

**South Ribble Borough Council
Housing Viability Assessment
Final Report**

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1 INTRODUCTION

Background to the Study

- 1.1 South Ribble Borough Council, in association with Preston City Council and Chorley Council appointed Three Dragons to undertake a housing viability study covering a range of housing market circumstances across the Borough as part of a complementary set of three studies covering the combined Central Lancashire area. The work was overseen by the Council's own Steering Group. It also builds upon and is consistent with the Central Lancashire Strategic Housing Market Assessment (August 2009) and the local Strategic Housing Land Availability Assessment research.
- 1.2 The broad aims of the study were to consider an appropriate affordable housing target or targets for the authority, as well as to advise on an appropriate site size threshold or thresholds in the light of the varying local market and land supply conditions. This work has been done to inform the Local Development Framework – a portfolio of Local Development Documents that will come to replace the District's Local Plan
- 1.3 This report relates to the specific circumstances of South Ribble although considers in the wider context regional and national viability benchmarks. The report analyses the impact of affordable housing and other planning obligations on scheme viability.

Policy context - national

- 1.4 This study focuses on the percentage of affordable housing sought on mixed tenure sites and the size of site from above which affordable housing is sought (the site size threshold). National planning policy, set out in PPS3 makes clear that local authorities, in setting policies for site size thresholds and the percentage of affordable housing sought, must consider development economics and should not promote policies which would make development unviable.

PPS3: Housing (November 2006) states that:

'In Local Development Documents, Local Planning Authorities should:

Set out the range of circumstances in which affordable housing will be required. The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area. Local Planning Authorities will need to undertake an informed assessment of the economic viability of any thresholds and proportions of affordable housing proposed, including their likely impact upon overall levels of housing delivery and creating mixed communities'. (Para 29)

- 1.5 The companion guide to PPS3¹ provides a further indication of the approach which Government believes local planning authorities should take in planning for affordable housing. Paragraph 10 of the document states:

*“Effective use of planning obligations to deliver affordable housing requires good negotiation skills, **ambitious but realistic affordable housing targets and thresholds** given site viability, funding ‘cascade’ agreements in case grant is not provided, and use of an agreement that secures standards.”* (our emphasis)

Policy context – The North West

- 1.7 The North West Regional Spatial Strategy (RSS) was published in September 2008. The Examination in Public (EIP) took place between October 2006 and February 2007, and the EIP Panel’s Report was published in May 2007. The Secretary of State’s Proposed Changes to the draft RSS were subject to public consultation ending in May 2008. On adoption, the new RSS formally replaces RPG13 and the Joint Lancashire Structure Plan as part of the Development Plan. The new RSS sets housing provision targets for each local authority in the region.
- 1.8 The RSS sees a swing in regional policy objective from that of housing restraint to an emphasis on housing growth. The new RSS sets a minimum housing target of 7,500 dwellings (net) for the period 2003-2021 (equivalent to 417 dwellings per annum) with an indicative target of at least 70% of these dwellings to be developed on previously developed land.

Local policy context – South Ribble

- 1.9 The South Ribble BC Local Plan was adopted in February 2000. The Plan stated in Policy HP2 that ‘within the plan period, the Council will seek to negotiate with developers for the inclusion of an element of affordable housing in housing developments of 25 or more dwellings or on residential sites of over one hectare (two and a half acres) for which planning permission is sought for residential development based on site suitability and evidence of local needs’.
- 1.10 The Plan, under Policy HP3 set out numerical affordable housing targets for specific sites in the Borough.
- 1.11 This policy (HP2) was not saved in 2007 when the Council saved some policies and allowed others to expire. The reason for not saving the policy was that PPS3 provided a new definition of affordable housing and introduced a new national threshold of 15 dwellings.’ Policy HP3 relating to affordable housing targets was however saved in 2007.
- 1.12 An Interim Planning Policy (IPP) adopted in August 2008, saved policy HP3. The IPP introduced Policy HP2R.

¹ CLG, Delivering Affordable Housing, November 2006

This states that:

‘To meet the identified housing needs of the borough, developments on sites for 15 or more dwellings or of 0.5 hectares and over will be required to make provision for an element of affordable housing.

The Council will base negotiations on 20% of dwellings to be affordable, of which approximately 70% should be social rented and approximately 30% will be intermediate housing for sale or rent. Affordable units must meet the price guidelines set out in the appendix to this interim planning policy, which will be updated on an annual basis.’

Research undertaken

1.12 There were four main strands to the research undertaken to complete this study:

- Discussions with a project group of officers from the commissioning authorities which informed the structure of the research approach;
- Analysis of information held by the authority, including that which described the profile of land supply;
- Use of the Three Dragons Toolkit to analyse scheme viability (and described in detail in subsequent chapters of this report);
- A workshop held with developers, land owners, their agents and representatives from a selection of Registered Social Landlords active in the district. A full note of the workshop is shown in Appendix 1.

Structure of the report

1.13 The report adopts the following structure:

- Chapter 2 explains the methodology we have followed in, first, identifying sub markets and, second, undertaking the analysis of development economics. We explain that this is based on residual value principles;
- Chapter 3 provides analysis of residual values generated across a range of different development scenarios (including alternative percentages and mixes of affordable housing) for a notional 1 hectare site.
- Chapter 4 considers options for site size thresholds. It reviews national policy and the potential future land supply and the relative importance of small sites. The chapter considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed);
- Chapter 5 identifies a number of case study sites (generally small sites which are currently in use), that represent examples of site types found in the authority. For each site type, there is an analysis of the residual value of the sites and compares this with their existing use value.

- Chapter 6 summarises the evidence collected through the research and provides a set of policy options.

2 METHODOLOGY

Introduction

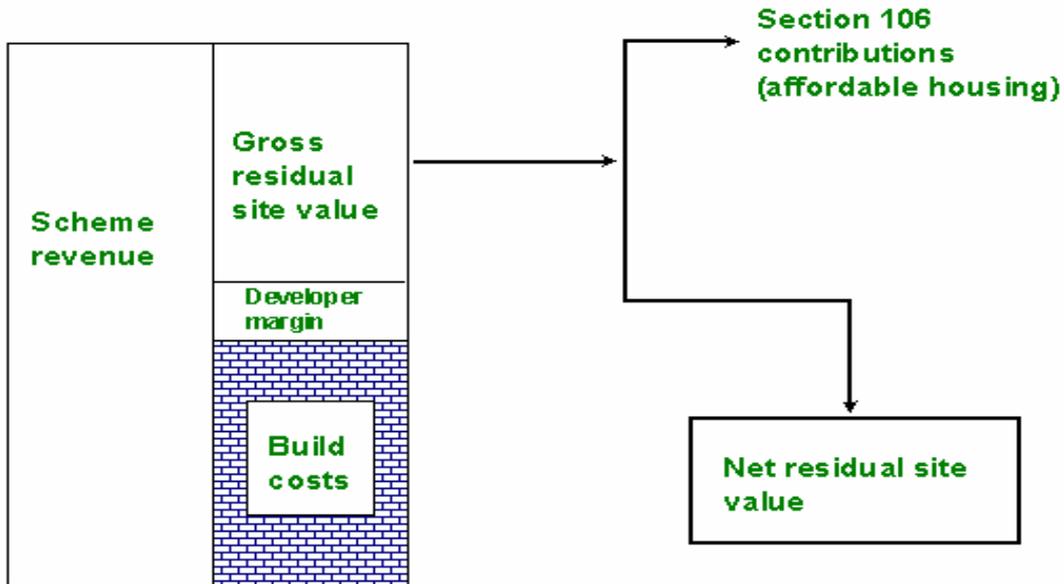
- 2.1 In this chapter we explain the concept of a residual value approach and the relationship between residual values and existing/alternative use values.

Viability – starting points

- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates and what it costs to develop. The model can take into account the impact on scheme residual value of affordable housing and other developer contributions*.
- 2.3 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume a profit margin to the developer and the 'build costs' as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company.
- 2.4 The gross residual value is the starting point for negotiations about the level and scope of developer contributions. The contribution will normally be greatest in the form of affordable housing but other contributions will also reduce the gross residual value of the site. Once the developer contributions have been deducted, this leaves a net residual value.

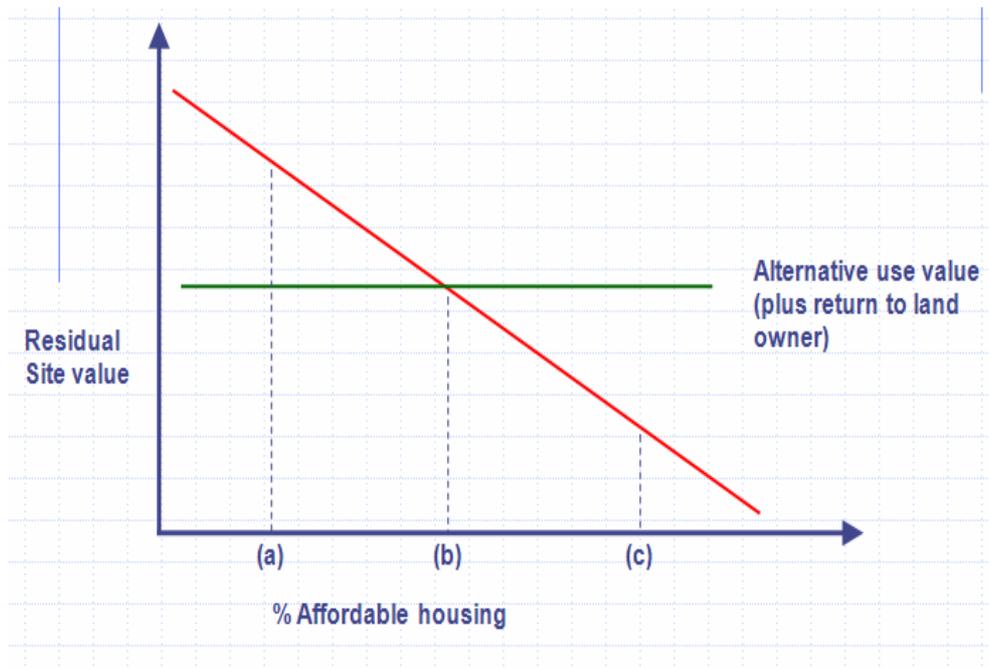
* At the time of doing the study the Government was bringing in a new approach to developer contributions under the Community Infrastructure Levy – tariffs to be charged on new buildings and limiting the scope to use Section 106 (of the Planning Act) planning obligations. For this report the generic terms 'developer contributions' and 'tariff' are used interchangeably to refer to these types of powers.

Figure 2.1 Theory of the Developer Contributions Process



- 2.5 Calculating what is likely to be the value of a site given a specific planning permission, is only one factor in deciding what is viable.
- 2.6 A site is extremely unlikely to proceed where the costs of a proposed scheme exceed the revenue. But simply having a positive residual value will not guarantee that development happens. The existing use value of the site, or indeed a realistic alternative use value for a site (e.g. commercial) will also play a role in the mind of the land owner in bringing the site forward and thus is a factor in deciding whether a site is likely to be brought forward for housing.
- 2.7 Figure 2.2 shows how this operates in theory. Residual value falls as the proportion of affordable housing increases. At some point (here 'b'), alternative use value (or existing use value whichever is higher) will be equal to scheme value. If there is a reasonable return to the land owner at point 'b' (i.e 'b' reflects best possible current use value (alternative or existing) and there is a sufficient return, then the scheme will come forward. At point 'c', affordable housing will make the site unviable. At 'a' the scheme should be viable with affordable housing. The diagram does not assume grant. Grant should be used to 'lever out' sites from their existing or best alternative uses.

Figure 2.2 Affordable housing and alternative use value



2.8 The analysis we have undertaken uses a Three Dragons Viability model. The model is explained in more detail in Appendix 2, which includes a description of the key assumptions used.

3 HIGH LEVEL TESTING

Introduction

- 3.1 This chapter of the report considers viability for mixed tenure residential development for a number of different proportions and types of affordable housing. The analysis is based on a notional 1 hectare site and has been undertaken for a series of sub markets that have been identified. The chapter explains this and explores the relationship between the residual value for the scenarios tested and existing/alternative use values.

