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Stratford-on-Avon District Council
Plan Viability & Affordable Housing Study

Final Report

On behalf of **Stratford-on-Avon District Council**

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1 Introduction

1.1 The study scope

1.1.1 Peter Brett Associates LLP was commissioned by Stratford-on-Avon District Council to undertake a viability assessment at a strategic plan level and provide the following outputs:

- A plan viability assessment (PV) of the emerging Plan (Core Strategy).
- Inform the Plan affordable housing policy in the context of the PV assessment.

1.1.2 The main purpose of a Plan viability (or PV) assessment is to provide evidence to show that the requirements of the national planning policy framework (NPPF) are met. That is, the policy requirements in the Plan should not threaten the development viability of the plan. The objective of this study is to inform policy decisions relating to the trade-offs between the policy aspirations of achieving sustainable development and the realities of economic viability.

1.1.3 The report and the accompanying appraisals have been prepared in line with RICS valuation guidance. However, it is first and foremost a supporting document to inform the Core Strategy evidence base and planning policy, in particular policy concerned with the planning, funding and delivery of infrastructure needed to support delivery of the plan.

1.1.4 As per Professional Standards 1 of the RICS Valuation Standards – Global and UK Edition[1], the advice expressly given in the preparation for, or during the course of negotiations or possible litigation does not form part of a formal "Red Book" valuation and should not be relied upon as such. No responsibility whatsoever is accepted to any third party who may seek to rely on the content of the report for such purposes.

1.2 Relationship with other evidence base

1.2.1 In addition to this report a suite of other documents have been published which also include viability testing. The document are as follows:

- CIL Economic Viability Study, September 2013 – this document sets the baseline for testing to which the subsequent documents are based in order to be consistent in approach. This document has been used to inform the proposed CIL rate set out in the Preliminary Draft Charging Schedule. This evidence will be updated if necessary as a result of any changes made to affordable housing percentages or thresholds.
- Canal Quarter and Employment Sites Viability and Deliverability Report, April 2014 – this document has been prepared to provide evidence to the council on the potential to deliver housing led regeneration of this specific area in Stratford-upon-Avon. Alternative affordable housing percentages from 20%-35% have been explored which are related back to this report.
- Viability and Deliverability Strategic Sites, April 2014 – this report explores the delivery of alternative strategic sites within the district that will provide a substantial contribution to the council's housing supply. Affordable housing has been set at 35% in each strategic site which has been demonstrated as a viable level along with a range of other policy and infrastructure costs.

[1] RICS (January 2014) Valuation – Professional Standards, PS1 Compliance with standards and practice statements where a written valuation is provided

1.3 Defining local plan level viability

1.3.1 The 'Viability Testing Local Plans' advice for planning practitioners prepared by the Local housing Delivery Group and chaired by Sir John Harman June 2012(the Harman Report) defines whole plan viability (on page 14) as follows:

'An individual development can be said to be viable if, after taking account of all costs, including central and local government policy and regulatory costs, and the cost and availability of development finance, the scheme provides a competitive return to the developer to ensure that development takes place, and generates a land value sufficient to persuade the land owner to sell the land for the development proposed.'

At a Local Plan level, viability is very closely linked to the concept of deliverability. In the case of housing, a Local Plan can be said to be deliverable if sufficient sites are viable (as defined in the previous paragraph) to deliver the plan's housing requirement over the plan period.

1.3.2 Note the approach to Local Plan level viability assessment does not require all sites in the plan to be viable . The Harman Report says that a site typologies approach to understanding plan viability is sensible. Whole plan viability:

'does not require a detailed viability appraisal of every site anticipated to come forward over the plan period… [we suggest] rather it is to provide high level assurance that the policies with the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.

A more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.

1.3.3 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period.

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'

1.3.4 Indeed the Report also acknowledges that a:

'plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.

1.3.5 The report later suggests that once the typologies testing has been done:

'it may also help to include some tests of case study sites, based on more detailed examples of actual sites likely to come forward for development if this information is available' .

1.3.6 The Harman Report points out the importance of minimising risk to the delivery of the plan. Risks can come from policy requirements that are either too high or too low. So, planning authorities must have regard to the risks of damaging plan delivery through loading on excessive policy costs - but equally, they need to be aware of lowering standards to the point where the sustainable delivery of the plan is not possible. Good planning in this respect is about 'striking a balance' between the competing demands for policy and plan viability.

1.4 Consultation

1.4.1 A developer workshop was held to test the assumptions contained within this report. The workshop was well attended with a broad mix of national and local housebuilders, surveyors, architects, agents and land owners and promoters. There were also representatives from Registered Providers and council officers from both the district and county council.

1.4.2 Further consultation was also undertaken with a number of site promoters on a one to one basis.

1.5 Approach

1.5.1 The study results are based on a standard residual land valuation, using hypothetical schemes. Residual valuation is applied to different land uses and where relevant to different parts of the district, aiming to show typical values for each.

1.5.2 For each of the hypothetical schemes tested, we use this formula to estimate typical residual land values, which is what the site should be worth once it has full planning permission. The residual value calculation requires a wide range of inputs, or assumptions, including the costs of development and the required developer's return.

1.5.3 The arithmetic of residual appraisal is straightforward (we use a bespoke spreadsheet models for the appraisals). However, the inputs to the calculation are hard to determine for a specific site (as demonstrated by the complexity of many S106 negotiations). The difficulties grow when making calculations that represent a typical or average site - which is what we need to do for estimating appropriate CIL charges. Therefore our viability assessments are necessarily broad approximations, subject to a margin of uncertainty.

1.6 Report structure

1.6.1 The rest of this report is set out as follows:

- Chapter 2 sets out the policy and legal requirements relating to whole plan viability, affordable housing and community infrastructure levy which the study assessment must comply with.
- Chapter 3 outlines the planning and development context and considers the past delivery.
- Chapter 4 sets out the emerging policies and their impact on viability.
- Chapter 5 describes the local market, approach to viability, scenarios to be tested, assumptions and results
- Chapter 6 concludes by setting out the main findings and translates this into recommendations for the whole plan viability and specifically affordable housing

2 National policy context

2.1 National planning policy framework

2.1.1 The National Planning Policy Framework (NPPF) recognises that the 'developer funding pot' or residual value is finite and decisions relating on how this funding is distributed between affordable housing, infrastructure, and other policy requirements have to be considered as a whole they cannot be separated out.

2.1.2 The National Planning Policy Framework (NPPF) advises that cumulative effects of policy should not combine to render plans unviable:

'Pursuing sustainable development requires careful attention to viability and costs in plan-making and decision-taking. Plans should be deliverable. Therefore, the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable'. [2]

2.1.3 With regard to non-residential development, the NPPF states that local planning authorities *'should have a clear understanding of business needs within the economic markets operating in and across their area. To achieve this, they should… understand their changing needs and identify and address barriers to investment, including a lack of housing, infrastructure or viability.'* [3]

2.1.4 Note the NPPF does not states that all sites must be viable now in order to appear in the plan. Instead, the NPPF is concerned to ensure that the bulk of the development is not rendered unviable by unrealistic policy costs. It is important to recognise that economic viability will be subject to economic and market variations over the Local Plan timescale. In a free market, where development is largely undertaken by the private sector, the planning authority can seek to provide suitable sites to meet the needs of sustainable development. It is not within the local planning authorities control to ensure delivery actually takes place; this will depend on the willingness of a developer to invest and a landowner to release the land. So in considering whether a site is deliverable now or developable in the future, we have taken account of the local context to help shape our viability assumptions.

2.2 Deliverability and developability considerations in the NPPF

2.2.1 The NPPF creates the two concepts of 'deliverability' (which applies to residential sites which are expected in Years 0-5 of the plan) and 'developability' (which applies to year 6 onwards of the plan). The NPPF defines these two terms as follows:

To be deliverable, *"sites should be available now, offer a suitable location for development now, and be achievable, with a realistic prospect that housing will be delivered on the site within five years and in particular that development of the site is viable."* [4]

To be developable, sites expected in Year 6 onwards should be able to demonstrate a *"reasonable prospect that the site is available and could be viably developed at the point envisaged".* [5]

[2] DCLG (2012) National Planning Policy Framework (41, para 173)
[3] Ibid (para 160)
[4] Ibid (para 47, footnote 11 – note this study deals with the viability element only, the assessment of availability, suitability, and achievability is dealt with by the client team as part of the site selection process.

2.2.2 This study deals with the viability element only, the assessment of availability, suitability, and achievability, including the timely delivery of infrastructure is dealt with by the client team as part of the site allocations and infrastructure planning.

2.2.3 The NPPF advises that a more flexible approach may be taken to the sites coming forward in the period after the first five years. Sites coming forward after Year 6 might not be viable now – and might instead be only viable at that point in time. This recognises the impact of economic cycles and variations in values and policy changes over time.

