affordable Housing to be delivered on-site. This approach is in line with Paragraph 62 of the 2019 NPPF. Having said this, it is sensible for councils to set out guidance as to how a commuted sum would be calculated so as to provide transparency, and to avoid the undue delays that might arise during s106 negotiations if details of a payment had to be developed from first principles on each occasion. The approach used in the calculation of the developer contribution utilises the site viability analysis. It is based upon the contribution that the developer would have made if an on-site affordable contribution were delivered.

12.86 Paragraph 62 of the 2019 NPPF is clear that off-site provision or financial contribution in lieu '*can be robustly justified'*. On this basis, the above calculations provide a sound basis for determining a commuted sum figure. If the Council were to publish a 'standard commuted sum payment', we would recommend a £45,000/unit payment per affordable unit not delivered on-site.

Impact of Change in Values and Costs

12.87 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produce various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 10.08% over the next 3 years[69]. We have tested a scenario with this increase in build costs. As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested four price change scenarios.

12.88 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

Review

12.89 The direction of the market, as set out in Chapter 4 above, is improving, and there is an improved sentiment that the economy and property markets are improving. There is however some level of uncertainty. Bearing in mind FDC's wish to develop housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of development change significantly, it should consider undertaking a limited review of the Plan to adjust the Affordable Housing requirements or levels of developer contribution.

12.90 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> *How should viability be reviewed during the lifetime of a project?*
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

12.91 It is recommended that, on sites where the policy requirements are flexed, the Council includes review mechanisms.

Older People's Housing

12.92 As well as mainstream housing, we have considered the Sheltered and Eextracare sectors separately. Appraisals were run for a range of Affordable Housing requirements.

12.93 Based on this analysis, specialist older people's housing is not able to bear developer contributions (financial or Affordable Housing) in the FDC area.

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[69] See Table 1.1 (Page 7) of in *Quarterly Review of Building Prices*

Non-Residential Appraisals

12.94 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of a site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit.

12.95 To a large extent the above results are reflective of the current market in the District and more widely. Office and industrial development are shown as being unviable, however this is not just an issue within FDC, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward (and it is coming forward), it tends to be from existing businesses for operational reasons, for example existing local businesses moving to more appropriate and better located town edge properties.

12.96 It is clear that the delivery of the employment uses is challenging in the current market. We would urge caution in relation to setting policy requirements for employment uses that would unduly impact on viability.

12.97 The larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin. The Plan supports the development of retail uses in the town centres, but there are limited remaining opportunities within the town centres beyond those being currently pursued. The Council wishes to see a broad range of retailing in the towns, and the Plan directs this towards the town centres.

12.98 The analysis included hotel use. This is shown to be viable on greenfield and brownfield land.

Conclusions

12.99 The property market across the Fenland is mixed, although parts are active and development is forthcoming.

12.100 In simple terms the greenfield sites in the southern part of the District are shown as viable, but greenfield sites in the northern areas and the brownfield sites not viable. This is to be expected, generally the Council is achieving Affordable Housing on greenfield sites but not on brownfield sites. The Council should be cautious about allocating sites in the north of the District or relying on the brownfield sites, (for example within the five-year land supply assessment).

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, land owners and developers. The firm is regulated by the RICS.
The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

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