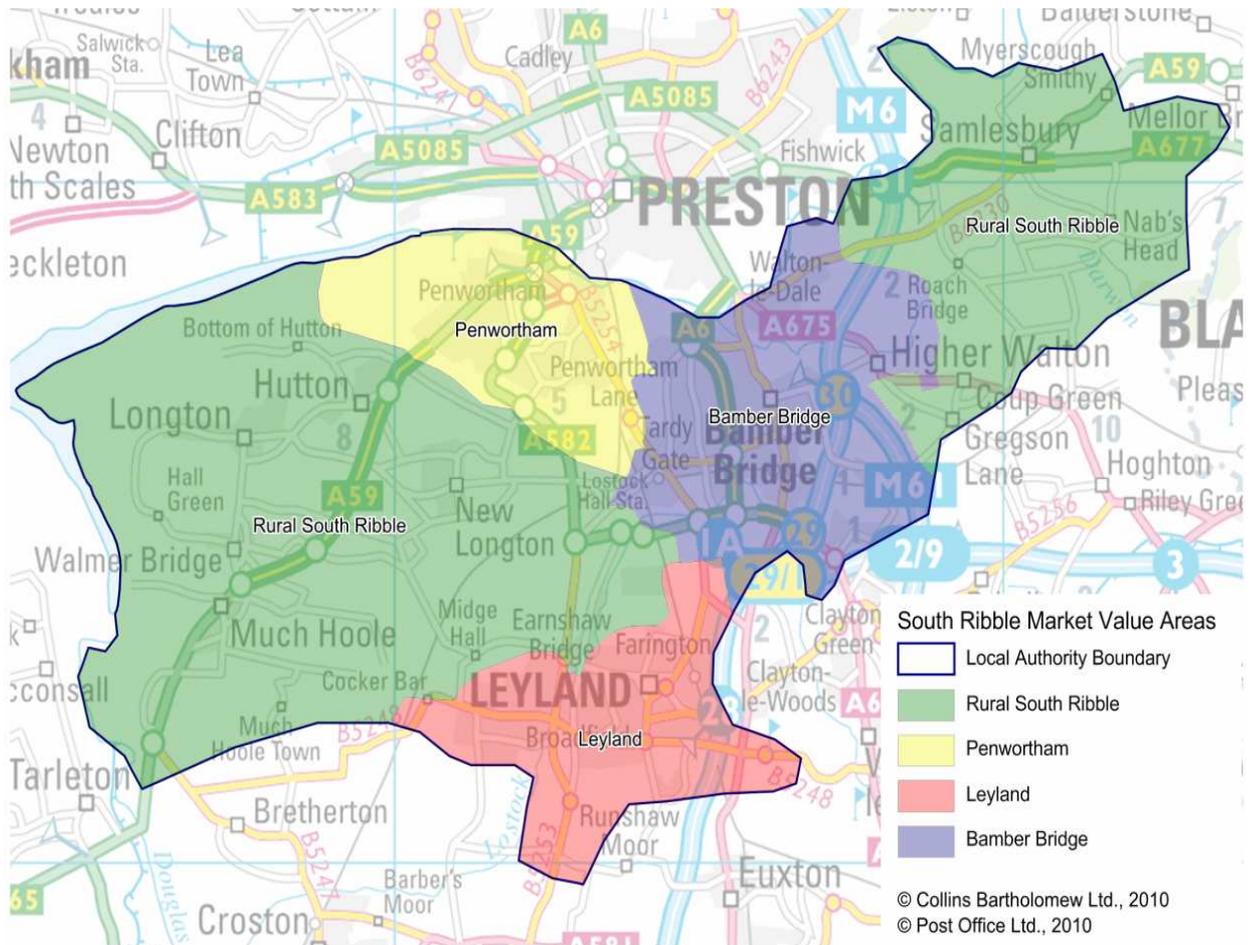
Market value areas

- 3.2 Variation in house prices will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.3 We undertook a broad analysis of house prices in the South Ribble area using HM Land Registry data to identify the sub markets. The house prices which relate to the sub markets provide the basis for a set of indicative new build values as at January 2010. Table 3.1 below sets out the sub markets in the Borough developed for the study.
- 3.4 The map below illustrates the sub markets in diagrammatic form.

Table 3.1 Viability sub markets in the South Ribble local authority area

SOUTH RIBBLE			
Sub Market	Major settlements or areas	PCS	Minor settlements
Rural South Ribble	New Longton	PR4 4	Much Hoole
	Longton; Hutton	PR4 5	
		PR5 0	Samlesbury; Coup Green; Gregson Lane
		PR26 6	Farington
Penwortham	Higher Penwortham; Liverpool Rd; Cop Lane	PR1 0	
	Kingsfold; Pope Lane; Marshalls Brow	PR1 9	
Bamber Bridge	Walton-le-Dale	PR5 4	
	Collins Road; Station Road	PR5 6	
	Lostock Hall	PR5 5	
	Walton Summit	PR5 8	
Leyland	Church Road; Beechfield road; Canberra Road	PR25 3	
	Broadfield	PR25 1	
	Earnshaw Bridge	PR25 2	
	Leyland Way; Bent Lane	PR25 4	
	Moss Side	PR26 7	

Source: Market value areas as agreed between Three Dragons and South Ribble BC



Testing assumptions (notional one hectare site)

- 3.5 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the Council. The scenarios were based on an analysis of typical development mixes and were discussed at the stakeholder workshop.
- 3.6 The development densities and mixes are as follows:
- 30 dph: including 10% 2 bed flats; 15% 2 bed terraces; 20% 3 bed terraces; 25% 3 bed semis; 15% 3 bed detached; 10% 4 bed detached; 5% 5 bed detached
 - 50 dph: including 5% 1 bed flats; 10% 2 bed flats; 15% 2 bed terraces; 20% 3 bed terraces; 20% 3 bed semi-detached; 20% 3 bed detached; 10% 4 bed detached;
 - 80 dph: including 20% 1 bed flats; 50% 2 bed flats; 20% 2 bed terraces and 10% 3 bed terraces.
- 3.7 We calculated residual scheme values for each of these (base mix) scenarios in line with a further set of tenure assumptions. These were 10%; 15%; 20%; 25% and 30% affordable housing. These were tested at 70% Social Rent and

30% New Build HomeBuy in each case. For the New Build HomeBuy, the share purchase was assumed to be 40%. All the assumptions were agreed with the authority. Unless stated, testing was carried out assuming nil grant.

Other developer contributions

- 3.8 For the modelling we have undertaken (and unless shown otherwise) we have assumed that other planning obligations have a total cost of £5,000 per unit. We also look however at the impacts on residual value assuming a £10,000 tariff per unit.

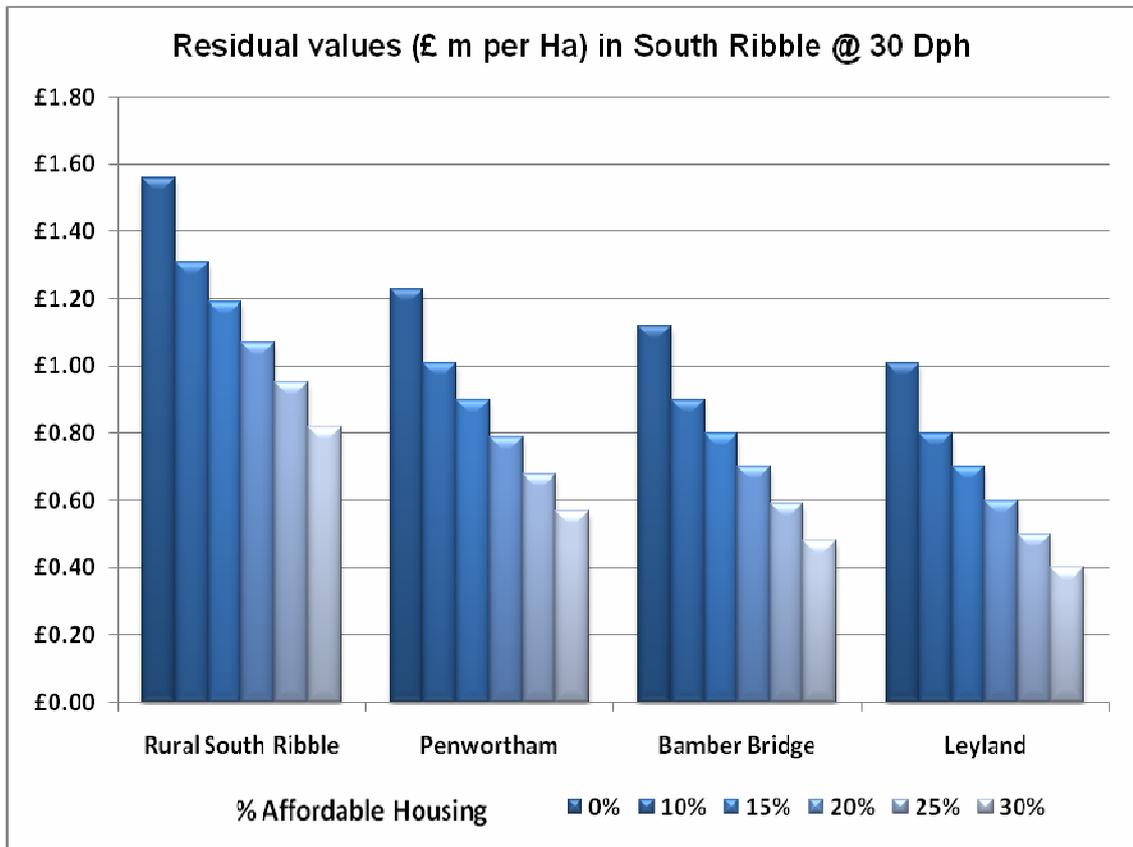
Results: residual values for a notional one hectare site

- 3.9 This section looks at a range of development mixes and densities. It shows the impacts of increasing the percentage of affordable housing on residual site values. The full set of results is shown in Appendix 3.

Lower density housing (30 dph)

3.10 Figure 3.1 shows lower density housing (30dph) and the residual values for each of the market value areas outlined in Section 3.

Figure 3.1 Lower density housing (30 dph) – Residual value in £s million

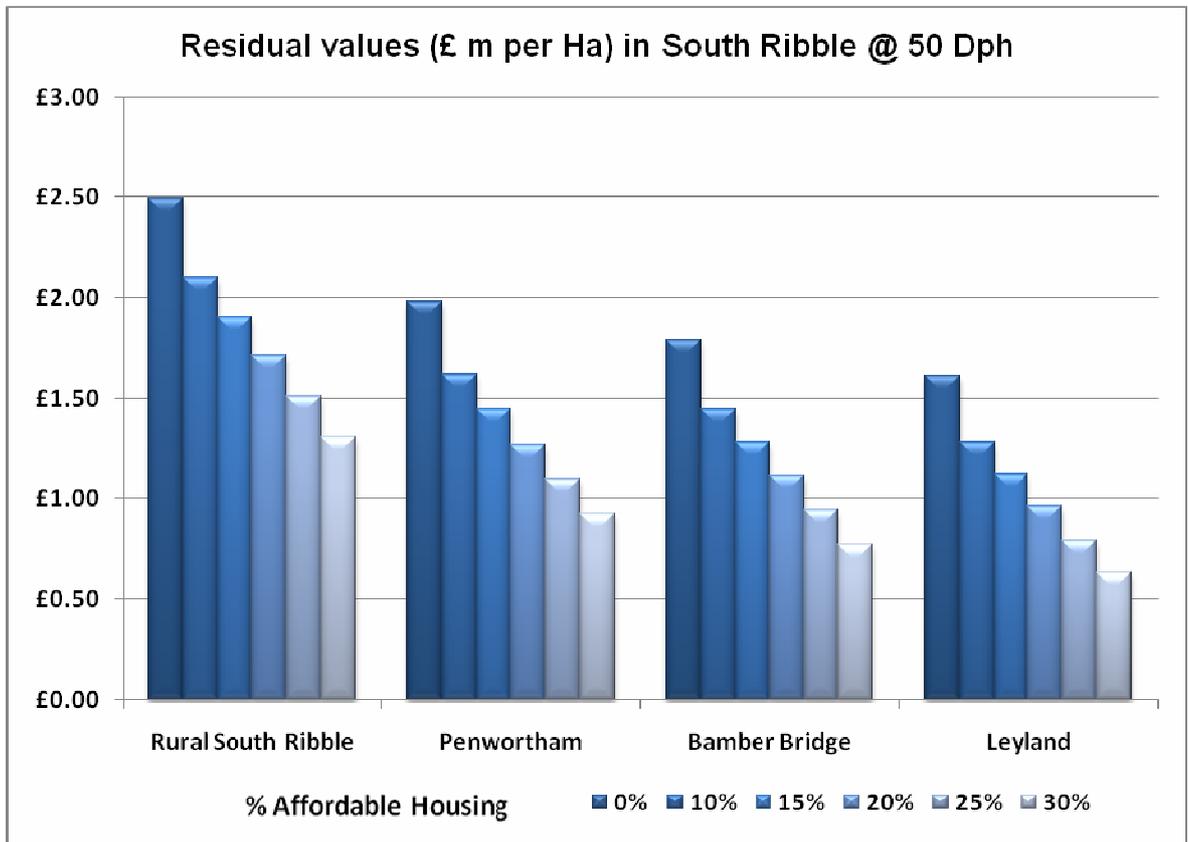


- Figure 3.1 shows the full range of residual values across the South Ribble area at 30 dwellings per hectare. Residual values are graded down from the Rural area of the Borough through Penwortham, Bamber Bridge and Leyland. Whilst there is variation in residual values between the three urban locations, this is not so significant as in other local authority areas.
- Rural South Ribble achieves relatively high residual values even at 30% affordable housing. The chart (see also Appendix 3) shows residual values at around £800,000 per hectare. In Leyland, at the other end of the scale, a similar residual value is achieved only at 10% affordable housing although residual at 30% affordable housing is around £400,000.
- The range in values has potentially important implications for policy making and supports to some extent the case for a split affordable housing target within the local authority area.