2.3 National policy on affordable housing

2.3.1 In informing future policy on affordable housing, it is important understand national policy on affordable housing. The NPPF states:

2.3.2 To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should[6]:

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
- where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.[7]

2.3.3 The NPPF does recognise that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.

2.3.4 Finally the NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.

2.3.5 Note that the NPPF has not amended the definition of affordable housing to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market, but they are not classified as an ‘affordable product’[8], although they may in some areas impact on the delivery of affordable products.

2.3.6 In informing future policy on affordable housing, it is important to be clear of the national policy parameters that apply to affordable housing. The NPPF provides local planning authorities greater flexibility in determining their housing delivery strategy based on an understanding of local housing needs and housing market.

[5] Ibid (para 47, footnote 12)
[6] Ibid (para 50 and bullets).
[7] Ibid (p13, para 50)
[8] This is because the purpose of affordable housing is to help provide affordable housing for households in need over the long term.

2.3.7 To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should:

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand; and
- where they have identified that affordable housing is needed, set policies for meeting this need on site, unless off-site provision or a financial contribution of broadly equivalent value can be robustly justified (for example to improve or make more effective use of the existing housing stock) and the agreed approach contributes to the objective of creating mixed and balanced communities. Such policies should be sufficiently flexible to take account of changing market conditions over time.

2.4 Threshold limits, off site contributions, and flexibility in policy

2.4.1 As can be seen from the above, the NPPF does not include any affordable housing thresholds and allows flexibility for local authorities to meet local requirements based on a clear understanding of local market, need, viability and delivery.

2.4.2 However, the government has recently published consultation on setting a national threshold of 10 dwellings for seeking provision of affordable housing. Whilst this is not policy at present the government have shown a consistent approach to reducing the burden on smaller development – e.g. removal of CIL liability from self-build schemes, so subject to the consultation it is likely that this will become national policy in the near future..

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2.4.6 The NPPF does create a duty to cooperate with neighbouring authorities – particularly to reflect affordable housing needs including through the allocation of rural exception sites and the scope to enable market housing to cross subsidise affordable housing[9]:

‘in rural areas, exercising the duty to cooperate with neighbouring authorities, local planning authorities should be responsive to local circumstances and plan housing development to reflect local needs, particularly for affordable housing, including through rural exception sites where appropriate. Local planning authorities should in particular consider whether allowing some market housing would facilitate the provision of significant additional affordable housing to meet local needs’.

[9] DCLG (2012) op cit (para 54 page 14)

2.5 National policy on infrastructure

2.5.1 The NPPF requires authorities to demonstrate that infrastructure will be available to support development:

[…]'It is equally important to ensure that there is a reasonable prospect that planned infrastructure is deliverable in a timely fashion. To facilitate this, it is important that local planning authorities understand district-wide development costs at the time Local Plans are drawn up.' [10]

2.5.2 It is not necessary to prove that all funding for infrastructure has been identified. The NPPF states that standards and policies in Local Plans should 'facilitate development across the economic cycle,' [11] suggesting that in some circumstances, it may be reasonable for a Local Authority to argue that viability is likely to improve over time, that policy costs may be revised, that some infrastructure is not required immediately, and that mainstream funding levels may recover.

2.5.3 An Infrastructure Delivery Plan is being prepared by the Council to set out the necessary infrastructure and proposed funding.

2.6 National policy on community infrastructure levy

2.6.1 Whilst not specifically part of this study it is important that the report also reflects the required approaches to CIL as it can then be used to inform further stages in the CIL process.

2.6.2 The Community Infrastructure Levy (CIL) is a planning charge that came into force on 6 April 2010. The levy allows local authorities in England and Wales to raise contributions from development to help pay for infrastructure that is needed to support planned development. Local authorities who wish to charge the levy must produce a draft charging schedule setting out CIL rates for their areas – which are to be expressed as pounds (£) per square metre, as CIL will be levied on the gross internal floorspace of the net additional liable development. Before it is approved by the Council, the draft schedule has to be tested by an independent examiner.

2.6.3 The requirements which a CIL charging schedule has to meet are set out in:

- The Planning Act 2008 as amended by the Localism Act 2011.
- The CIL Regulations 2010[12], as amended in 2011[13] , 2012[14], 2013[15] and 2014[16].
- The CIL Guidance which was updated in February 2014.[17]

2.6.4 The 2014 Regulations have altered key aspects of setting the charge for authorities who publish a Draft Charging Schedule for consultation. The key points from these various documents are summarised below.

[10] Ibid (p42, para 177)
[11] Ibid (p42, para 174)
[12] http://www.legislation.gov.uk/ukdsi/2010/9780111492390/pdfs/ukdsi_9780111492390_en.pdf
[13] http://www.legislation.gov.uk/ukdsi/2011/9780111506301/pdfs/ukdsi_9780111506301_en.pdf
[14] http://www.legislation.gov.uk/uksi/2012/2975/pdfs/uksi_20122975_en.pdf
[15] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf
[16] http://www.legislation.gov.uk/uksi/2014/385/pdfs/uksi_20140385_en.pdf
[17] DCLG (February 2014) Community Infrastructure Levy Guidance

2.7 Striking the appropriate balance

2.7.1 The revised Regulation 14 requires that a charging authority '*strike an appropriate balance*' between:

a. The desirability of funding from CIL (in whole or in part) the… cost of infrastructure required to support the development of its area… and

b. The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across its area.

2.7.2 By itself, this statement is not easy to interpret. The guidance explains its meaning. A key feature of the 2014 Regulations is to give legal effect to the requirement in this guidance for an authority to 'show and explain…' their approach at examination. This explanation is important and worth quoting at length:

'The levy is expected to have a positive economic effect on development across a local plan area. When deciding the levy rates, an appropriate balance must be struck between additional investment to support development and the potential effect on the viability of developments.

This balance is at the centre of the charge-setting process. In meeting the regulatory requirements (see Regulation 14(1)), charging authorities should be able to show and explain how their proposed levy rate (or rates) will contribute towards the implementation of their relevant plan and support development across their area. .

As set out in the National Planning Policy Framework in England (paragraphs 173 – 177), the sites and the scale of development identified in the plan should not be subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened. The same principle applies in Wales.' [18]

2.7.3 In other words, the 'appropriate balance' is the level of CIL which maximises the delivery of development in the area. If the CIL charging rate is above this appropriate level, there will be less development than planned, because CIL will make too many potential developments unviable. Conversely, if the charging rates are below the appropriate level, development will also be compromised, because it will be constrained by insufficient infrastructure.

2.7.4 Achieving an appropriate balance is a matter of judgement. It is not surprising, therefore, that charging authorities are allowed some discretion in this matter. This has been reduced by the 2014 Regulations, but remains. For example, Regulation 14 requires that in setting levy rates, the Charging Authority (our underlining highlights the discretion):

'must strike <u>an</u> appropriate balance…' i.e. it is recognised there is no one perfect balance;

'Charging authorities need to demonstrate that their proposed levy rate or rates are <u>informed</u> by 'appropriate available' evidence and consistent with that evidence across their area as a whole.'

'A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence …… There is room for some pragmatism.' [19]

2.7.5 Thus the guidance sets the delivery of development firmly in within the context of implementing the Local Plan. This is linked to the plan viability requirements of the NPPF, particularly paragraphs 173 and 174. This point is given emphasis throughout the guidance.

[18] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2)

[19] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

For example, in guiding examiners, the guidance makes it clear that the independent examiner should establish that:

'…..evidence has been provided that shows the proposed rate (or rates) would not threaten delivery of the relevant Plan as a whole…..'[20]

2.7.6 This also makes the point that viability is not simply a site specific issue but one for the plan as a whole.

2.7.7 The focus is on seeking to ensure that the CIL rate does not threaten the ability to develop viably the sites and scale of development identified in the Local Plan. Accordingly, when considering evidence the guidance requires that charging authorities should:

'*use an area based approach, involving a broad test of viability across their area', supplemented by sampling '…an appropriate range of types of sites across its area…' with the focus '...on strategic sites on which the relevant Plan relies and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites).* [21]

2.7.8 This reinforces the message that charging rates do not need to be so low that CIL does not make any individual development schemes unviable (some schemes will be unviable with or without CIL). The levy may put some schemes, however, in aiming to strike an appropriate balance overall, the charging authority should avoid threatening the ability to develop viably the sites and scale of development identified in the Local Plan.

2.8 Keeping clear of the ceiling

2.8.1 The guidance advises that CIL rates should not be set at the very margin of viability, partly in order that they may remain robust over time as circumstances change:

'…..if the evidence pointed to setting a charge right at the margins of viability………It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust.'[22]

2.8.2 We would add two further reasons for a cautious approach to rate-setting, which stops short of the margin of viability:

- Values and costs vary widely between individual sites and over time, in ways that cannot be fully captured by the viability calculations in the CIL evidence base.
- A charge that aims to extract the absolute maximum would be strenuously opposed by landowners and developers, which would make CIL difficult to implement and put the overall development of the area at serious risk.