Medium density housing (50 dph)

3.11 Figure 3.2 shows medium density housing (50 dph) and the residual values for each of the market value areas.

Figure 3.2 Medium density housing (50 dph) – Residual value in £s million

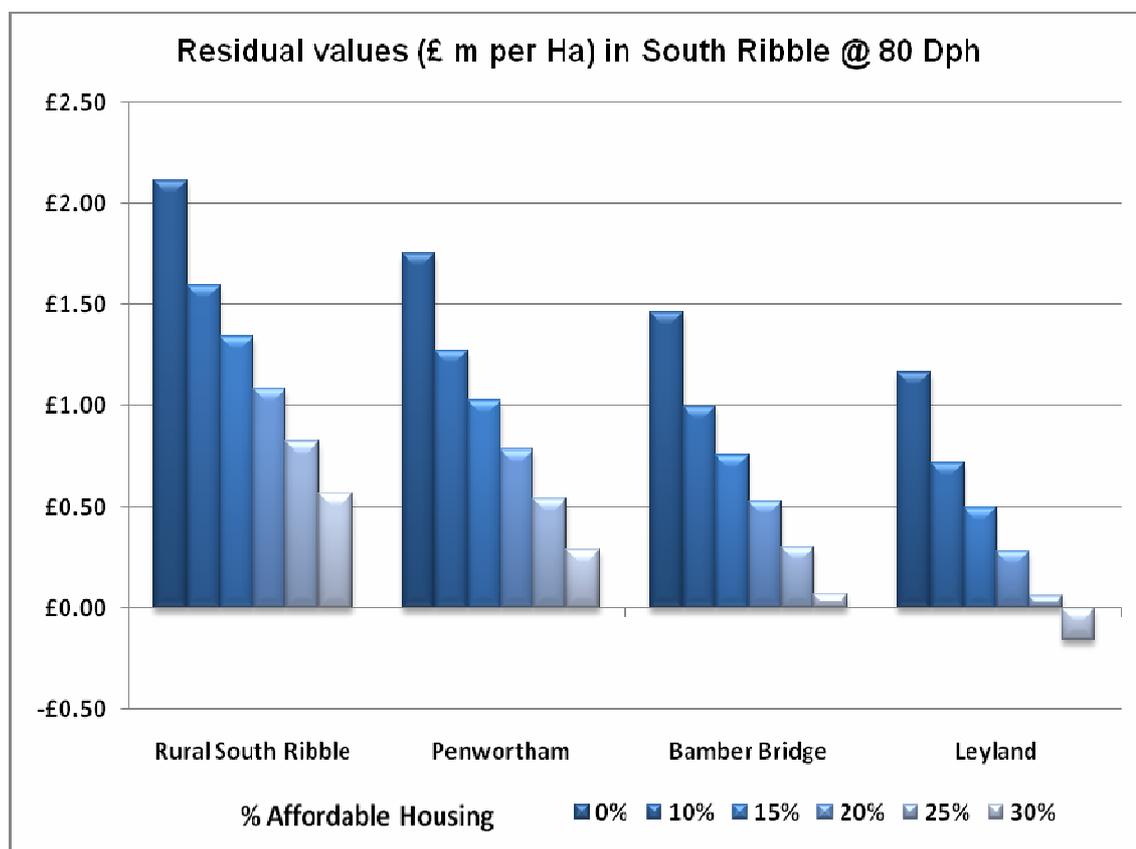


- A similar pattern of residual values can be observed between the 50dph scenario (Figure 4.2) and the 30 dph scenario previously shown in Figure 3.1. As for the 30 dph scenario, a range of positive values is shown but with significant variance between higher and lower value areas.
- The impact of increased density is to increase residual values across all sub markets and at all proportions of affordable housing. At the top end of the market, residual values increase from £0.82 million per hectare to £1.31 million per hectare at 30% affordable housing. At the bottom end (Leyland) residual values increase from £0.4 million per hectare at 30% affordable housing to £0.63 million per hectare.
- Generally (see also Appendix 3), viability will improve between 30dph and 50 dph (see Figure 3.3 below). Between 50 dph and 80 dph viability will decline however (residual values falling). The reason for this lies in the relationship between density and development mix. Up to a point, the relatively poor returns (in terms of residual plot value) of smaller units (flats and terraces) are 'offset' by increased density. At higher density the increased proportion of smaller units does not enhance residual value as each of these units provides only a marginal return in residual value which is quickly offset by the impact of affordable housing.

Higher density housing (80 dph)

3.12 Figure 3.3 shows residual values for a (80 dph) scheme and the residual values for each of the sub markets

Figure 3.3 Higher density housing (80 dph) – Residual value in £s million



3.13 The 80 dph scenario generates universally lower residual values than the 50 dph scenario. The chart shows that in the three weakest sub markets shown, this type of development is marginal or non viable at the highest percentages of affordable housing. This does not mean that the Council should not seek affordable housing in these locations as inevitably there will be 'hot spots' within these locations; it does however mean that at this density, we would not expect affordable housing contributions to be routinely deliverable.

3.14 Residual values remain strong in the higher value locations. In Rural South Ribble, residual values are in excess of £1 million per hectare at 20% affordable housing. However we also see negative residual values at 30% affordable housing in Leyland at this (80 dph) density.

Impacts of potential grant funding

- 3.15 The availability of public subsidy (in the form of grant) can have a significant impact on scheme viability. Grant given to the affordable housing providers enables them to pay more for affordable housing units, thus increasing overall scheme revenue and therefore the residual value of a mixed tenure scheme. The main sources of grant which may be available is from the Homes and Communities Agency.
- 3.16 We should underline the point that the appraisal work previously shown (Figures 3.1 to 3.4) is based on nil grant as a way of adopting a 'conservative' approach to policy setting. We have tested the impacts of grant on development – here assuming grant of £50,000 per Social Rented unit and £15,000 per New Build HomeBuy (Shared Ownership) unit. This level of grant is based on feedback from the Development Workshop as being a reasonable figure to use for viability testing purposes.
- 3.17 For our testing, we have tested the impact of grant on residual values for a 1 Ha site at 50 dph for a selection of sub markets. The results are shown in Table 3.2.

Table 3.2 Comparison of impact of grant versus on residual values (at 50 dph): Residual Value (£s million per hectare); 70% Social Rent: 30% Shared Ownership

50 Dph	Rural South Ribble		Penwortham		Bamber Bridge		Leyland	
	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant
10% AH	£2.10	£2.30	£1.62	£1.82	£1.45	£1.65	£1.28	£1.48
20% AH	£1.71	£2.11	£1.27	£1.67	£1.11	£1.51	£0.96	£1.36
30% AH	£1.31	£1.90	£0.92	£1.51	£0.77	£1.36	£0.63	£1.22

- 3.18 Table 3.2 shows that the availability of grant will improve site viability. Grant will be most effective in helping to bring forward sites in the lower value locations such as Bamber Bridge and Leyland
- 3.19 In Leyland for example, residual values without grant at say 30% affordable housing are £0.63 million per hectare. If grant is available, then residual value will rise to £1.22 million per hectare; an almost two fold increase in residual value.
- 3.20 At the top end of the market Rural South Ribble (30% affordable housing), grant will increase residual value from £1.31 million per hectare to £1.90 million per hectare. This is an increase, but only 45% and therefore makes less relative impact.

Impacts of increasing the proportion of Intermediate housing within the affordable element

3.21 In the previous section we considered the impact of grant on scheme viability. Where grant is not available to support schemes (or is not sufficient on its own), scheme viability can be (further) enhanced by increasing the percentage of intermediate affordable housing. We have tested all scenarios thus far assuming the relevant affordable element is split 70% Social Rent and 30% Shared Ownership. Here we test a 50%:50% split in the affordable element.

Table 3.3 Site values (£ million per hectare) for a 50 dph scheme comparing 50% Social Rent and 50% Shared Ownership without grant versus grant option (70% Social Rent and 30% Shared Ownership)

50 Dph	Rural South Ribble		Penwortham		Bamber Bridge		Leyland	
	No grant	50%:50%	No grant	50%:50%	No grant	50%:50%	No grant	50%:50%
10% AH	£2.10	£2.17	£1.62	£1.69	£1.45	£1.69	£1.28	£1.34
20% AH	£1.71	£1.85	£1.27	£1.40	£1.11	£1.24	£0.96	£1.07
30% AH	£1.31	£1.53	£0.92	£1.10	£0.77	£0.96	£0.63	£0.80

3.22 Table 3.3 shows the residual values with a 50%:50% split in the affordable element. A 50%:50% split within the affordable housing element will increase residual values (as against the 70%:30% split). However, its effectiveness, as against using grant will vary according to location.

3.23 In the higher value areas, splitting the tenure in greater favour towards the intermediate element will bring residual values up broadly in line with the 'Grant' scenario. This can be seen in Table 3.3 in the case of Rural South Ribble in particular. In the lower value sub markets, including a higher proportion of intermediate housing will not be so effective. This can be noted in the case of Leyland and Bamber Bridge.

3.24 The main reason for these outcomes is that the revenue from Shared Ownership sales is based on relatively low house prices. In very high house price areas, switching tenure would have much more dramatic impacts, but in a location where house prices are low, switching tenure to a higher percentage of intermediate affordable housing will not raise residual values as does grant on the basis of the assumptions made here.

Alternative costs to a scheme - A higher planning gain package and additional Codes (for Sustainable Homes)

- 3.25 Schemes could incur alternative costs for a number of reasons. One is a higher level of developer contributions (over and above affordable housing); another is additional costs for the Code for Sustainable Homes.
- 3.26 The baseline testing has been carried out at a developer contribution of £5,000 per unit. However, a higher infrastructure tariff is not unforeseeable. On the basis of a 50 dph scheme, a higher (£10,000 per unit) levy would generate additional costs of some £250,000 per hectare.
- 3.27 The impact of the Code for Sustainable Homes (moving from Level 3 to Level 4) will be similar (i.e around £250,000 per hectare). These costs are estimated, according to recent DCLG research (Code for Sustainable Homes: A Cost Review: March 2010) at around £5000 per unit (to 'move' from Level 3 to Level 4). This is based on a semi-detached dwelling on a medium urban site.
- 3.28 Additional costs of this quantum would hit the weaker sub markets much harder than the higher values ones. For example, our analysis suggests that an additional £250,000 per hectare in Leyland would (at 30 dph) generate a residual value of only £150,000 per hectare. We think that this is unlikely to bring many sites forward. At 20% affordable housing in Leyland (30 dph), residual values will be reduced by around 40% as a result of achieving Code Level 4 (from Level 3) or by requiring £10,000 per unit rather than £5,000 per unit for other (than affordable housing) Section 106 contributions.
- 3.29 In a mid to upper market location such as Penwortham, the introduction of Code Level 4 (from Code Level 3) or equally, an increase in tariff from £5,000 per unit to £10,000 per unit will reduce residual values by around 30% at 20% affordable housing (30 dph). Whilst we do not think that this quantum of reduction will prevent sites coming forward in this type of location, there will inevitably be cases where this type of reduction brings residual values below existing use value and thereby make sites unviable.

Market sensitivity testing

- 3.30 We are aware of current concerns about the volatility of the current housing market, and as such, we have looked at a situation where house prices are 10% higher and 10% lower than the levels assumed in our main testing based at January 2010.
- 3.31 Table 3.4 shows residual values for a 50 dph scheme with house prices increased and decreased by 10%. This is not a reflection of any particular forecast of how the market will perform, but aims to show the sensitivity of residual values to changes in house prices.

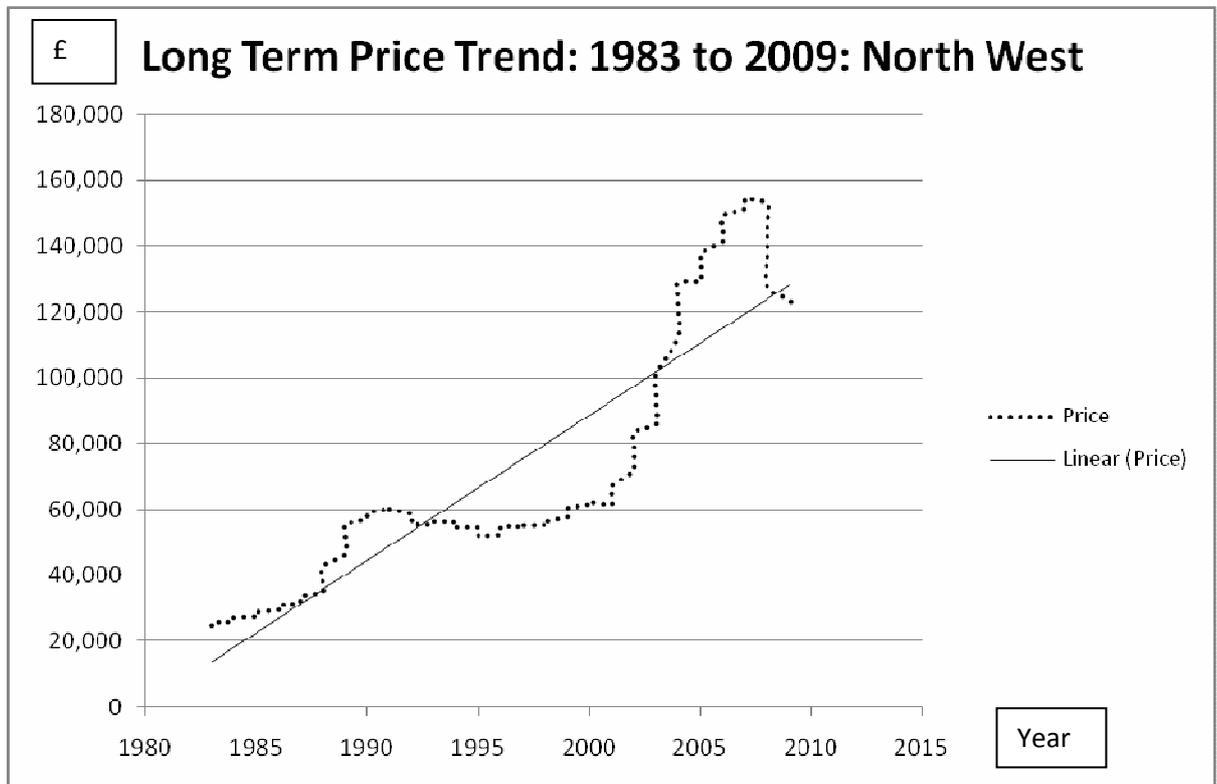
Table 3.4 Residual values (£ million per hectare) for a 50 dph scheme with prices 10% higher and lower than the baseline. No grant; 70% Social Rent: 30% Shared Ownership

Affordable Housing %				
Prices Increased by 10%				
	0%	10%	20%	30%
Rural South Ribble	£3.15	£2.71	£2.27	£1.82
Penwortham	£2.59	£2.19	£1.79	£1.39
Bamber Bridge	£2.39	£2.00	£1.62	£1.23
Leyland	£2.19	£1.82	£1.45	£1.08
Baseline				
	0%	10%	20%	30%
Rural South Ribble	£2.49	£2.10	£1.71	£1.31
Penwortham	£1.98	£1.62	£1.27	£0.92
Bamber Bridge	£1.79	£1.45	£1.11	£0.77
Leyland	£1.61	£1.28	£0.96	£0.63
Prices Decreased by 10%				
	0%	10%	20%	30%
Rural South Ribble	£1.84	£1.50	£1.15	£0.81
Penwortham	£1.39	£1.08	£0.77	£0.46
Bamber Bridge	£1.21	£0.92	£0.62	£0.33
Leyland	£1.05	£0.77	£0.49	£0.20

- 3.32 Table 3.4 shows significant variation in residual values depending on the assumption about future price changes. A 10% increase in house prices in Rural South Ribble will increase residual land value by 40% at a 30% affordable housing target. At the weaker end of the market, a small increase in prices will have an even more dramatic impact; for example in Leyland, a 10% increase in house price (at 30% affordable housing) will increase residual value by 71%.
- 3.33 Falling house prices will have a significant impact on residual values. At 20% affordable housing, a 10% fall in house prices in for example, Bamber Bridge would reduce residual values from £1.11 million per hectare to £0.62 million per hectare – almost halving residual value.
- 3.34 We should re-iterate that these are scenarios only, and at the time of writing, there is no consensus on the direction for house prices.
- 3.35 Arguably a more robust measure of viability is to look at the relationship between short and long term trends. Figure 3.5 shows short term volatility in house prices against the long term straight line trend. It puts into context the findings of this study in that our analysis has been based on figures very marginally below the long term trend.

3.36 The chart shows trends for the North West region (Halifax House Price Index)

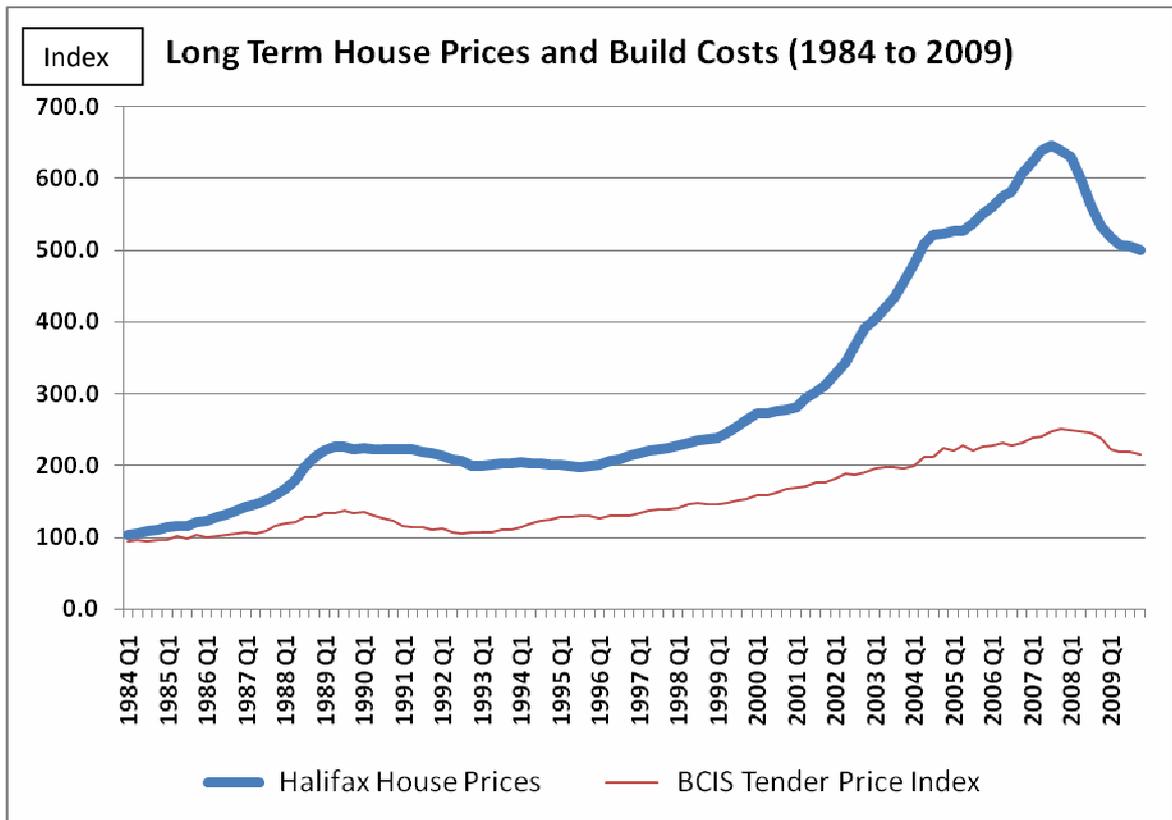
Figure 3.5 Long and short term house price trends



Source: Halifax House Price Index

- 3.37 This chart is important for the way the results of the study are interpreted. It suggests that the results are on the 'conservative' side as we have taken our analysis at the position in the market where prices are below the long term trend.
- 3.38 The wider relationship between house prices and build costs is also significant. Figure 3.6 shows the development of trends in house prices and build costs nationally (UK)
- 3.39 This shows a steadily widening gap between house prices and build costs since the early 1980s. This widening gap represents, broadly, increasing land values, and with this, improving capacity to deliver affordable housing and other developer contributions.

Figure 3.6 Long term house price and build costs trends



Viability on very large sites

- 3.40 The analysis carried out relates to a notional one hectare site, where it is anticipated that market selling prices will broadly 'pick up' the values from surrounding or very local settlements.
- 3.41 In practice, where very large sites are released (several hundred houses), these sites will have the potential to create their own market, which in many instances will exceed the prices being charged for new housing on smaller sites.
- 3.42 We would suggest that these sites are tested by the Council going forward, where affordable housing targets can be set independently, yet in the context of the findings of this study.

Benchmarking results

- 3.43 There is no specific guidance on the assessment of viability which is published by national government. In Section 2, we set out that we think viability should be judged against return to developer and return to land owner.
- 3.44 One approach is to take 'current' land values for different development uses as a kind of 'going rate' and consider residual values achieved for the various scenarios tested against these. Table 3.5 shows residential land values for selected locations within the North West.

Table 3.5 Residential land values regionally

NORTH WEST			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Bolton	1,600,000	1,485,000	1,485,000
Manchester	3,500,000	3,200,000	3,200,000
Rochdale	1,450,000	1,300,000	1,300,000
Trafford (Altrincham)	2,300,000	2,100,000	2,100,000
Stockport	3,200,000	2,950,000	2,950,000
Blackburn	1,300,000	1,100,000	1,100,000
Lancaster	1,700,000	1,550,000	**
Preston	1,650,000	1,560,000	1,560,000
Chester	2,100,000	1,900,000	2,800,000
Crewe/Nantwich	1,575,000	1,550,000	1,600,000
Warrington (South Warrington)	1,700,000	1,650,000	1,700,000
Wigan	1,550,000	1,400,000	1,400,000
Carlisle	1,650,000	1,650,000	**
South Lakeland (Ambleside)	1,650,000	1,650,000	**

Source: Valuation Office; Property Market Report, July 2009

- 3.45 The table indicates residential land values at around £1.5 million per hectare. Values across the North West show, as may be expected, a significantly wider range of values; from around £3 million in Manchester, to £1.1 million per hectare in Blackburn.
- 3.46 Another benchmark which can be referred to is that of industrial land. Table 3.6 shows values ranging from £220,000 per hectare (Birkenhead) to £650,000 per hectare in Salford/Trafford for typical sites (Table 3.6). Values for Central Lancashire are quoted at £500,000 per hectare.
- 3.47 At £500,000 per hectare the only scheme scenarios on industrial sites generating a lower (than £500,000 per hectare) residual are 30% affordable housing in Bamber Bridge and Leyland (30 dph and 50 dph). In all other sub markets a 30% affordable housing target will generate a residual value in excess of £500,000 (30 dph and 50 dph).

Table 3.6 North West industrial land values

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NORTH WEST			
	From £s per ha	To £s per ha	Typical £s per ha
Bolton and Bury	325,000	550,000	450,000
Manchester	370,000	750,000	540,000
Rochdale/Oldham	275,000	500,000	390,000
Salford/Trafford	420,000	750,000	650,000
Stockport	300,000	540,000	430,000
Wigan	250,000	400,000	320,000
Blackburn/Burnley	350,000	450,000	380,000
Lancaster	300,000	600,000	450,000
Central Lancs (Preston)	400,000	600,000	500,000
Birkenhead	190,000	250,000	220,000
Crewe & Nantwich	325,000	445,000	365,000
Macclesfield	325,000	445,000	365,000
Warrington	280,000	475,000	390,000
Carlisle/M6 Corridor	335,000	415,000	375,000
Kendal	400,000	575,000	475,000

Source: Valuation Office; Property Market Report, July 2009

- 3.48 The 'benchmark' of industrial land value can be important where land, currently in use as industrial land, is being brought forward for residential development or where sites may be developed either for residential or employment use.

4 LAND SUPPLY, SMALL SITES AND USE OF COMMUTED SUMS

Introduction

- 4.1 This chapter reviews the policy context and options for identifying the size of sites above which affordable housing contributions would be sought, in the policy context.
- 4.2 The chapter provides an assessment of the profile of the future land supply and the likely relative importance of small sites. It then considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution (commuted sum) in lieu of on-site provision might be appropriate (and the principles by which such contributions should be assessed).

Purpose of the Analysis

- 4.3 PPS3 Housing sets out national policy on thresholds and affordable housing and states:

"The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area." (Para 29)

- 4.4 By reducing site size thresholds and 'capturing' more sites from which affordable housing can be sought, an authority can potentially increase the amount of affordable housing delivered through the planning system.
- 4.5 In this section we examine the impact that varying site size thresholds would have on affordable housing supply. In order to do this we need to examine the likely future site supply profile.

Small sites analysis

- 4.6 We have analysed data on planning permissions from 2006 to 2009 in order to establish how important sites of different sizes are likely to be to the future land supply. The tables below show the results of this exercise.

Table 4.1: Planning permissions (2006 to 2009) for South Ribble

Scheme Size	Dwellings	%
1 to 4	332	13.85
5 to 9	316	13.18
10 to 14	305	12.72
15 to 24	87	3.63
25 to 49	142	5.92
50 to 100	192	8.01
> 100	1023	42.68
	2397	100.00

Source: South Ribble BC

- 4.7 Table 4.1 shows that almost 40% of all supply (as recent planning permissions) will be delivered on sites below the PPS3 threshold of 15 units. This is a significant volume of housing which under current policy would not be caught by the affordable housing policy. Around 42% of dwellings at the other end of the scale will be delivered on sites with a capacity for more than 100 dwellings.
- 4.8 The relatively high level of development emanating from small sites (40% of permissions on sites of less than 15 dwellings) could be due to the recent moratorium on larger scale development in the Borough. The Regional Planning Guidance (RPG) for the North West which was approved at the end of March 2003 sought to concentrate development in the conurbations of Greater Manchester and Merseyside in the interest of regeneration and making maximum use of previously developed land in these areas.
- 4.9 In the interest of national and strategic policy, South Ribble Borough Council considered that it was justified in introducing a policy of restraint in order to control the release of any further land for housing unless there were strong material reasons in support of such development. The policy of restraint ensured that any planning application for residential development on land exceeding 0.4 hectares, would be refused permission. This approach inevitably focused planning applications on smaller sites.
- 4.9 Table 4.2 looks at the profile of dwelling supply in the main urban areas of Bamber Bridge and Leyland, and, in the other settlements. This shows a higher reliance on small sites in the urban areas than as for the Borough as a whole. 57% of permissions relate to sites with schemes of less than 15 dwellings. In the other settlements, 32% of permissions relate to schemes of less than 15 dwellings.