2.9 Varying the CIL charge

2.9.1 CIL Regulations (Regulation 13) allows the charging authority to introduce charge variations by geographical zone in its area, by use of buildings, by scale of development (GIA of buildings or number of units) or a combination of these three factors. (It is worth noting that the phrase 'use of buildings' indicates something distinct from 'land use').[23] As part of this, some rates may be set at zero. But variations must reflect differences in viability; they cannot

[20] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)

[21] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

[22] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)

[23] The Regulations allow differentiation by "uses of development". "Development" is specially defined for CIL to include only 'buildings', it does not have the wider 'land use' meaning from TCPA 1990, except where the reference is to development of the area.

be based on policy boundaries. Nor should differential rates be set by reference to the costs of infrastructure.

2.9.2 The guidance also points out that charging authorities should avoid '*undue complexity*' when setting differential rates, and *'….it is likely to be harder to ensure that more complex patterns of differential rates are state aid compliant.'* [24]

2.9.3 Moreover, generally speaking, '*Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development'*; otherwise the CIL may fall foul of state aid rules.[25]

2.9.4 It is worth noting, however, that the guidance gives an example which makes it clear that a strategic site can be regarded as a separate charging zone: *'If the evidence shows that the area includes a zone, which could be a strategic site, which has low, very low or zero viability, the charging authority should consider setting a low or zero levy rate in that area.'* [26]

2.10 Supporting evidence

2.10.1 The legislation requires a charging authority to use '*appropriate available evidence'* to inform their charging schedule[27]. The guidance expands on this, explaining that the available data *'is unlikely to be fully comprehensive'*.[28]

2.10.2 These statements are important, because they indicate that the evidence supporting CIL charging rates should be proportionate, avoiding excessive detail. One implication of this is that we should not waste time and cost analysing types of development that will not have significant impacts, either on total CIL receipts or on the overall development of the area as set out in the Local Plan.

2.11 Chargeable floorspace

2.11.1 CIL will be payable on most buildings that people normally use and will be levied on the net additional new build floorspace created by any given development scheme[29]. The following will not pay CIL:

- New build that replaces demolished existing floorspace that has been in use for six months in the last three years on the same site, even if the new floorspace belongs to a higher-value use than the old;
- Retained parts of buildings on the site that will not change their use, or have otherwise been in use for six months in the last three years;
- Development of buildings with floorspace less than 100 sq.m (if not a new dwelling), by charities for charitable use, homes by self-builders' and social housing as defined in the regulations.

2.12 CIL, S106, S278 and the regulation 123 infrastructure list

2.12.1 The purpose of CIL is to enable the charging authority to carry out a wide range of infrastructure projects. CIL is not expected to pay for all infrastructure requirements but could make a significant contribution. However, development specific planning obligations

[24] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)
[25] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2.2.2.6)
[26] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:6)
[27] Planning Act 2008 section 211 (7A)
[28] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:4)
[29] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Sections 2:1:1, 2:1:2 and 2:3:12)

(commonly known as S106) to make development acceptable will continue with the introduction of CIL. In order to ensure that planning obligations and CIL operate in a complementary way, CIL Regulations 122 and 123 place limits on the use of planning obligations.

2.12.2 Some developers have expressed concerns about 'double dipping' (i.e. being charged twice for the same infrastructure by requiring to pay CIL and S106). To overcome this concern, it is imperative that charging authorities are clear about the authorities' infrastructure needs and what developers will be expected to pay for and through which route. The guidance expands this further in explaining how the regulation 123 list should be scripted to account for generic projects and specific named projects (see section 2:6:2:2 of the 2014 CIL guidance).

2.12.3 The guidance states that '*it is good practice for charging authorities to also publish their draft (regulation 123) infrastructure lists and proposed policy for the scaling back of S106 agreements*.'[30] This list now forms part of the 'appropriate available evidence' for consideration at the CIL examination.

2.12.4 The guidance identifies the need to assess past evidence on developer contributions, stating '*as background evidence, the charging authority should also provide information about the amount of funding collected in recent years through section 106 agreements, and information on the extent to which affordable housing and other targets have been met'*.[31]

2.12.5 Similarly, there are restrictions on using section 278 highway agreements to fund infrastructure that is also including in the CIL infrastructure list[32]. This is done by placing a limit on the use of planning conditions and obligations to enter into section 278 agreements to provide items that appear on the charging authority's Regulation 123 infrastructure list. Note these restrictions do not apply to highway agreements drawn up the Highway Agency.

2.13 What the CIL examiner will be looking for

2.13.1 According to the guidance, the independent examiner should check that:

- The charging authority has complied with the requirements set out in legislation.
- The draft charging schedule is supported by background documents containing appropriate available evidence.
- The proposed rate or rates are informed by and consistent with the evidence on economic viability across the charging authority's area.
- Evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole.[33]

2.13.2 The examiner must recommend that the draft charging schedule should be approved, rejected or approved with specific modifications.

2.14 Policy and other requirements

2.14.1 More broadly, the CIL guidance states that '*Charging authorities should consider relevant national planning policy when drafting their charging schedules. This includes the National Planning Policy Framework (NPPF)*'[34]. Where consideration of development viability is

[30] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:3)

[31] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:2:3)

[32] See section 2.6.5 of the DCLG (February 2014) *Community Infrastructure Levy Guidance*

[33] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Section 2:2:5:5)

[34] DCLG (February 2014) Community Infrastructure Levy Guidance (Section 2:2:1)

concerned, the CIL guidance draws specific attention to paragraphs 173 to 177 of the NPPF [35] and to paragraphs 162 and 177 of the NPPF[36] in relation to infrastructure planning.

2.14.2 The only policy requirements which refer directly to CIL in the NPPF are set out at paragraph 175 of the NPPF, covering, firstly, working up CIL alongside the plan making where practical; and secondly placing control over a meaningful proportion of funds raised with neighbourhoods where development takes place. Since April 2013[37] this policy requirement has been complemented with a legal duty on charging authorities to pass a specified proportion of CIL receipts to local councils, to spend it on behalf of the neighbourhood if there is no local council for the area where development takes place. Whilst important considerations, these two points are outside the immediate remit of this study.

2.15 Summary

Plan summary

2.15.1 Plan wide viability testing is different to site viability assessment and adopts a broader plan level approach to viability assessment based on 'site typologies rather than actual sites' combined with some case studies.

2.15.2 The key documents guiding plan viability assessment are the Harman Report and the RICS Guidance – both approach plan level viability different to site specific viability, and take account of current and future policy requirements, but both documents differ in their approach to arriving at the Threshold Land Value. The Harman Report advocates an existing use value plus uplift, whilst the RICS report advocates a market value minus a future policy cost approach.

2.15.3 The NPPF requires Councils to ensure that they 'do not load' policy costs onto development if it would hinder the site being developed. The key point is that policy costs will need to be balanced so as not to render a development unviable, but should still be considered sustainable.

Affordable housing summary

2.15.4 The NPPF has sought to remove nationally prescribed affordable housing thresholds and allows greater flexibility for local authorities to meet local needs based on a clear understanding of local market, need, viability and delivery. There is scope to secure commuted sums for off site delivery where appropriate, and importantly, the NPPF recognises the need for policies to be sufficiently flexible to take account of changing market conditions over time.

Infrastructure summary

2.15.5 The infrastructure needed to support the plan over time will need to be planned and managed. Plans should be backed by a thought-through set of priorities and delivery sequencing that allows a clear narrative to be set out around how the plan will be delivered (including meeting the infrastructure requirements to enable delivery to take place).

2.15.6 This study confines itself to the question of development viability. It is for other elements of the evidence base to investigate the other ingredients in the definition of developability (i.e., location, infrastructure and prospects for development). Though the study will draw on infrastructure cost (prepared by the client team) to inform the impact on viability where relevant.

[35] DCLG (February 2014) *Community Infrastructure Levy Guidance* (Sections 2:2 and 2:2:1)

[36] DCLG (February 2014) Community Infrastructure Levy Guidance (Section 2:2:2:1)

[37] http://www.legislation.gov.uk/uksi/2013/982/pdfs/uksi_20130982_en.pdf

CIL summary

2.15.7 To meet legal requirements and satisfy the independent examiner, a CIL charging schedule published as a Draft for consultation after 24 February 2014, (when the 2014 CIL Regulations Amendments became law) should aim to strike a balance between additional investment to support development and the potential effect on the viability of developments.

2.15.8 This means that the net effect of the levy on total development across the area should be positive. CIL may reduce development by making certain schemes which are not plan priorities unviable. Conversely, it may increase development by funding infrastructure that would not otherwise be provided, which in turn supports development that otherwise would not happen. The law requires that the net outcome of these two impacts should be judged to be positive. This judgment is at the core of the charge-setting and examination process.