Table 4.2: Planning permissions (2006 to 2009) for the main urban areas and other settlements

Scheme Size	BB and Leyland		Other settlements	
	Dwellings	%	Dwellings	%
1 to 4	103	14.13	229	13.73
5 to 9	138	18.93	178	10.67
10 to 14	174	23.87	131	7.85
15 to 24	87	11.93	26	1.56
25 to 49	35	4.80	81	4.86
50 to 100	192	26.34	102	6.12
> 100	0	0.00	921	55.22
	729	100.00	1668	100.00

Source: South Ribble BC

Use of commuted sums

- 4.10 As a general principle, we recognise that seeking on-site provision of affordable housing will be the first priority and that provision of affordable housing on an alternative site or by way of a financial payment in lieu (commuted sum) should only be used in exceptional circumstances. This position is consistent with national guidance in Paragraph 29 of PPS3 which states:

“In seeking developer contributions, the presumption is that affordable housing will be provided on the application site so that it contributes towards creating a mix of housing. However, where it can be robustly justified, off-site provision or a financial contribution in lieu of on-site provision (of broadly equivalent value) may be accepted as long as the agreed approach contributes to the creation of mixed communities in the local authority area” Para 29.

- 4.11 Where commuted sums are sought as an alternative to direct on or off-site provision, PPS3 (para 29) sets out the appropriate principle for assessing financial contributions - that they should be of “broadly equivalent value”
- 4.12 Our approach is that the commuted sum should be equivalent to the ‘developer/landowner contribution’ if the affordable housing was provided on site. One way of calculating this is to take the difference between the residual value of 100% market housing and the residual value of the scheme with the relevant percentage and mix of affordable housing.
- 4.13 If the ‘equivalence’ principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution.

4.14 Any concerns about scheme viability (whatever size of site) should be reflected by providing grant or altering tenure mix, or by a 'reduced' affordable housing contribution whether provided on-site, off-site or as a financial contribution. Other planning obligations may also need to be reduced under some circumstances.

4.15 However, if affordable housing is sought from very small sites, in certain circumstances it becomes impractical to achieve on-site provision e.g. seeking less than 33% on a scheme of 3 dwellings or less than 50% with a scheme of 2 dwellings. There will also be occasions where on-site provision can only deliver a partial contribution towards the proportion of affordable housing sought e.g. 40% affordable housing in a scheme of 3 dwellings would deliver one affordable unit on site (representing 33% of provision). In the latter case, it is possible to devise a formula which mixes on-site provision with a commuted sum to 'make up the balance'.

4.16 An example is:

3 units at a 40% contribution:

= 1 unit on site (33% of contribution met)

= 7% as additional payment to meet 40% contribution.

The value of the 7% would then be calculated by first deducting the residual value generated by a 40% affordable housing contribution from the residual value generated assuming 100% market units. The difference would then be multiplied by 7 and divided by 40 to give the payment in addition to the one unit on site.

NB: This calculation will be subject to viability; i.e. the residual value at 40% affordable housing being in sufficient excess over the existing use value.

5 CASE STUDY VIABILITY ANALYSIS

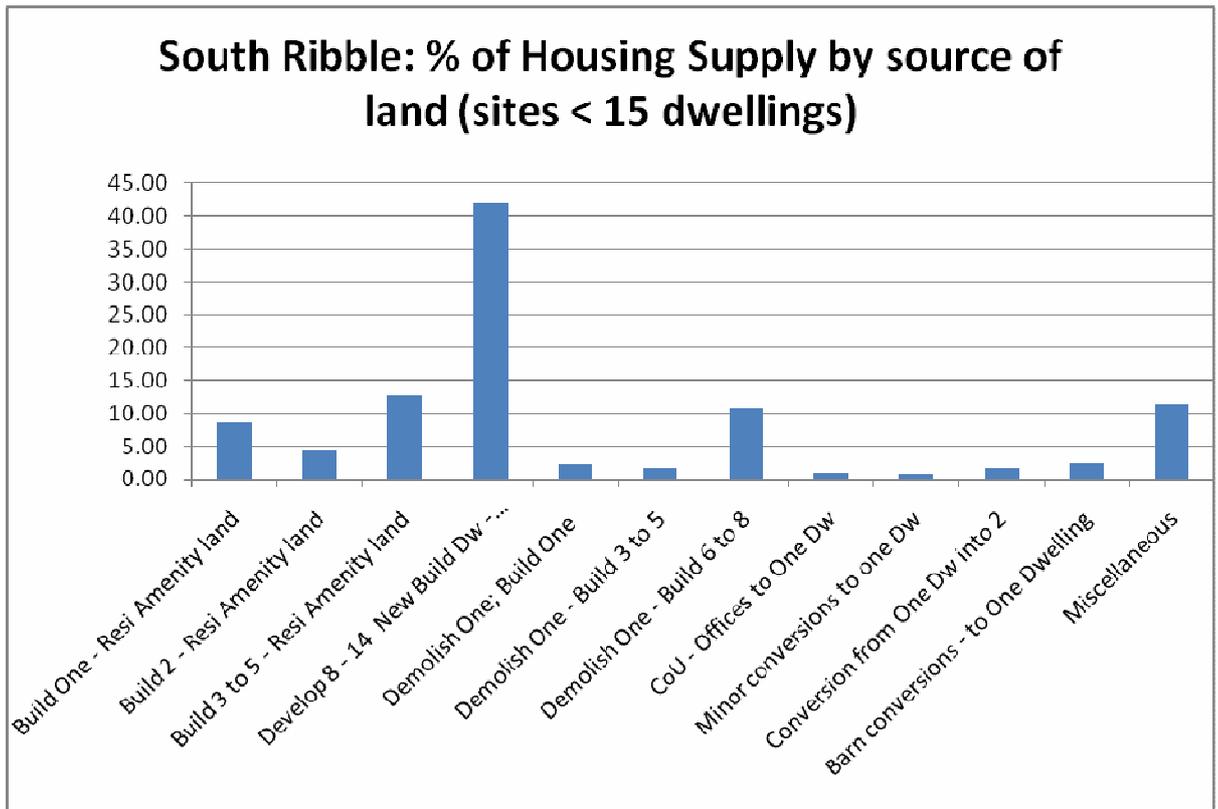
Introduction

- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the Borough. The residual values can be compared with existing use values to establish whether land owners are likely to make a return over and above existing use value, taking into account a developer margin.
- 5.2 The analysis in Chapter 3 will apply for large as well as small sites (on a pro rata basis). We do not have any evidence to suggest that the economics change significantly between large and small sites. The workshop failed to provide evidence to suggest that small sites systematically present a particular viability challenge. This also has been the case elsewhere where we have run similar workshops.
- 5.3 We look here however at a number of case studies based on a detailed analysis of site supply for smaller sites to try to establish any particular viability issues.

Case study sites

- 5.4 In this section, we review a number of case study developments which are examples of small sites for residential development. Figure 5.1 shows typical sites coming forward in the South Ribble BC area over the period 2006 to 2009, with the nature of the existing source of supply (land or buildings) of sites of less than 15 dwellings. The data is based on planning consents.

Figure 5.1 Percentage of Housing Supply by source of land



- 5.5 South Ribble (Figure 5.1) derives its housing supply on smaller sites from range of existing land uses. Residential land (garden and amenity backland) including demolitions provides around 26% of all permissions. This is a significant percentage of all permissions.
- 5.6 There are a significant number of schemes involving the demolition of a dwelling or more than one dwelling: 15% of all permissions. These schemes, particularly where a low number of new dwellings are built as replacement(s), are typically challenging from a viability aspect as existing use values are likely to be high.
- 5.7 Schemes of between 8 and 14 dwellings make up a significant proportion of small site supply. A range of existing uses are involved here – vacant land and industrial sites are significant.
- 5.8 There are a number of schemes which do not fit neatly into any of these categories. These are included as miscellaneous.

5.9 On the basis of the data on housing supply on small sites in the local authority area, we have selected four case studies for further investigation. These are shown in Table 5.1.

Table 5.1 Case study sites

Case Study	No of dwellings	Type of new development	Site Size (Ha)	Dph	Comment
A	1	1 x 4 bed detached house	0.03	25	Site with capacity of 1 dwelling.
B	2	1 x 3 bed semi; 1 x 4 bed detached house	0.08	25	Covers new build schemes on residential amenity, vacant and industrial land. Also tests demolition schemes.
C	4	2 x 3 bed semis; 2 x 4 bed detached	0.125	32	Covers new build schemes on residential amenity, vacant and industrial land. Also tests demolition schemes.
D	9	2 x 2 bed flats 4 x 3 bed semis 3 x 4 bed detached	0.13	70	Higher density scheme. Covers more typically industrial and commercial sites.

5.10 For each case study we have undertaken an analysis of residual values for the five sub markets and at levels of affordable housing from 0%; 10%; 20%; and 30%. All the other assumptions used are the same as for the main analysis described in Chapter 3.

Case study A – Develop one detached houses on a 0.05 ha site

5.11 The first scenario assumes the development of one detached house. The results, with the affordable housing impacts are shown in Table 5.2:

Table 5.2 Develop one detached house

Case A	0%	10%	20%	30%
Rural South Ribble	£92,000	£79,000	£67,000	£54,000
	£3.07	£2.63	£2.23	£1.80
Penwortham	£71,000	£61,000	£49,000	£39,000
	£2.37	£2.03	£1.63	£1.30
Bamber Bridge	£67,000	£56,000	£46,000	£39,000
	£2.23	£1.87	£1.53	£1.30
Leyland	£63,000	£52,000	£43,000	£32,000
	£2.10	£1.73	£1.43	£1.07

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.12 Table 5.2 shows residual values at the different proportions of affordable housing. There are two values given for each scenario. The value above gives the absolute sum in £ pounds that a land owner will receive, and the figure below is the site value based on a per hectare equivalent calculation. All results show positive residual values up to 30% affordable housing on a very small scheme as tested here.
- 5.13 In the Rural South Ribble sub market, residual value is just over £50,000 per plot at 30% affordable housing and with an equivalent value of almost £2 million per hectare. In Bamber Bridge (middle to lower value South Ribble) , residual value is around £40,000 per plot and around £1.3 million per hectare at 30% affordable housing.
- 5.14 All values are well in excess of industrial land and likely to be in excess of garden land value.
- 5.15 For the very few schemes of ‘one for one’ (i.e demolish one and build one) we cannot see the Council being able to justify an affordable housing contribution on the grounds that the cost of acquiring an existing dwelling being well above the likely residual value for a build plot.

Case study B – Develop two detached houses – one three bed and one four bed.

5.16 The viability of developing two dwellings rather than one will depend on the site size and existing use value. There will be some instances where the relationship between existing use value and residual development value is favourable and some where this may not be the case. Table 5.3 shows residual values for the development of the two dwellings.

Table 5.3 Develop two dwellings

Case B	0%	10%	20%	30%
Rural South Ribble	£143,000	£122,000	£102,000	£91,000
	£1.79	£1.52	£1.27	£1.01
Penwortham	£110,000	£92,000	£74,000	£55,000
	£1.38	£1.15	£0.92	£0.69
Bamber Bridge	£102,000	£84,000	£67,000	£49,000
	£1.27	£1.05	£0.84	£0.61
Leyland	£94,000	£77,000	£60,000	£43,000
	£1.17	£0.96	£0.75	£0.54

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

5.17 Table 5.3 shows a significant increase in residual value over and above the results in Table 5.2 which relate to one dwelling.

5.18 The results show strong residual site values for this type of small (two dwellings) development. The results show that small schemes such as this development are no less viable than larger ones; a comparison of this table versus the analysis in Chapter 3 shows that on a per hectare basis this type of small scheme will provide as good as, if not better returns to the land owner of a small site, as a large one.

5.19 Where this type of scheme is developed on residential amenity land or a vacant site, we would anticipate that there will be a considerable increase from the existing use value. Where the scheme is developed on a site with industrial use, then the scheme would need to generate (see Table 3.6) a residual value at least in excess of £500,000.

5.20 However, as previously, where the scheme involves demolition we think it unlikely that an affordable housing contribution will be viable.

Case study C – Development of four houses – two three bed semis and two four bed detached

5.21 Case Study C takes the example of four dwellings as a further case of a small development scheme. We assume here the construction of two, three bed semi detached homes and two four bed detached houses.

Table 5.4 Develop four dwellings

Case C	0%	10%	20%	30%
Rural South Ribble	£286,000	£245,000	£203,000	£162,000
	£2.29	£1.96	£1.62	£1.29
Penwortham	£187,000	£154,000	£120,000	£86,000
	£1.49	£1.23	£0.96	£0.69
Bamber Bridge	£204,000	£169,000	£134,000	£99,000
	£1.63	£1.35	£1.07	£0.79
Leyland	£187,000	£154,000	£120,000	£86,000
	£1.49	£1.23	£0.96	£0.69

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

5.22 Table 5.4 shows that residual values remain strong for this relatively small. A scheme including 30% affordable housing in Leyland, at the bottom end of the market, will generate a residual value of around £700,000 per hectare; considerably in excess of the industrial land use value.

Case study D – Development of 9 dwellings on a 0.13 Ha site

5.23 Figure 5.1 shows that a significant number of schemes involve the development of one to fourteen units. We test here an example of nine dwellings: two, two bed flats, four, three bed semis and three, four bed detached. Table 5.5 shows the results from this analysis.