2.15.9 Legislation and guidance also set out that:

- Authorities should avoid setting charges up to the margin of viability.
- CIL charging rates may vary across geographical zones, building uses, and by scale of development. But differential charging must be justified by differences in development viability, not by policy or by varying infrastructure costs; it should not introduce undue complexity; and it should have regard to State Aid rules.
- Charging rates should be informed by ‘appropriate available evidence’, which need not be ‘fully comprehensive’.
- Charging authorities should be clear and transparent about the use of different approaches to developers funding infrastructure and avoid ‘double dipping’.

2.15.10 While charging rates should be consistent with the evidence, they are not required to ‘mirror’ the evidence. In this, and other ways, charging authorities have discretion in setting charging rates.

3 Local development context

3.1 Introduction

3.1.1 This chapter briefly outlines the local development context in Stratford-on-Avon reviewing past development that has taken place, and outlining the planned growth in the emerging Plan. This development context has informed the viability appraisal assumptions.

3.2 Past development patterns

3.2.1 Patterns of past development provide can normally provide a guide to the likely patterns of future development (though it Stratford-on-Avon's case the new development strategy may alter some of the past patterns of development). Table 3.1 below analyses the amount of net residential completions over the period April 2008 to March 2013 (the last reported date). Completions have generally been around 200 dwelling, however the average annual target for completions in the Core Strategy will be around 540 dwelling per annum which is substantially higher than the past five years. This will require a significant step change in delivery so the council will need to be mindful in setting their policy so as not to stifle development. Although it is noted that the council is already helping delivery by identifying a wide range of sites to help meet this increased delivery rate including a large new strategic site of around 2,500 dwellings.

Table 3.1 Residential completions 2008-2013 (data provided by the council – Housing Sites and Completions 2013/14 as of March 2013)

	Completions	Cumulative Completions
Apr - Dec 08 / Jan - Mar 09	179	179
Apr - Dec 09 / Jan - Mar 10	247	426
Apr - Dec 10 / Jan - Mar 11	111	537
Apr - Dec 11 / Jan - Mar 12	146	683
Apr - Dec 12 / Jan - Mar 13	207	890

3.3 Scale and type of past delivery

3.3.1 Table 3.2 shows the scale of applications received over the past five years. This shows that that around 45% of the supply has come from larger sites over 100 dwellings, 25% from small sites (under 15 dwellings) and 35% medium sized schemes (15-100 dwellings). This suggests a dispersed pattern of development across a wide range of site types.

Table 3.2 Gross permission by size of site 2008-2013 (data provided by the council – Housing Sites and Completions 2013/14 as of March 2013)

Scheme size	Number of schemes	Total number of dwellings
1	543	543
2	64	128
3	19	57
4	27	108
5	14	70

6	12	72
7	4	28
8	8	64
9	5	45
1 - 9	**696**	**1115**
10 - 15	18	206
1 - 15	**714**	**1321**
16 - 25	10	199
26 to 50	23	845
51 - 100	6	488
16 - 100	**39**	**1532**
101 +	12	2482
Total	**774**	**5335**

3.3.2 As well as looking at the size of proposals we have also looked at the breakdown of sites types for completions. As can be seen in Table 3.3 the number of dwellings coming forward on brownfield sites is relatively high, which may be surprising in a largely rural authority, however when coupled with the assessment of site sizes and looking at the application detail many of these are intensification of sites where existing dwellings have been knocked down and replaced with more dwellings or small business such as pubs or garages have been redeveloped for residential uses.

Table 3.3 Development types (completions) (data provided by the council – Housing Sites and Completions 2013/14 as of March 2013)

Range	Completions
Brownfield	522
Greenfield	239
Mixed	5
Residential Garden Land	124

3.4 Affordable housing

3.4.1 The number of affordable housing units completed has also been considered. The headline figure for affordable housing completions as a proportion of total supply is relatively healthy at 31%, especially given the recent economic cycles.

3.4.2 However, this does mask the real picture in terms of market housing funding affordable housing, when the figures are considered in more detail. The number of schemes with affordable housing is relatively small – with only 9% of completed application containing affordable housing. If we drill down a bit further it is noted that of the 29 schemes completed that contained affordable housing just under half were 100% affordable housing and these accounted for of 60% of the affordable housing units completed. This indicates that only a small number of schemes have been completed without significant grants or totally funded by either the council or the registered providers. It should be noted that this does not suggest that schemes have not been viable, there could be numerous reasons ranging from type to size of sites that may contribute to limiting supply.

3.4.3 However it is clear that with more limited public funding for affordable housing the council will need to seek more affordable housing from market housing in order to try and meet its affordable housing requirements. However this is subject to viability and the council will need to be mindful of overloading development costs and potentially stymieing development.

3.5 Future development and the core strategy

3.5.1 The overall housing need for Stratford-on-Avon is 10,800 from 2011 to 2031. Taking account of past delivery and current pipeline it is anticipated that around 6,000 new dwellings need to be planned for over the remained of the plan period.

3.5.2 The first five year housing supply is likely to be made up of a mix of small brownfield sites, windfall sites and some large greenfield sites currently being determined through the planning applications. Beyond this period it is anticipated that much of the supply will be from the large strategic site and other large greenfield and brownfield sites, such as the Canal Quarter.

3.5.3 The Core Strategy will identify a large strategic site for development. The decision on which strategic site is not a matter for this report. The 'Viability and Deliverability Strategic Sites' reports considers the viability of each of the proposed strategic sites and their ability to meet infrastructure and affordable housing requirements. This report has been prepared in conjunction with this report to ensure the findings are consistent.

3.5.4 Whilst the focus of this report is affordable housing delivery, as it also deals with the wider issues around plan delivery other uses should also be considered.

3.5.5 Work undertaken for the council suggests that around 70 hectares of employment land or 235,000 sq. m employment floorspace is required over the plan period. The employment floorspace is an estimate based on an identified future requirement in the Draft Core Strategy and a standard assumption for the amount of floorspace per hectare. Retail floorspace of around 12,000 sq. m is also identified.

3.5.6 Other uses are likely to be required or promoted over the plan period, however in terms of floorspace and impact on infrastructure this are not considered to be as significant as the residential, employment and retail figures identified above.

3.5.7 However, it should be noted that these uses have been considered with the CIL Economic Viability Study.

Summary

3.5.8 The land uses which are likely to account for the largest quantum of development, and hence are critical to the delivery of the Core Strategy, comprise:

- Residential;
- Light industrial and warehousing space;
- Offices;
- Retail;
- Leisure and recreation; and
- Public services and community facilities.

3.5.9 In both this report and our CIL Economic Viability Report our viability assessments and the resulting recommendations, we have focussed on these types of development, aiming to ensure that they remain broadly viable after the CIL charge is levied.

4 Core Strategy policies and their impact on viability

4.1.1 In order to be able to identify the full implications of local policies on development viability, a scoping exercise has been undertaken to include a thorough consideration of the potential policy requirements within the emerging Core Strategy.

4.1.2 At the time of undertaking, Stratford-on-Avon was preparing a revised Core Strategy following consultation. We have assessed the policies that have been set out in the Intended Proposed Submission Core Strategy, July 2013 (IPSCS) to identify those that may have a cost implication and hence an impact on viability.

4.1.3 The policies in the IPSCS have been assessed, firstly to determine whether there is likely to be a cost implication over and above that required by the market to deliver the defined development. For those policies where there will be, or could be, a cost implication, a broad assessment of the nature of that cost has been undertaken, including whether the cost is likely to be district-wide or site specific, whether costs are related to specific timescales or apply for the entire life of the plan and whether costs are likely to be incurred directly by the developer through on site or off site development, or via financial contributions made by the developer to other agencies or developers towards wider schemes within the district. Table 4.1 sets out the results of the scoping exercise.

Table 4.1 Policy assessment matrix

Anticipated plan policy area	Does the policy have a cost implication?	What development?	Costs implication
CS.1 Sustainable Development	No	N/A	N/A
CS.2 Climate Change and Sustainable Energy	Yes Proposals are expected to demonstrate how design maximizes green infrastructure and copes with rising and cooling temperatures. Residential development should meet Code for Sustainable Homes Level 4. Non-residential development be compliant with BREEAM 'Very Good' standards.	All development, including energy generation projects.	Requirement for Code will remain until replaced by Building Standards – therefore cost will need to be taken into account within assessment
CS.3 Water Environment and Flood Risk	Yes All development proposals should be in Flood Risk Zone 1. Where possible, all development should seek to control 100% of surface run-off using SUDS. All development should meet water efficiency standards of Code for Sustainable Homes L4/BREEAM 'very good'. Development adjacent to canals	All development	Requirement for Code will remain until replaced by Building Standards – therefore cost will need to be taken into account within assessment