Table 5.5 Develop nine dwellings

Case D	0%	10%	20%	30%
Rural South Ribble	£563,000	£474,000	£386,000	£296,000
	£4.33	£3.65	£2.97	£2.28
Penwortham	£444,000	£365,000	£284,000	£205,000
	£3.41	£2.81	£2.18	£1.58
Bamber Bridge	£440,000	£361,000	£281,000	£201,000
	£3.38	£2.78	£2.16	£1.55
Leyland	£370,000	£297,000	£222,000	£148,000
	£2.85	£2.28	£1.71	£1.14

Table shows residual values in a selection of market value areas: the upper figure is the residual value for the scheme and the lower figure is the equivalent residual value per hectare (in £s million)

- 5.24 Residual values for this scheme of eight dwellings are strong, giving weight to the conclusion that there is no particular viability challenge on small sites. Residual values are over £1 million per hectare in all scenarios.
- 5.25 We think with this quantum of new units (8 here) a modest affordable housing contribution might be sought where an existing dwelling is demolished to make way for this type of scheme.

Commentary on the results

- 5.12 This section on case studies shows the range of viability situations which occur when a range of existing use values is considered. Small sites with a low existing value, for example garden or back land, can, we believe yield an affordable housing contribution in most circumstances (demolitions and rebuild being one exception for example).
- 5.13 Viability will depend very much on the relationship between residual value and existing use value. Importantly, a high overall proportion of sites are in vacant or industrial land use and the development of these sites for housing, even at higher percentages of affordable housing (here up to 30%) should yield affordable housing.
- 5.14 Overall, the case studies do not show that there is a particular viability challenge that does not otherwise apply on large sites. In fact the analysis here demonstrates that viability is much more a function of location and

development density and mix than it is of site size. Increasing site size does not lead to more viable outcomes

6 MAIN FINDINGS AND CONCLUSIONS

Overview

- 6.1 In undertaking this viability study we have provided a broad based and comprehensive testing approach. This has involved two main types of analysis – a generic development type using a notional 1 hectare site along with analysis of a range of case study sites reflecting the particular development types found in the South Ribble area. Our testing approach has then considered a range of sub markets within the area and different density and development mix types, along with testing at different levels of affordable housing. The residual values generated have been benchmarked against historic residential land values and existing use values. We believe that this range and depth of analysis provides a very robust basis for the Council to establish policies for both affordable housing targets and thresholds in its future plans.

Key findings

- 6.2 Our analysis identified four sub markets within the South Ribble local authority area. These include Rural South Ribble, Penwortham, Bamber Bridge and Leyland.
- 6.3 The authority has a range of housing markets with significant variance in house prices. Relatively small differences in house prices lead to significant differences in the ability of specific areas to deliver affordable housing.
- 6.4 There is a broad division in residual values between the urban areas and the rural one (Rural South Ribble) although the differences between sub markets is not so significant as other local authorities in our experience.
- 6.5 However, there are significant differences. At 30% affordable housing (50 dph), residual value is higher in Rural South Ribble than it is than it is at 10% affordable housing in Leyland.
- 6.6 We tested a range of development densities and mixes. This analysis suggested that a density range of between 30 dph and 50 dph would be most likely to produce the most viable affordable housing scenarios. However, much depends on the location and precise development mix being promoted.
- 6.7 In middle to lower market South Ribble, for example Bamber Bridge, residual values at 30% affordable housing are around £0.8 million per hectare at 50 dph. In most cases we believe that this value will compete well with alternative site uses.
- 6.8 Higher density will not necessarily increase residual value and in many instances (depending on location and development mix), a lower density development will maximise developer contributions. Generally residual values increase between 30 dph and 50 dph, with reductions in residual values occurring between 50 dph and 80 dph. Reductions in residual value occur at higher density because a higher number of smaller units cannot cover the costs of providing affordable housing as well as larger units are able to do.
- 6.9 The introduction of grant at the levels tested makes a significant difference to residual values, but its impact will be mostly helpful in mid to lower sub market

locations. The Council will need to direct grant into those locations where possible in order to increase housing supply generally.

- 6.10 In the higher value areas, splitting the tenure in greater favour towards the intermediate element (we tested here a 50%:50% split) will bring residual values up broadly in line with the 'Grant' scenario. In the lower value sub markets, including a higher proportion of intermediate housing will not be so effective. This can be noted in the case of Bamber Bridge and Leyland.
- 6.11 The analysis shows that residual values are very sensitive to house prices. Changes in house prices could have a significant impact on viability. This applies not only in the short term, in 'credit crunch' conditions, but also over the long term, where historically the trend in prices has been to increase (albeit with various peaks and troughs along the way).
- 6.12 Additional costs associated with either a higher Code for Sustainable Homes or a higher tariff (we assumed an additional £5,000 over the baseline test) would hit the weaker sub markets much harder than the higher value ones. For example, our analysis suggests that an additional £250,000 per hectare in Leyland would (at 30 dph) generate a residual value of only £150,000 per hectare. We think that this is unlikely to bring many sites forward. At 20% affordable housing in Leyland (30 dph), residual values will be reduced by around 40% as a result of achieving Code Level 4 (from Level 3) or by requiring £10,000 per unit rather than £5,000 per unit for other (than affordable housing) developer contributions.
- 6.13 The analysis of the supply of sites in the District suggested that smaller sites make a significant contribution to the total supply of dwellings. The current PPS3 threshold (at 15 units) fails to capture around 40% of the current permissions (2006-9). An even higher figure exists when considering the urban area: 57% of all permissions. In the other settlements, the data on recent planning permissions suggests that almost 32% of new dwellings will be developed on sites of less than fifteen dwellings. Although it is recognised that future site allocations may have a greater proportion of larger sites.
- 6.14 Our analysis did not find a particular systematic viability constraint associated with small sites that would lead to a policy recommendation exempting small sites from affordable housing contributions. Rather the evidence suggests that site size bears little or no relations with viability.
- 6.15 Viability is highly sensitive to the relationship between existing (or, where relevant, alternative) use value. We have looked at this issue in some detail with respect to the case studies. Affordable housing will be viable in several cases, mostly on sites in back or garden land use. The analysis also showed that small developments on vacant or industrial land will generate significant residual value surplus over existing use value.
- 6.16 It is important to highlight that it is not the size of the site per se that causes difficulties with viability, but the nature of the existing or alternative use.
- 6.17 Where a financial payment in lieu of on-site provision of affordable housing (or commuted sum) is to be sought, it should be of "broadly equivalent value". This approach is, on the evidence we have considered, a reasonable one to take in policy terms.

- 6.18 If this 'equivalence' principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution, not in response to viability issues.

Conclusions and policy recommendations

- 6.19 There is no detailed government guidance setting out how targets should be assessed, based on an assessment of viability. In coming to our conclusions, we have reviewed the residual values generated for the different sub markets in the borough at the alternative levels of affordable housing tested and considered how these values compare with a number of benchmarks including existing use value and current land values.
- 6.20 The Council's current policy does not specify a proportion of affordable housing in the Local Plan although it seeks 20% on sites of more than 15 dwellings within the Interim Planning Policy of 2008.
- 6.21 On the basis of the available evidence, which shows considerable disparity in viability levels between different areas of local authority area, we believe there are three key options for setting affordable housing proportions for spatial planning policy purposes.
- A single target of 30% affordable housing across the local authority area. This would we feel, be reasonable in most site circumstances at lower densities, although in the lower value sub markets such as Leyland, grant could be needed to bring sites forward;
 - Adopt a dual target split between, on the one hand, Rural South Ribble and Penwortham and, on the other, Bamber Bridge and Leyland. We would suggest a 30% affordable housing target be applied in the former, and a 20% target in the latter;
 - A three way target which would have a target of 30% for Rural South Ribble and Penwortham, 25% for Bamber Bridge and 20% for Leyland.
- 6.22 A single target presents a clear position in planning terms (there will be no need to identify sub markets). However, it would have the disadvantage that the Council could be negotiating to a general target in areas where that target might not in some instances be viable. This presents potential barriers to development as the policy may not be seen to be sensitive to local market circumstances.
- 6.23 A two or three way policy split recognises the more detailed challenges in providing affordable housing across the local authority area. It maximises provision opportunities in the higher value area, whilst not stifling development in the weakest sub market locations. We would recommend this approach to the Council in taking the Local Development Framework forward.

Viability on individual sites

- 6.24 Our analysis has indicated that there will be site-specific circumstances where achievement of the affordable housing proportions set out above may not be possible. This should not detract from the robustness of the overall targets but

the council will need to take into account specific site viability concerns when these are justified.

- 6.25 If there is any doubt about viability on a particular site, it will be the responsibility of the developer to make a case that applying the council's affordable housing requirement for their scheme makes the scheme **not viable**. Where the Council is satisfied this is the case, the Council has a number of options open to it (including changing the mix of the affordable housing and supporting a bid for grant funding from the Homes and Communities Agency and/or using their own funds) before needing to consider whether a lower level of affordable housing is appropriate. In individual scheme negotiations, the council will also need to consider the balance between seeking affordable housing and its other developer contribution requirements.

Thresholds

- 6.26 As the Strategic Housing Market Assessment found there is a significant need for affordable housing in the local authority area and it is appropriate for the Council to give consideration to a lower threshold than the indicative national minimum (15 dwellings) set out in PPS3.
- 6.27 Our analysis shows that 40% of all dwellings recently granted planning permission (2006-9) will be developed on sites of less than 15 dwellings. This is a very substantial proportion of supply which will not qualify for an affordable housing contribution.
- 6.28 In the urban areas, an even more significant proportion (57%) of all dwellings will not qualify for an affordable housing contribution on the basis the PPS3 threshold.
- 6.29 In the other smaller settlements the position is different with apparently less reliance on small sites. There, 32% of all dwellings will be built on sites of less than 15 dwellings.
- 6.30 On the basis that housing needs are high in South Ribble and that small sites are no less viable than large ones, we would suggest that the Council adopt a robust approach to the setting of thresholds.
- 6.31 However, any policy might like to consider the impact that the recent Moratorium on development may have had on the pattern of supply outlined here. In this respect, with potentially more larger sites coming forward the pressure to reduce the threshold may be lessened.
- 6.32 Our recommendation is that site supply should be monitored and the threshold re-visited. On the basis of the current evidence however we would suggest the Council adopt a threshold of five units. This then catches more affordable housing but recognises the fact that a significant number of schemes in South Ribble are replacement schemes where the economics of new provision are challenging.

Commuted sums

- 6.33 Where **commuted sums** are collected a possible approach to calculating the appropriate sum sought is to base this on the equivalent amount which would

be contributed by the developer/landowner were the affordable housing provided on site. This is expressed as follows:

RV 100% M = Residual value with 100% market housing

RV AH = Residual value with X% affordable housing (say 40%)

Equivalent commuted sum = RV 100% MV minus RV AH

6.34 Where commuted sums are collected, the Council will need to have in place a strategy to ensure the money is spent effectively and in a timely manner. Options for spending will be a matter for the council to consider but could include supporting schemes which would otherwise not be viable, increasing the amount of social rented housing in a scheme, increasing the proportion of family units in a scheme, seeking higher quality affordable housing (e.g. a higher level of the Code for Sustainable Homes).

6.35 An example is:

3 units at a 40% contribution:

= 1 unit on site (33% of contribution met)

= 7% as additional payment to meet 40% contribution.

The value of the 7% would then be calculated by first deducting the residual value generated by a 40% affordable housing contribution from the residual value generated assuming 100% market units. The difference would then be multiplied by 7 and divided by 40 to give the payment in addition to the one unit on site.

NB: This calculation will be subject to viability; i.e. the residual value at 40% affordable housing being in sufficient excess over the existing use value.

Appendix 1

Central Lancashire Affordable Housing Viability Study

Workshop Notes

A workshop was held on the morning of Thursday 27th August 2009 at Preston Town Hall. Representatives of the development industry, landowners and agents, housing associations and the local authorities were in attendance. A full attendance list is given below.

An afternoon session was also held to introduce the Three Dragons' Toolkit to delegates. Both sessions were well received.

The consultants (Three Dragons working with Outside) and the local authorities would like to thank all those in attendance for their inputs to the study.

At the workshop Andrew Golland (AG) from Three Dragons gave a presentation summarising the methodology and outlining the process of higher level and detailed testing which would be carried out to determine viability targets.

It was agreed that the Powerpoint presentation (attached) would be made available to all invited parties in conjunction with these feedback notes.

Workshop delegates

Dave Warlow (DW)	Community Gateway Association
Nick Stevenson (NS)	Regenda Group
Sarah Palmer (SP)	Regenda Group
Louise Marsden (LM)	Contour Housing
Andrea Swanwick (AS)	Contour Housing
Lance Houghton (LH)	Homes and Communities Agency
John Ambrose (JA)	Primrose Holdings
Andrew Loughlin (AL)	JB Loughlin Contractors Ltd
David Forshaw (DF)	Northern Trust Company Ltd
Ian Aldred (IA)	Chorley Borough Council
Debbie Depres (DD)	Chorley Borough Council
Simon Mair (SM)	P Wilson & Co LLP
Tim Dean (TD)	Fox Land & Property
Julian Jackson (JJ)	Central Lancashire Authorities
Lisa Roche (LR)	Preston City Council
Helen Hockenhull (HH)	South Ribble Borough Council
Jan Bennett (JB)	South Ribble Borough Council
Andrew Golland (AG)	Three Dragons
Martin Browne (MB)	Outside

Apologies were received from:

Keith Baron	Chorley Building Society
Stephen Iley	Farrell Heyworth

Frank Harrington
Andrew Thompson
Kevin Williams
Andrew Thorley
Martyn Ellis

Frank Harrington Associates
Morris Homes
Great Places
Taylor Wimpey
Lancashire County Council (Property Group)

The following invited parties indicated they would attend but did not:

James Holladay	Taylor Wimpey
Iain Fowler	Wainhomes
John Roocroft	Newfield Jones

Other parties invited to attend:

Eckersley Property, Progress Housing Group, Lancashire County Council (Supporting People), Redrow, Places for People, Bellway, Steve Abbott Associates, Indigo Planning, McInerney Homes, Arley Homes

1 Introduction

The meeting was opened by JJ who explained the background to the study and its main context – to support the evidence base for the emerging LDF.