Anticipated plan policy area	Does the policy have a cost implication?	What development?	Costs implication
	should be supported by SFRA level 2.		
CS.4 Minerals	Possibly Applicants may be required to submit a minerals survey and extract reserves prior to commencement of other development.	All development	This would be an abnormal cost and would therefore be reflected in the land value on an individual site basis
CS.5 Waste	Yes All new development should provide facilities for waste and recycling storage.	All development	This will be within the costs associated with external works
CS.6 Landscape	No	N/A	N/A
CS.7 Natural Environment	Yes Proposals should seek a net gain in biodiversity	All development	An allowance for site opening costs and externals has been included in the viability appraisals to reflect such mitigation costs. Any additional abnormal costs will be reflected by the developer in the land value paid.
CS.8 Green Infrastructure	Yes Development expected to provide on or off site new green infrastructure assets	All development	An allowance for site opening costs and externals has been included in the viability appraisals to reflect such mitigation costs. Any additional abnormal costs will be reflected by the developer in the land value paid.
CS.9 Historic Environment	No	N/A	N/A
CS.10 Design and Distinctiveness	Yes Residential development should adopt Lifetime Homes standard and be mindful of Buildings for Life criteria	Residential development	Allowance for Lifetimes Homes will be included within the costs

Anticipated plan policy area	Does the policy have a cost implication?	What development?	Costs implication
CS.11 Green Belt	No Development management policy	N/A	N/A
CS.12 Cotswolds AONB	No Development management policy	N/A	N/A
CS.13 Special Landscape Areas	No Development Management Policy	N/A	N/A
CS.14 Areas of Restraint	No Do not test for development outside/contrary to policies within the plan	N/A	N/A
CS.15 Vale of Evesham Control Zone	No	N/A	N/A
CS.16 Distribution of Development	No Spatial strategy/development management policy	N/A	N/A
CS.17 Housing Development	No Requirement and distribution	N/A	N/A
CS.18 Affordable Housing	Yes 35% affordable housing target. However, does state this is subject to viability	Development sites of >0.2 ha or >5 dwellings	The study assesses the impact of for various levels of affordable housing requirement.
CS.19 Specialised Accommodation	No Development Management Policy	Specialised accommodation	
CS.20 Gypsies and Travellers and Travelling Showpeople	No Development Management Policy	N/A	N/A
CS.21 Housing Mix and Type	Yes Homes should be built to Lifetime Homes Standard. Homes should be built 'tenure blind'.	Residential	Allowance for Lifetimes Homes will be included within the costs. Costs of development are applied to all dwellings regardless of tenure
CS.22 Existing Housing Stock and Buildings	No Development Management Policy	N/A	N/A

Anticipated plan policy area	Does the policy have a cost implication?	What development?	Costs implication
CS.23 Economic Development	No Development Management Policy	N/A	N/A
CS.24 Retail Development and Main Centres	No RIAs within 'professional fees'	N/A	N/A
CS.25 Tourism and Leisure Development	No Development Management Policy	N/A	N/A
CS.26 Healthy Communities	No Development management policy	N/A	N/A
CS.27 Transport and Communications	Yes Implementing mitigating highway works; developer contributions to local & community transport; pedestrian & cycle links; providing access to rail network; encourage provision of electric charging points	All development	Allowance made for S106/278 works
CS.28 Developer Contributions	Yes Fund mitigating infrastructure and community facilities both on & off site. CIL	All development	Allowance made for S106/278 works. Sites only considered viable if there is scope for a CIL contribution
AS.1 Stratford-upon-Avon	No Spatial Strategy	N/A	N/A
SUA.1 Canal Quarter Regeneration Zone	Yes Improvements to Wildmoor and Bishopton roundabouts; bus, pedestrian and cycle links to site; environmental enhancements to Canal Corridor; extensive landscaping within site	Strategic site	Requirements tested in specific report on Canal Quarter and Employment Sites Viability and Deliverability Report
SUA.2 South of Alcester Road	Yes Improvements & access to Wildmoor roundabout; bus service; extensive landscaping on site & along western/southern boundaries.	Strategic site	Requirements tested in specific report on Canal Quarter and Employment Sites Viability and Deliverability Report
SUA.3 East of Birmingham Road	Yes Improvements to Bishopston roundabout; bus service; extensive	Strategic site	Requirements tested in specific report on Canal Quarter and

Anticipated plan policy area	Does the policy have a cost implication?	What development?	Costs implication
	landscaping on site & along northern/eastern boundaries.		Employment Sites Viability and Deliverability Report
AS.2 Alcester	No Spatial Strategy	N/A	N/A
ALC.1 North of Allimore Lane (southern part)	No Site specific policy	Site specific	N/A
ALC.2 North of Allimore Lane (northern part)	No Site specific policy	Site specific	N/A
ALC.3 North of Arden Road	No Site specific policy	Site specific	N/A
AS.3 Bideford-on-Avon	No Spatial Strategy	N/A	N/A
AS.4 Henley-in-Arden	No Spatial Strategy	N/A	N/A
AS.5 Kineton	No Spatial Strategy	N/A	N/A
AS.6 Shipston-on-Stour	No Spatial Strategy	N/A	N/A
AS.7 Stoutham	No Spatial Strategy	N/A	N/A
SOU.1 West of Banbury Road	No Site specific policy	Site specific	N/A
SOU.2 West of Coventry Road	No Site specific policy	Site specific	N/A
AS.8 Studley	No Spatial Strategy	N/A	N/A
AS.9 Wellesbourne	No Spatial Strategy	N/A	N/A
AS.10 Countryside and Villages	No Development management policy	N/A	N/A

Anticipated plan policy area	Does the policy have a cost implication?	What development?	Costs implication
AS.11 Large Rural Brownfield Sites	No	Site specific	NA
GLH Gaydon/Lighthourne Heath	Yes Express bus service to Warwick/Lemington/Banbury; Secondary school; 3 primary schools; managed ecological site; highway improvements; community/leisure facilities; structural landscaping along M40.	Strategic site	Requirements tested in specific report on Viability and Deliverability of Strategic Sites Report
REDD.1 Winyates Green Triangle, Mappleborough Green	No Site specific policy	Site specific	
REDD.2 Gorcott Hill, Mappleborough Green	No Site specific policy	Site specific	

4.2 Affordable housing

4.2.1 Chapter 2 outlined the national policy context relating to affordable housing. The key messages in informing this study from the national policy are as follows:

- The NPPF has made it clear that the viability considerations of the policy requirement for affordable housing should be considered as a whole with other policy requirements such as infrastructure contributions and any other requirements. This is the objective of this whole plan viability assessment.
- The NPPF has removed the previous nationally prescribed affordable housing thresholds and so there is now greater flexibility for local authorities to meet local requirements based on a clear understanding of local market, need, viability and delivery. This study will therefore assess the viability of those schemes below the current threshold of less than 15 units to make a contribution towards affordable housing either on site or off site.
- The NPPF does recognise that in some instances, off site provision or a financial contribution of a broadly equivalent value may contribute towards creating mixed and balanced communities.
- The NPPF recognises that market conditions change over time, and so when setting long term policy on affordable housing, incorporating a degree of flexibility is sensible to reflect changing market circumstances.
- Note that the NPPF has not amended the definition of affordable housing to take account of the variety of first time buyer mortgage support schemes offered by both the government and developers. It is unclear how long such products will be on the market,

but they are not classified as an 'affordable product'[38], although they may in some areas impact on the delivery of affordable products.

Stratford-on-Avon's affordable housing need, policy and delivery

4.2.2 The draft policy set out in the IPSCS has evolved from the Local Plan policy Com 13 which is still the saved policy. The saved local plan policy requires a contribution to affordable housing from development of 15 dwelling or more (or 0.5h plus) is settlements of over 3,000 people and contributions to affordable housing from developments with 10 or more dwellings (or 0.4 hectares plus) in settlements below 3,000. Therefore under the current framework affordable housing is only negotiated on medium to large sites. It is also of note that whilst a target of 35% is set out in text it is not set out in the policy and the 35% relates to floorspace rather than units.

4.2.3 The emerging policy (Policy CS18) sets out the following requirements:

- On sites of 0.2 hectares or more or comprising 5 or more self-contained units, excluding replacement dwellings, will contribute to the provision of affordable housing.
- The affordable housing will comprise a minimum of 35% of the units, subject to viability.

4.2.4 The policy was set within the context of the district's SHMA and early work undertaken on viability that concluded that 35% affordable housing was generally achievable within the district.

4.2.5 The most recent Strategic Housing Market Assessment (SHMA) to incorporate Stratford-on-Avon District is the Coventry and Warwickshire Joint SHMA, November 2013. The report highlights that affordability of open market housing for sale and private rented accommodation is a big issue. The underlying cause of poor affordability levels is the high price of housing against relatively low incomes.

4.2.6 The current evidence (SHMA, November 2013) recommends that the following affordable housing tenure mix should be provided.

- 20% Affordable Rent
- 20% Shared Ownership
- 60% Social Rented

4.2.7 As set out previously the level of affordable housing arising from market led schemes has not been significant over the past five years – this partly because of the economic circumstances and partly because of the policy where no target is set in policy and the restrictions to which the policy is applied.

[38] This is because the purpose of affordable housing is to help provide affordable housing for households in need over the long term.

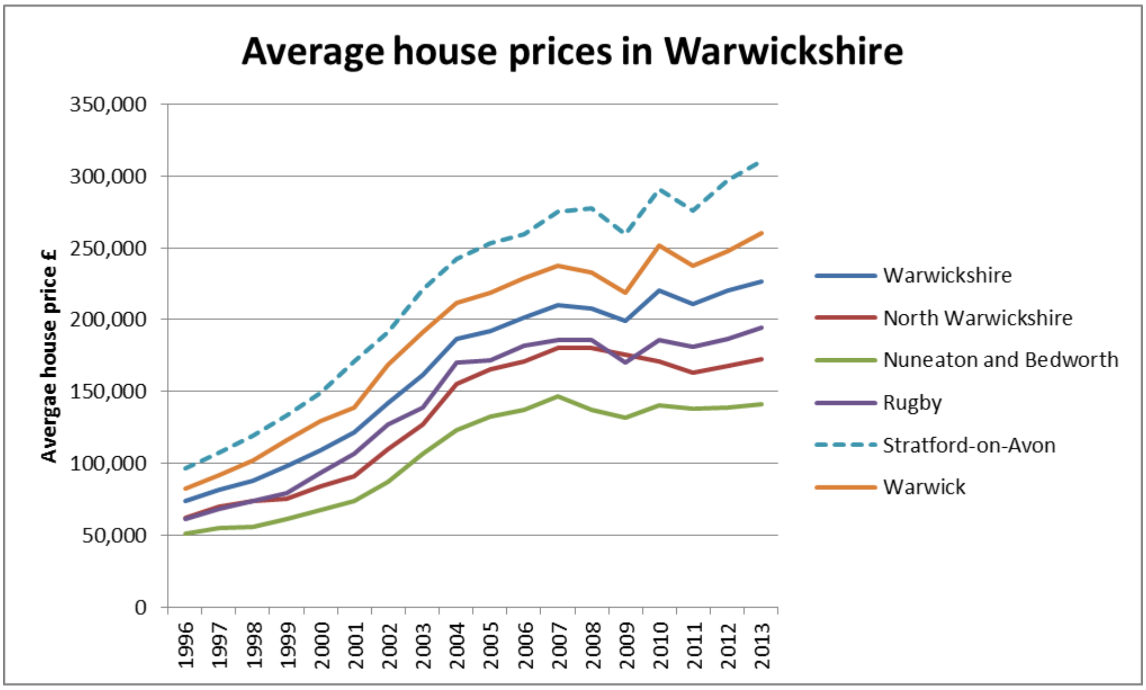
5 Market assessment and viability

5.1 Market overview

5.1.1 The housing market in Stratford-on-Avon District continues to outperform its neighbours in Warwickshire, with a widening gap between average house prices as shown in Figure 5.1. This is likely to reflect the typical larger properties associated with this area and its affluent location.

5.1.2 The peak of the last market cycle was in December 2007, when the average residential property price in Stratford-on-Avon was £276,000 and £222,000 across England. The impact of the financial crisis and resultant recession is also clear in Figure 5.1, with average values in Stratford-on-Avon falling to £264,000 by April 2009. Since that time, prices have been on a steady (if somewhat erratic) upwards trajectory, peaking in August 2010 before falling back and then up again. The most recent record suggests that average price in Stratford-on-Avon District was just over £300,000.

Figure 5.1 Average house prices in Warwickshire



5.1.3 Looking forward, the latest projections of house prices prepared by Savills in their Residential Property Focus (Q1 2014), shows a 23.4% increase in values over the next five years, which is slightly below their expectations for the UK which is at 25.2%. However, based on the characteristics of the local market, there may be some reason to suggest that Stratford-on-Avon will over-perform the regional average.

5.1.4 When looking at the markets within Stratford-on-Avon District there are distinctions as highlighted in the CIL Economic Viability Report, September 2013. The table below (5.1) shows average house prices over the last 12 months for 6 settlements in the district.

Table 5.1 Average house prices paid (new and secondhand market)

Settlement	Average price
Alcester	£237,000
Henley-in-Arden	£327,000
Shipston-on-Stour	£290,000
Southam	£248,000
Stratford-upon-Avon	£312,000
Studley	£199,000

Zoopla March 2014

5.1.5 In common with the previous work undertaken values to the west in Studley and Alcester are lower than those in the central area around Stratford-upon-Avon, Henley-in-Arden and Shipston-on-Stour. Values to the east, illustrated here with Southam are in between the east and central value areas.

5.1.6 The previous work on the local housing market (CIL Economic Viability Report, September 2013) identified three ranges of values as follows:

- East - £2,800
- Central - £3,200
- West - £2,600

5.1.7 It is considered that the same value areas should apply to this updated work for consistency, however as previously described there has been an improvement in values since the values were established. Therefore having looked at the market data from both Land Registry and property websites it is considered appropriate to add a modest increase of 1.5% to reflect the slight rise in the market. Therefore the value to be used in this assessment will be

- East - £2,850
- Central - £3,250
- West - £2,650

5.2 Approach used for the development viability appraisals

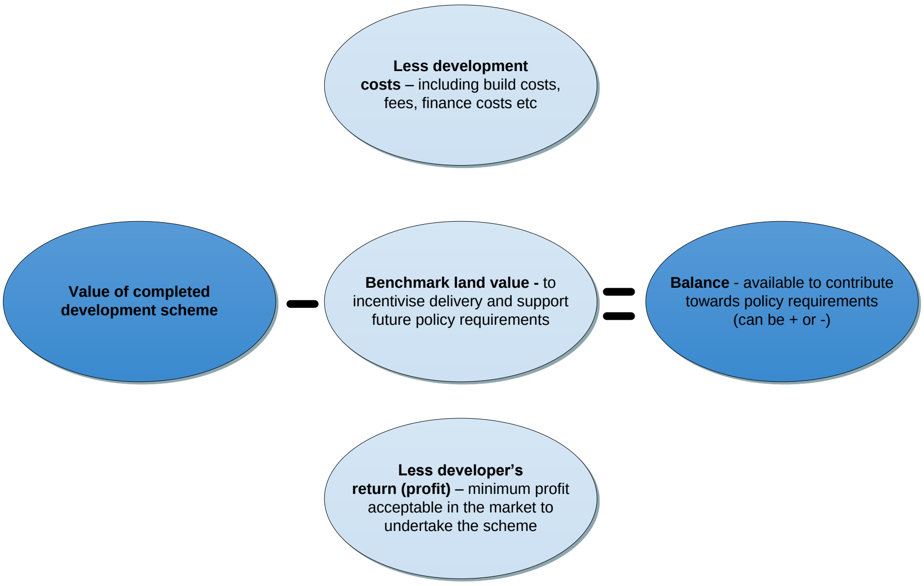
5.2.1 The PBA development viability model uses the residual approach to development viability. The approach takes the difference between the development values and costs and compares the 'residual land value' with a threshold land value to determine the balance that could be available to support policy costs such as affordable housing and infrastructure.

5.2.2 In the case of the strategic sites, the model has been adapted to test for a range of different infrastructure requirements and when they are required. This is then built into the cashflow modelling to assess viability through the lifetime of the development, where costs and returns will be flowing through the development cycle.

5.2.3 Where appropriate assumptions that were used in the CIL Economic Viability Report, September 2013 have been utilised as a baseline for consistency but these have been updated to reflect latest position on costs and values. It should also been noted that this report should be read in conjunction with the 2014 reports on the Canal Quarter and Strategic Sites delivery, both published April 2014, although the reports are consistent in terms of both approach and baseline assumptions.

5.2.4 The broad method is illustrated in the figure 5.2.

Figure 5.2 Approach to residual land value assessment for whole plan viability



5.2.5 The purpose of the assessment is to identify the balance available to pay for policy costs at which each of the potential strategic sites is financially viable.

5.2.6 Work in the previous stages provides an understanding of each of the sites and the required infrastructure to bring forward sustainable development. When added to a set of locally based assumptions on new-build sales values, threshold land values and developer profits, a set of potential strategic sites development viability assessments are produced.

5.3 Consultation

5.3.1 In our experience, local agents and developers are always happy to explain where the market is at, what is going on, and why. The consultation with the development industry has helped to make our assumptions more robust, and these discussions also help us see where potential concerns may arise, so that the council can be better prepared to address concerns.

5.3.2 The key data discussed includes:

- Typologies
- Estimated market values of completed development;
- Existing use and open market land values;
- Basic build cost;

- External works (% of build cost);
- Professional fees (% of build cost);
- Marketing & sales costs (% of development value);
- Typical S106 costs;
- Finance costs (typical prevailing rates);
- Developer's margin (% of revenue);
- The density and mix of development.

5.3.3 We worked with the council to set up a Stakeholder meeting for the development industry active in the District. This took place in February 2014, and in addition to the consultants, and Council officers, was attended by developers and agents. A copy of the meeting note can be found in Appendix C.