It was explained that the Core Strategy is a joint one and hence there is a need to find a common methodology – which the Three Dragons approach will allow for.

JJ explained that the SHMA (Strategic Housing Market Assessment) has recently (August 2009) been completed by Outside. An Executive Summary of the SHMA report was made available to delegates.

2 Basis for interpreting viability

AG explained that the SHMA report highlights that there is a huge need for affordable housing within Central Lancashire (to the extent that every unit provided would need to be affordable). The aim of this work is therefore to accept that there is a high housing need and to consider how we can meet that need taking into consideration economic viability.

AG stressed that it is very important that we gain people's views and input into the study at this stage.

There was no objection in principle to the over-riding method for assessing viability proposed by Three Dragons. This measures viability by reference to residual scheme value less the existing or alternative use value of a site.

LH queried where contributions to other agencies and other s106 costs were within the model. AG explained that they were included within the general s106 section of the model.

SM highlighted that s106 costs are usually borne solely by the landowner not the developer as the media would like to portray. This point was generally agreed on.

LH queried whether the 'build cost' section of the model included services? AG confirmed that the build costs section isn't just bricks and mortar it also covers costs such as services.

Feedback from the workshops emphasised the importance of existing and alternative use values and of the need for owners of agricultural land to maximise the return on what might be a once in a lifetime disposal.

LH queried whether 'alternative use values' included some aspect of 'hope value' as some people are being encouraged to get planning permission and sit on it hoping things will improve in the future. AG responded by saying that any hope value needs to be carefully considered in the light of the history of the site; e.g if there have been any previous planning consents that might elevate site value above its existing use.

3 Land values

AG asked the group for any ideas for bench mark figures of what landowners may expect over and above existing use values?

JA stated £1million an acre pro rata for brownfield housing land in South Ribble/Chorley.

SM explained he dealt more with greenfield sites and possibly larger sites than JA and he considered £1million an acre in 2007 prior to the 'Credit Crunch' being appropriate however now it is more likely to be £650,000 an acre. SM said it is now a question of who can afford such prices as developers are struggling to put forward the capital. SM explained a potential 'Profit Share' scheme that some developers are considering whereby the landowner gives over the site for free in return for the developer sharing all the future profits with the landowner.

LH echoed SM's comments on land values and said that the HCA have almost halved 2007 prices to about £500,000 – 650,000 an acre. The HCA are considering a 'pay as you go' type scheme with clawback/overage provisions.

JA explained that each site is unique and that he had a site in Whittle-le-Woods at £1million an acre but he was struggling on a site in Chorley.

LH added that services are also site unique.

There was a brief discussion about how planning inspectors are dealing with the issue of land value and hope value for sites. AG stated that Planning Inspectors are generally accepting 20-30% over and above existing land use values as being an appropriate margin and some are making allowances for site bought at the peak of the market.

SM commented that although he understood the methodology that was described, landowners tend to look at it from the other way round by starting with how much the

land would be worth without any costs and then shaving costs off – a method which should technically end up with the same result as the residual valuation approach. SM stated that 30% margin on greenfield sites would be nonsense due to the low value of existing agricultural uses. AG explained that the 30% applied to brownfield sites rather than greenfield.

AG explained that it is important to look at the future market and consider longer term house price trends when setting policies. AG commented that the current difficulty is that no one in Central Government has produced any viability guidance however most people are tending to view the Three Dragons approach as an appropriate one.

4 Overall Study Methodology

AG stressed that the study is about policy development to help the Central Lancashire Authorities set affordable housing targets. The Councils will still need to do detailed negotiations on a site by site basis as they come forward.

AG explained that the approach to the study will be two stage with the first stage focusing on testing a notional one hectare site, assuming different development mixes and different percentages of affordable housing, with the second stage looking at a range of generic site types, ranging from large green field through to smaller brown field, windfall type sites.

Participants at the workshops generally supported the approach set out (see also Powerpoint) which explains the approach diagrammatically.

IA explained that you need to know what access RSL's have to grants and funding etc to know whether agreements are actually viable or not.

AS explained that every site is different.

AG asked if we should assume access to grant or no grant within the model? AS suggested taking a 'no grant' position and working from there. NS highlighted that grants can often have an impact on scheme costs in terms of things like Code for Sustainable Homes. In terms of tenure housing associations were mainly concentrating on rented units at present rather than shared ownership.

LH commented that it is important to note that there is a 2 tier land owning system in Central Lancashire. There are private land owners and the HCA. The HCA have different sustainability criteria in terms of Code for Sustainable Homes which can affect viability. The HCA remit is by 2010 to reach at least code level 4 and by 2012 at least code level 6 which has an impact on build costs.

AG confirmed that tests will be run at code level 4 and 6 within the model. AG also noted that as well as considering the rising costs associated with this in the future they have to consider what may happen to house prices and land values by the time the code levels come into place.

LH noted that 'viability' may be viewed differently by the HCA than private developers and this needs to be taken into account.

Data sources (e.g. HMLR for house prices and BCIS for build costs) were explained to participants. The need for best primary data sources based on a large sample was understood and agreed.

5 Sub markets

A key part of the study will involve the analysis of viability at a sub market level. Sub markets will be defined primarily by house prices. The Powerpoint presentation shows draft sub markets and indicative new build prices.

Participants generally welcomed the focus on sub markets, although there were some queries as to whether individual locations had been allocated to the correct submarkets. There was however a reasonably strong correlation with the sub markets defined in the SHMA.

JA queried whether the consultants had spoken to local estate agents commenting that he felt that some of sub-area prices might be wrong.

AG explained that the work was based on 3 years worth of data from the Land Registry for all house sales and after adding a premium represented indicative new build prices.

JJ stressed that figures were based on actual sales and not necessarily what prices estate agents were asking for.

Comments are invited on submarkets by email to Andrew Golland.

SM highlighted that rural areas are prime locations for affordable housing. When looking at rural settlements it is clear due to the restrictive nature of planning policies that there is a clear steer against any development. Delivery of exclusively affordable housing schemes in these locations (obviously subject to other sustainability criteria) may be easier as there are no viable alternatives for land owners. SM stated that it is an opportunity to come up with some creative policies as there may be ways of transferring value across from one scheme to making contributions onto rural exceptions sites.

It was stated for example that the analysis for Chorley is currently too broad brush and a greater number of sub markets might make more sense in the local context.

Consideration was given to whether the use of differential affordable housing targets, responsive to house price differentials in different parts of a local authority, might be a proper policy response for some or all authorities. The Three Dragons viability study would demonstrate the effect of different affordable housing targets in different locations but this was ultimately a policy decision for individual local authorities.

House prices: some attendees thought the house prices assumed might be on the low side.

Comments are invited on the prices – as well as sub markets set out in the Powerpoint presentation.

IA agreed with JA that the house prices shown in AG's slide in Chorley looked low indicating that there are separate sub-areas within the Chorley and Leyland Fringe submarket.

LH highlighted a lack of a market for flat developments and a lack of developer appetite for flats. JJ reminded the group that we need to take a longer term view and expected that within the medium term a market will return for flats.

SM noted that it is difficult when taking a snap shot as there could be wide variations in for example 5bed house prices due to variations in floor space. SM suggested price per m² might be a better indicator to use. LH and IA agreed. AG explained that the land registry does not break house prices down by price per m² and therefore the evidence would be too weak to base it on this.

6 Density and Development Mix

AG demonstrated a template of development mixes showing proposed mixes of house types at different densities. This is included with the Powerpoint presentation. LH queried statutory minimum density. JJ explained that the guidance in PPS3 suggests a minimum of 30dph.

LH suggested testing at 'in between' points so testing at 30dph, 40dph and 50dph rather than just 30dph and 45dph.

It was suggested that there should be apartments for all three density options, although it was accepted that there is a marketing difficulty with flats in the short term.

Full details of proposed mixes are attached and invitees are asked to submit illustrative alternative mixes which are either proposed or have been recently developed.

7 Thresholds and the viability of smaller sites

A range of views were expressed in relation to thresholds and the viability of small sites.

The logic of a 15 dwelling threshold as in PPS3 was questioned – why is it 15?; the economics do not change at this point.

JA explained that the costs are higher as are the land owner expectations on smaller sites. TD agreed that land prices are higher and therefore yields lower making it inherently harder to provide affordable units on smaller sites.

LH raised the issue of management problems if affordable units were to be pepper potted. AG also recognised that the stigma affect of affordable housing could be greater on smaller sites.

TD commented that sites with less than 10 units have always been seen as windfalls which by their very nature are unpredictable. Planning is about certainty and therefore as windfalls are uncertain it wouldn't be appropriate to plan based on these!

Both DW and AS noted that in terms of management on smaller sites it would depend on what other properties the RSLs had close to the sites. AS highlighted that it would be up to the Local Authority to negotiate with developers which RSL would be most appropriate to use.

A view was expressed that although the value of small sites is normally higher, the 'yield' is less and hence they are less viable to develop. It was not entirely clear how this approach works in practice – invitees are asked to expand on this point.

8 Calculation of commuted sum

Any commuted sum should be the difference between the residual value of a scheme with 100% market housing and one with a mix of market and affordable housing.

9 Development costs

AG presented the proposed page that will be used for the testing framework. This is included in the Powerpoint presentation. It was explained that the base build costs per square metre will be calculated from the BCIS data source. The feedback on the build costs in the Powerpoint screenshot suggested that they looked correct. The other development costs (professional fees, internal overheads, profit margins, etc) are however those which Three Dragons intend to use for base viability testing.

LH queried where VAT was included. AG confirmed that it was net of VAT.

JA commented that build costs seemed about right.

LH queried what code level they were based on. AG explained that they are based on 2009 quarter 2 data and therefore reflect whatever code we are building to now. LH commented that the HCA has done some research into the impact of code levels on build costs and can feed this into the process. It was stated that Three Dragons will test as for current development costs, which will reflect Code Level 3 (invitees please confirm) as well as at Level 4, which adds around £4,000 per unit over and above build at Code Level 3. Again – feed back please.

TD queried why 15% had been used as a level of return? AG stated that this had been mentioned elsewhere in connection with similar viability studies but his response was that the longer term (over the plan period) figure of 15% is a more appropriate given, given the past performance of the house building industry. Invitees please comment on this point.

TD commented that they always use 20% as a starting point as this is what the banks want to see. Anything less than 20% would mean that contingencies weren't

in place and the banks would consider their money as being at risk. SM agreed with a 20% default position.

10 Other Section 106 contributions

The level of planning gain package was discussed. It was suggested that this will need to be agreed between Three Dragons and the Councils. But – all views - on the level (per unit) are very welcome!

11 Affordable housing issues

The Outside SHMA conclusions suggest the following affordable housing tenure splits based on housing needs in the three local authority areas:

Chorley: Social Rent: 74% and 26% Intermediate affordable;

Preston: Social Rent: 68% and 32% Intermediate affordable;

South Ribble: Social Rent: 89% and 11% Intermediate affordable

Three Dragons suggest testing these percentages based on Shared Ownership as the Intermediate tenure. (Comments please!)

It was agreed that the baseline testing would assume a nil grant position, but invites are asked to provide reasonable assumptions of levels of grant per unit for Social Rent and other affordable tenures.

12 Protocols for negotiations on Section 106

Three Dragons explained that the project will provide the local authorities with an Affordable Housing Toolkit to assist the process of negotiations on viability and Section 106 contributions. Experience has shown that this is used most effectively when this tool is also available to local developers and landowners.

The report by Three Dragons will enable the local authorities to set broad policies. Individual schemes will be appraised on a scheme specific basis by the local authorities taking account of site conditions and market viability.

Appendix 2 Key data assumptions

Market areas and prices:

SOUTH RIBBLE	Detached			Semis			Terraces			Flats		
Sub Market	5 Bed	4 Bed	3 Bed	4 Bed	3 Bed	2 Bed	4 Bed	3 Bed	2 Bed	3 Bed	2 Bed	1 Bed
Rural South Ribble	£300,000	£270,000	£230,000	£195,000	£170,000	£150,000	£175,000	£160,000	£135,000	£155,000	£130,000	£110,000
Penwortham	£270,000	£245,000	£210,000	£180,000	£155,000	£135,000	£160,000	£145,000	£130,000	£140,000	£125,000	£105,000
Bamber Bridge	£265,000	£240,000	£205,000	£175,000	£150,000	£130,000	£155,000	£140,000	£125,000	£135,000	£120,000	£100,000
Leyland	£260,000	£235,000	£200,000	£170,000	£145,000	£125,000	£150,000	£135,000	£120,000	£130,000	£115,000	£95,000

The development mixes were as follows:

- 30 dph: including 10% 2 bed flats; 15% 2 bed terraces; 20% 3 bed terraces; 25% 3 bed semis; 15% 3 bed detached; 10% 4 bed detached; 5% 5 bed detached
- 50 dph: including 5% 1 bed flats; 10% 2 bed flats; 15% 2 bed terraces; 20% 3 bed terraces; 20% 3 bed semi-detached; 20% 3 bed detached; 10% 4 bed detached;
- 80 dph: including 20% 1 bed flats; 50% 2 bed flats; 20% 2 bed terraces and 10% 3 bed terraces.

Affordable housing targets:

10%;
15%;
20%;
25%;
30%;

Affordable housing split: 70% to 30% Social Rent to Shared Ownership

Appendix 3 Results – Residual values – no grant scenarios

	30 DPH					
	0%	10%	15%	20%	25%	30%
Rural South Ribble	£1.56	£1.31	£1.19	£1.07	£0.95	£0.82
Penwortham	£1.23	£1.01	£0.90	£0.79	£0.68	£0.57
Bamber Bridge	£1.12	£0.90	£0.80	£0.70	£0.59	£0.48
Leyland	£1.01	£0.80	£0.70	£0.60	£0.50	£0.40
	50 DPH					
	0%	10%	15%	20%	25%	30%
Rural South Ribble	£2.49	£2.10	£1.90	£1.71	£1.51	£1.31
Penwortham	£1.98	£1.62	£1.45	£1.27	£1.09	£0.92
Bamber Bridge	£1.79	£1.45	£1.28	£1.11	£0.94	£0.77
Leyland	£1.61	£1.28	£1.12	£0.96	£0.79	£0.63
	80 DPH					
	0%	10%	15%	20%	25%	30%
Rural South Ribble	£2.11	£1.59	£1.34	£1.08	£0.82	£0.57
Penwortham	£1.75	£1.27	£1.02	£0.78	£0.54	£0.29
Bamber Bridge	£1.46	£0.99	£0.76	£0.53	£0.30	£0.07
Leyland	£1.16	£0.72	£0.50	£0.28	£0.06	-£0.16

Illustrative scheme – 30 dph – Penwortham; at 30% Affordable Housing

1 - SITE IDENTIFICATION

Site Details

Site Address

Site Reference

Application Number

Scheme Description

I have read, and accepted, the terms and conditions set out in the [license agreement](#)

3 - BASIC SITE INFORMATION

Site Area

Total Size of Site In Hectares (You must enter a value in here)

Density / Number of Dwellings

Enter a number of dwellings (You must enter a value in here)

Percentage Increase/Decrease in Density:

You may test the effect of a percentage increase/decrease in the site density by using the cell below

%

Resulting Number of Dwellings Tick if this a rural development

Resulting Density dph

4 - CHARACTERISTICS OF DEVELOPMENT

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

You then have 2 options for entering information about the scheme

EITHER, enter information for up to 20 dwelling types – each row must be either fully complete or left blank (enter 1 if information not relevant e.g. size of affordable unit but is a market unit)

OR select the Toolkit default mix by depressing the button called Use Default Unit Types

Ref.	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Size in sq.m Affordable	Size in sq.m Market	Parking (flats only)	No. of Storeys (1-99)
1	2 Bed Flats	2	Flat	3.0	67	60	n/a	2
2	2 Bed Terraces	2	House	4.5	76	65	n/a	n/a
3	3 Bed Terraces	3	House	6.0	84	80	n/a	n/a
4	3 Bed Semis	3	House	7.5	86	90	n/a	n/a
5	3 Bed Detached	3	House	4.5	90	110	n/a	n/a
6	4 Bed Detached	4	House	3.0	110	135	n/a	n/a
7	5 Bed Detached	5	House	1.5	125	150	n/a	n/a
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				30				

5 - MARKET VALUES

This is a custom scheme, default values are not available.

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

You can enter your own values for each dwelling type or select the Toolkit default market values by depressing the button called Default Market Values

View Default Values ->

You can adjust the market values by using the % increase/decrease arrows

100 %

Reset

Reset button to return to base market value

Ref.	Unit Type	No of Bed Rooms	Market Value	Adjusted Market Value
1	2 Bed Fktas	2	£125,000	£125,000
2	2 Bed Terraces	2	£130,000	£130,000
3	3 Bed Terraces	3	£145,000	£145,000
4	3 Bed Semis	3	£155,000	£155,000
5	3 Bed Detached	3	£210,000	£210,000
6	4 Bed Detached	4	£245,000	£245,000
7	5 Bed Detached	5	£270,000	£270,000
8				
9				
10				
11				
12				
13				
14				
15				

6 - TENURE MIX

If you are using a default mix then you can distribute units across the tenures by percentage; enter the percentage of units to assign to each tenure in the top row. The percentages are applied equally across all unit types

If you are not using a default mix then you may either enter units by percentage or by the exact number of units of each type for each tenure; in the table enter the exact number of units of each type for each tenure in the table

Whichever method is selected, ensure that relevant information is entered in the boxes at the bottom of the table.

Input by Percentages Input by Quantity

Clear Table

Ref.	Description	AFFORDABLE					Required No. of Units
		SALE	Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
		70%	21%	9%			
1	2 Bed Fktas	2.1	0.6	0.3			3.0
2	2 Bed Terraces	3.2	0.9	0.4			4.5
3	3 Bed Terraces	4.2	1.3	0.5			6.0
4	3 Bed Semis	5.3	1.6	0.7			7.5
5	3 Bed Detached	3.2	0.9	0.4			4.5
6	4 Bed Detached	2.1	0.6	0.3			3.0
7	5 Bed Detached	1.1	0.3	0.1			1.5
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
	Total	21.0	6.3	2.7			30.0

New Build HomeBuy Percentage Purchased 40%
Rental limit on unbought share 100%

Percentage purchased by purchaser for Discount Market

Local Sale Average Income
Income Multiplier

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8 - SOCIAL AND INTERMEDIATE RENT

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

This is a custom scheme, default rents are not applicable. Please enter your own values into the white cells

View Default Rents ->

Ref.	Description	Social Rent Values (per week)			Intermediate Rent Values (per week)			
		No. of units	Default Rents	User Rents	No. of units	Market Rent	Adjust 75%	User Rents
1	2 Bed Fktas	0.63	£ -	£ 71.00		£ -	£ -	
2	2 Bed Terraces	0.95	£ -	£ 72.00		£ -	£ -	
3	3 Bed Terraces	1.26	£ -	£ 79.00		£ -	£ -	
4	3 Bed Semis	1.58	£ -	£ 79.00		£ -	£ -	
5	3 Bed Detached	0.95	£ -	£ 82.00		£ -	£ -	
6	4 Bed Detached	0.63	£ -	£ 83.00		£ -	£ -	
7	5 Bed Detached	0.32	£ -	£ 87.00		£ -	£ -	
8			£ -			£ -	£ -	
9			£ -			£ -	£ -	
10			£ -			£ -	£ -	
11			£ -			£ -	£ -	
12			£ -			£ -	£ -	
13			£ -			£ -	£ -	
14			£ -			£ -	£ -	
15			£ -			£ -	£ -	
16			£ -			£ -	£ -	
17			£ -			£ -	£ -	
18			£ -			£ -	£ -	
19			£ -			£ -	£ -	
20			£ -			£ -	£ -	

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9 - AFFORDABLE HOUSNG COSTS AND CAPITALISATION FACTORS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

You can enter your own values in the white cells below
Where cells are left blank, the Toolkit value for that row will be used

Social Rent		Toolkit Values	User Values	
Costs per annum	Management & Maintenance	£ 1,000		per annum
	Voids/bad debts	3.00%		of gross rent
	Repairs reserve	£ 500		per annum
Capitalisation		6.00%	6.75%	of net rent

New Build HomeBuy		Toolkit Values		
Costs per annum	Rental Factor	2.75%		of share
	Capitalisation	6.00%	6.75%	of net rent

Intermediate Rent		Toolkit Values		
Costs per annum	Management costs	6.00%		of gross rent
	Maintenance Costs	£ 500		per dwelling
	Voids/bad debts	5.00%		of gross rent
	Repairs Reserve	1.00%		of gross rent
Capitalisation		6.00%		of net rent

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10 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

Build Costs per sq m

You can enter your own values in the white cells below.
Where cells are left blank, the Toolkit value for that row will be used

	Toolkit Values	User Values
Bungalows	£1,049	£890
Flats (6+ storeys)	£1,545	£1,470
Flats (5 & less storeys)	£1,115	£1,060
Houses <= 75m2	£999	£850
Houses > 75m2	£901	£745

Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.
Where cells are left blank, the Toolkit value for that row will be used.

	Toolkit Values	User Values
Professional Fees %	12.00%	of build costs
Internal Overheads	5.00%	of build costs (Market and Discount Market units)
Interest Rate (Market)	7.00%	of build Costs (Market, Discount Market and Low Cost Sale units)
Interest Rate (Affordable Housing)	7.00%	of build costs (SR, HB, IR units)
Marketing Fees	3.00%	of market value (Market and Discount Market units)
Developers Return	15.00%	of market value (Market and Discount Market units)
Contractors Return	6.00%	of development costs (SR, HB, IR and LCS units)
Land financing costs	£ -	Please see the Guidance Notes for use of this value

Exceptional Development Costs

You may enter SCHEME totals for exceptional costs. The first row is for Sustainable Homes costs. The other three rows are for user defined costs. You can enter the name of the cost in the left hand cells and SCHEME value in the right hand cell.

Sustainable Homes Standard	
Market Housing	Affordable Housing
None	None

Costs incurred for Sustainable Homes Levels None and None	£
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -
<Enter Costs Description>	£ -

Scheme Total	
per dwelling	
per hectare	

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11 - PLANNING OBLIGATIONS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear Table

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column. To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit					Calculated Total (Affordable and Sale)
	Enter Total?	User Total	Sale	Affordable				
				Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
Education Contribution	<input type="checkbox"/>							
Highway Works	<input type="checkbox"/>							
Contribution to public transport	<input type="checkbox"/>							
Contribution to community facilities	<input type="checkbox"/>							
Provision for open space	<input type="checkbox"/>							
Contribution to public realm	<input type="checkbox"/>							
Contribution to public art	<input type="checkbox"/>							
Environmental improvements	<input type="checkbox"/>							
Town centre improvements	<input type="checkbox"/>							
Waterfront Improvements	<input type="checkbox"/>							
Support for employment development	<input type="checkbox"/>							
Employment related training	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							
<Enter Planning Obligation Description here>	<input type="checkbox"/>							

Obligations package per unit £5,000

Contribution from Commercial

Total for Scheme	£150,000
Total for Scheme per hectare	£150,000
Total for Scheme divided by total number of units	£5,000
Total for Scheme divided by number of sale units	£7,143

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16 - HOUSING CORPORATION GRANT AVAILABILITY

- No - Grant is not available
 Yes - Grant is available and is a known value

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17 - ONCOSTS FOR AFFORDABLE HOUSING

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

Clear page

If applicable, the user can provide information about oncosts. You have one of 3 options: i) use the Toolkit default percentages ii) enter your own % iii) enter your own oncost value (in £s) per unit. If there are no oncosts clear the tick box called 'Apply Oncosts'.

Apply Oncosts

Oncosts are based on a percentage of development costs (not including returns to the developer)

	Affordable Housing Tenures			Total
	Social rent	New Build HomeBuy	Intermediate rent	No. Of Affordable Units
Number of units	6.3	2.7		9
i) Default oncosts rate (%)	6%	6%		6%
ii) User oncosts (%)				
iii) User oncosts By Unit (£)				
Oncosts per Unit	£ 4,786	£ 4,786	£ -	
Total oncosts for Affordable Housing	£ 30,155	£ 12,923	£ -	
Total Oncosts for Affordable Housing	£ 43,078			

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20 - Scheme Results

Site Reference Details	
Site Reference Number	
Application Number	
Site Location	Harlow
Scheme Description	

Site Details	
Site	Illustrative scheme - 30 Dph in Pemwortham at 30% Affordable
Address	Housing
Site	
Details	

TOTAL NUMBER OF UNITS	
Dwellings	30
% Wheelchair Units	

DENSITY (per hectare)	
Dwellings	30.0

AFFORDABLE UNITS		
	Quantity	% of All Units
Total	9.0	30%
Social rent	6.3	21%
Intermediate	2.7	9%

REVENUE AND COSTS	
Total scheme revenue	£ 4,035,000
Total scheme costs	£ 3,404,000

RESIDUAL VALUE	
Whole scheme	£ 631,000
Per hectare	£ 631,000
Per dwelling	£ 21,000
Per market dwelling	£ 30,000

Contribution to revenue from:	
Market housing	£ 3,554,000
Affordable Housing	£ 481,000
- Social rent	£ 199,000
- New Build HomeBuy	£ 282,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Capital Contribution	£ -
Commercial Elements	£ -

PUBLIC SUBSIDY (GRANT)	
Whole Scheme	£ -
Per Social Rental dwelling	£ -
Per New Build HomeBuy dwelling	£ -
Per Intermediate Rent dwelling	£ -

Contribution to costs from:	
Market housing	£ 2,496,000
Affordable Housing	£ 759,000
- Social rent	£ 531,000
- New Build HomeBuy	£ 228,000
- Intermediate Rent	£ -
- Discount Market	£ -
- Local Sale	£ -
Land Finance	£ -
Planning Obligations	£ 150,000
Total Exceptional Costs	£ -
Commercial Elements	£ -

Alternative Site Values		Against residual
Existing Use Value	£ -	£ -
Acquisition Cost	£ -	£ -
Alternative Use Value 1	£ -	£ -
Alternative Use Value 2	£ -	£ -
Alternative Use Value 3	£ -	£ -

Save Results

View Results

Cost Components

View DCF Page

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