5.3.4 We also consulted separately with Registered Providers (RPs) of affordable housing operating in the Stratford-on-Avon area to gather more detailed information about revenue and costs for affordable housing to assist in the analysis. This was supplemented by discussions with the council.

5.4 Typologies

5.4.1 The objective here is to allocate the development sites to an appropriate development category. This allows the study to deal efficiently with the very high level of detail that would otherwise be generated by an attempt to viability test each site. This approach is proposed by the Harman Report, which suggests 'a more proportionate and practical approach in which local authorities create and test a range of appropriate site typologies reflecting the mix of sites upon which the plan relies'.[39]

5.4.2 The typologies are supported with a selection of case studies reflecting CIL guidance (2014) which suggests that 'a charging authority should directly sample an appropriate range of types of sites across its area, in order to supplement existing data. This will require support from local developers. The exercise should focus on strategic sites on which the relevant Plan relies, and those sites where the impact of the levy on economic viability is likely to be most significant (such as brownfield sites). The sampling *should reflect a selection of the different types of sites included in the relevant Plan*, and should be consistent with viability assessment undertaken as part of plan-making.'[40]

5.4.3 The Harman Report states that the role of the typologies testing is not required to provide a precise answer as to the viability of every development likely to take place during the plan period.

'No assessment could realistically provide this level of detail…rather, [the role of the typologies testing] is to provide high level assurance that the policies within the plan are set in a way that is compatible with the likely economic viability of development needed to deliver the plan.'[41]

5.4.4 Indeed the Report also acknowledges that a:

[39] Local Housing Delivery Group Chaired by Sir John Harman (2012) *Viability Testing Local Plans* (9)

[40] DCLG CIL Guidance 2014 page 16.

[41] Local Housing Delivery Group (2012), op cit (para 15)

'plan-wide test will only ever provide evidence of policies being 'broadly viable.' The assumptions that need to be made in order to carry out a test at plan level mean that any specific development site may still present a range of challenges that render it unviable given the policies in the Local Plan, even if those policies have passed the viability test at the plan level. This is one reason why our advice advocates a 'viability cushion' to manage these risks.[42]

Developing site profile categories

5.4.5 A list of planned residential development sites were originally agreed through the work undertaken for CIL and contained within the CIL Economic Viability Report, September 2013. These sites were allocated to the locally relevant site typology profiles based on typologies that best reflect the type of sites likely to come forward in Stratford-on-Avon based on the SHLAA sites but also on the review of past delivery.

5.4.6 However following a consultation workshop with the development industry it was considered that a wider range of smaller sites should also be tested. Thus the original list was amended to reflect these views – the revised list is summarised in table 5.2 below.

Table 5.2 Residential typologies

Site reference	Typology	Value zone	Land type	Dwellings
1	West Village/town	West	Greenfield	1
2	East Village/town	East	Greenfield	1
3	Centre Village/town	Central	Greenfield	1
4	West Village/town	West	Greenfield	3
5	East Village/town	East	Brownfield	3
6	Centre Village/town	Central	Brownfield	3
7	Brownfield infill	West	Brownfield	5
8	Small Brownfield	Central	Brownfield	7
9	Greenfield infill	East	Greenfield	7
10	Brownfield infill	East	Brownfield	10
11	Small Greenfield	Central	Greenfield	20
12	Brownfield	East	Brownfield	30

[42] Local Housing Delivery Group (2012), op cit (para 18)

Site reference	Typology	Value zone	Land type	Dwellings
13	Greenfield	East	Greenfield	75
14	Large Brownfield	Central	Brownfield	120
15	Urban extension	East	Greenfield	200
16	Urban extension	Central	Greenfield	500
Please note - the following potential site scenarios have also been tested – the detailed results of this testing is within two associated reports namely 'Canal Quarter and Employment Sites Viability and Deliverability Report, April 2014' and 'Viability and Deliverability Strategic Sites, April 2014'.				
SS1	Long Marston Airfield (SS)	Central	Strategic site	2,100
SS2	South East Stratford (SS)	Central	Strategic site	2,500
SS3	Gaydon/Lighthorne Heath (SS)	Central	Strategic site	2,500
SS4	Stoneythorpe (SS)	Central	Strategic site	800
SS5	Southam (SS)	Central	Strategic site	2,000
CQ1	SCQ Area 1a: Masons Road	Central	Brownfield	183
CQ2	SCQ Area 1b: Masons Road	Central	Brownfield	143
CQ3	SCQ Area 2: Timothy's Bridge Road	Central	Brownfield	267

5.5 Viability assumptions

5.5.1 It is not always possible to get a perfect fit between a site, the site profile and cost/revenue categories. But a best fit in the spirit of the Harman Report guide has been attempted. For this, the viability testing requires a series of assumptions about the site coverage and floorspace mix to generate an overall sales turnover and value of land, which are discussed here. In addition, there are a number of residential cost assumptions that have been used, which are set out in detail in **Appendix A**. Residential assessment summary sheets are set out in **Appendix B**.

Site coverage

5.5.2 The net (developable) area of the site informs the likely land value of a residential site. Typically, residential land values are normally reported on a per net hectare basis, since it is only this area which delivers a saleable return.

5.5.3 The net developable area has been arrived at through discussion with the council and the wider development industry.

Sales area

5.5.4 In addition to density, the type and size of units is important because this informs overall revenue based on saleable floorspace, to generate an overall sales turnover. To derive saleable floorspace, the type of unit and size of these units need to be defined.

5.5.5 The type of unit has been based on assumptions that have been used and approved in other studies we have been involved. Details are shown in **Appendix A**.

5.5.6 Two floor areas are used for flatted schemes: the Gross Internal Area (GIA), including circulation space, is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue.

Sales values

5.5.7 Current residential revenues and other viability variables are obtained from a range of sources, including:

- Generic websites, such as the RightMove and the Land Registry
- Direct research with developers and agents operating in the area.

5.5.8 The details for these assumptions have been discussed in the market assessment section of this report.

5.5.9 The appraisal assumes that variable levels of affordable housing, which will command a transfer value to a Registered Provider at the going rates:

- Social rent 45%
- Affordable rent 55%
- Intermediate 65%

5.5.10 The current policy requirements of 60% social rented, 20% affordable rent and 20% intermediate (e.g. shared ownership) are assumed for the initial testing but these are subject to sensitivity testing.

Threshold land values

5.5.11 To assess viability, the residual value generated by a scheme is compared with a threshold land value, which reflects ‘a competitive return for a landowner’ (as stated in Harman). The threshold land value is important in our calculations of the residual balance to pay for other policy and infrastructure costs to support a sustainable development. The difference between the threshold land value and the residual land value represents the amount of money available to contribute to affordable housing policy, S106/278 contributions or CIL.

5.5.12 The approach used to arrive at the threshold land value is based on a review of recent viability evidence of sites on currently on the market, viability appraisal submissions, published data on land values and discussions with various stakeholders. The approach has been based considering both a top down approach of current market value and bottom up approach of existing use / alternative use values. Account has been taken of current and future policy requirements. This approach is in line with the Harman report and recent CIL examination reports which accept that authorities should work on the basis of future policy and its effects on land values and well as ensuring a reasonable return to a willing landowner and developer.

5.5.13 In collecting evidence on residential land values, a distinction has been made for sites that might reflect extra costs for ‘opening up, abnormals and securing planning permission’ from those which are clean or ‘oven-ready’ residential sites.

5.5.14 For the purposes of this report we have used the following:

- Small brownfield £1,200,000 per ha
- Brownfield £950,000 per ha
- Small greenfield £1,100,000 per ha
- Strategic greenfield £600,000 per ha

5.5.15 It is important to appreciate that assumptions on benchmark land values can only be broad approximations, subject to a wide margin of uncertainty. We take account of this uncertainty in drawing conclusions and recommendations from our analysis. We have examined a cross section of residential land comparables. These comparable transactions generally relate to both clean greenfield sites and urban, brownfield sites, which were fully serviced with roads and major utilities to the site boundary.

Build costs

5.5.16 The sources used for typical development costs include BCIS build cost data rebased to the location. Approximations to represent the average over a range of scheme types have been used for costs such as external works, fees, finance and developers’ margins and previously tested with the development sector.

5.5.17 Building costs are based on BCIS data for new builds over a 15 year period, which have been rebased to Stratford-on-Avon and first quarter 2014 prices using BCIS defined adjustments. This identified the following unit build costs:

- Flats – £993 sqm
- Houses (small) - £1,257
- Houses (general estate) - £891sqm

The Council has policy towards improved building standards, these are considered below. Further associated development costs applied to the unit build costs for the potential strategic sites are shown in Table 5.3, and discussed below.

Table 5.3 Cost summary

Cost	Rate	Unit
External costs	10.0%	build cost
Extra over for Lifetime Homes	£500	per unit
Professional fees	12.0%	development costs
Contingency	5.0%	development costs

Sales costs	3.0%	GDV
Developers' profit on OM dwgs	20.0%	OM GDV
Developers' profit on AH dwgs	6.0%	AH GDV
Development costs finance (pa)	7.0%	-ve cashflow gap

External Works

5.5.18 This input incorporates all additional costs associated with the site curtilage of the built area, including circulation space in flatted areas and garden space with the housing units, landscaping costs comprises Highway trees and public open space, permeable paving, estate roads, and connections to the strategic infrastructure such as sewers and utilities.

5.5.19 The external works variable had been set at a rate of 10% of build cost in the absence of no detail costings data being available at this time.

Sustainability and building standards

5.5.20 In England, Building Regulations (Part L, 2013 - effective from April 2014) have recently been amended to require emission reductions, to give an overall 6% improvement to 2010 standards. This standard is estimated to add approximately £450 in costs per home above the 2010 Building Regulation standards (this is based on the Government's Regulatory Impact Assessment findings). This increase is taken into account in the viability assessments.

5.5.21 Building Regulations are different to the requirements set out in the Code for Sustainable Homes (CfSH). The Code outlines a staged framework to improve the overall sustainability of new homes. In the past, there has been an intention to incorporate the requirements of the code with the Building Regulations. The government has recently intimated in the Building Standards Review that it wishes to simplify national standards and proposes to move away from the CfSH to a single system of standards.

5.5.22 Whilst the Government is no longer intending to support a range of standards in the future, they have indicated that they will allow local authorities, through planning policy, to seek improved building standards in their locations until revised regulations are place. For authorities wishing to incorporate this into planning policy, such as Stratford-on-Avon, this will have cost implications that will need to be considered. Further details in respect of the regulation change are anticipated in summer 2014.

5.5.23 A review of Government research on cost impacts of changes in building regulations and CfSH suggests that past forecasts of price changes (such as that predicted in the original Cyril Sweet work, 2010) have never affected costs to the extent forecast. In order to incorporate the cost into the model, we have used the latest advice on the additional cost of moving to CfSH 4 from Building Regulations Part L 2013 in an update from autumn 2013, by Davis Langdon to their original 2011 estimates that were published by DCLG. The CfSH sets standards above Part L. The increased requirements for Part L that come into force in April 2014 will still mean that an increase is required in standards to meet CfSH Level 4. The update shows an increase on build costs of 2.5%, which is a substantial reduction on previous estimates.

5.5.24 Similar to the Building Regulations the Government is also reviewing space standards and is currently considering a national voluntary policy on space standards. The details of this have yet to be published. The emerging Core Strategy policy also requires improved space standards and until such a time as a national policy is in place will apply a requirement for new dwelling to be compliant with Lifetime Homes standards. The extra over cost of new buildings meeting Lifetime Homes standards will range widely according to housing type, although typically the average cost is around £300 to £500 per dwelling. Based on a level of uncertainty, the high end value is assumed.

5.5.25 It is recognised that building standards are under constant review both in terms of resource reduction and space. However the guidance is quite clear that unless there is a clear policy framework for future changes, assumptions should be based on current costs and values. Therefore, the assessments take into account Council policy on implementing CfSH 4 and Lifetimes homes but not beyond as there is no certainty in respect of the future regulations at this time.

Professional Fees

5.5.26 For a scheme of this nature, significant professional fees will be required. This input incorporates all professional fees associated with the build, including: architect fees, planner fees, surveyor fees, project manager fees at 12% of build cost.

Contingency

5.5.27 For a scheme of this nature and at this early planning stage, it is normal to build in contingency based on the risk associated with each site and has been calculated based on industry standards. They are applied as a percentage of build costs at 5%.

Marketing Fees

5.5.28 The Gross Development Value needs to reflect additional sales cost assumptions, which have been set out in Section 5. These costs relate to the costs incurred for disposing the completed residential units, including legal, agents and marketing fees, and are based on the average cost of marketing for a major new build development site. These are based on industry accepted scales established from discussions with developers and agents at the rate of 3% of open market GDV.

Developers' Profit

5.5.29 The developers' profit is the expected and reasonable level of return that a private developer would expect to achieve from a specific development scheme. In relation to these site the open market residential dwellings elements are assumed to achieve a profit of 20%, which is applied to their Gross Development Value (GDV). This also allows for internal overheads. For the Affordable Housing element, because they will have some, albeit lower, risks to the developer a lower 6% profit margin is assumed for the private house builders on a nil grant basis. This is applied to the below market GDV of the AH residential dwelling development.

Finance

5.5.30 A monthly cashflow based on a finance cost of 7% has been used throughout the sites appraisals, as identified in the above costs assumptions. This is used to account for the cost of borrowing and the risk associated with the current economic climate and near term outlook and associated implications for the housing market. This is a typical rate which is being applied by developers to schemes of this nature

S106 infrastructure costs, site opening costs and abnormal costs

5.5.31 The infrastructure requirements anticipated for the majority of small sites (under 10 dwellings) are likely to be met through off site delivery of infrastructure such as schools expansions, open space enhancements, or transport improvements. This could be met either through a CIL or the pooling of S106 contributions and will be dependent on capacity and need of each specific scheme. In the past the requirement for such schemes has varied considerably depending on size of scheme and existing capacity of infrastructure. Therefore, for this study, a zero S106 contribution has been assumed for these small sites. Instead, the study seeks to identify the broad residual balance to inform likely future developer contributions.

5.5.32 For sites of over 10 dwellings a range of costs have been applied, dependant on the size and type of the scheme. For example an assumption is in place in respect of the cost of remediation or demolition on brownfield sites. These cost estimations are based on experience and they are considered important to include to reflect the likely costs to develop. Details are set out in Appendix A. Once detailed master-planning is undertaken there will be a better understanding of these various costs (site opening costs, site abnormals, and strategic infrastructure such as schools, highways etc.) to inform site specific assessments.

5.5.33 For the strategic sites, a different approach has been adopted for s106, strategic infrastructure and opening up costs. In consultation with infrastructure providers, the council and the promoters we have estimated the likely site specific s106 or s278 infrastructure requirements necessary for each of the strategic sites (to allow for onsite infrastructure such as education and transport costs). These S106 costs assumptions have been factored into the viability assessment as a cost input for each site. Details of this are contained within the respective reports on the Canal Quarter and Strategic Sites.

Land Purchase Costs

5.5.34 The land value needs to reflect additional purchase cost assumptions. These are based on surveying costs and legal costs to a developer in the acquisition of land and the development process itself, which have been established from discussions with developers and agents, and are also reflected in the Harman Report (2012) as industry standard rates.

5.5.35 A Stamp Duty Land Tax is payable by a developer when acquiring development land. This factor has been recognised and applied to the residual valuation as percentage cost based on the HM Customs & Revenue variable rates against the residual land value.

5.5.36 These inputs are incorporated into the residual valuation land value.

Table 5.4 Land Purchase Costs

Land purchase costs	Rate	Unit
Surveyor's fees	1.00%	land value
Legal fees	0.75%	land value
Stamp Duty Land Tax	HMRC rate	land value
Development finance for land purchase (pa)	7.00%	land value

5.6 Assessment outputs

5.6.1 Although the purpose of this report is not to set the level of CIL, its calculation is a useful test by which the site typologies can be assessed in comparison which each other.

5.6.2 The following is an explanation of how to interpret the information contained in the summary appraisal table. Reading the tables from left to right, successive columns are as follows:

- Site typology description e.g. strategic site, generic site and specific case study sites with a unique SHLAA reference.
- The type of land that is being assessed – greenfield, brownfield or mixed. This affects the range of costs that are applied to the assessment e.g. abnormal costs and site opening costs.
- Yield – the number of dwellings estimated for the site.
- Net site area in hectares is the land available for saleable floorspace.
- Total developable floor space in sq. meters - this is the total floorspace created by the development.
- CIL chargeable floor space, this is the total floorspace less that deducted for affordable housing as it is not liable for CIL.
- The overage or residual value expressed as £per sq.m. The residual site value is the difference between the value of the completed development and the cost of that development (including the developer's profit, policy costs, site servicing costs, etc).
- The threshold land value is then deducted from the residual land value to arrive at the CIL balance or 'overage' available to contribute towards any infrastructure costs in the form of a possible maximum CIL charge. This CIL balance is an estimate of the CIL 'maximum theoretical CIL' i.e. the maximum CIL that could be charged consistent with the development being financially viable. Given the variations surrounding strategic viability appraisals, this is an approximate indicator, and as such we seek to have a considerable buffer between the overage and any CIL charge. It is not recommended that this theoretical maximum be directly translated into a CIL charge.

5.6.3 Note that the CIL overage is not a direct calculation of deducting the threshold value from the residual land value. As affordable housing is not liable to CIL charge, an allowance for this is included in the analysis. The CIL overage/ or CIL liable figure is calculated from the CIL chargeable floor area (total GIA minus GIA of affordable units). It is also important to state that a scheme may come out as not viable in this assessment but still deliver depending on the what the landowner and developer are willing to accept, so for instance the threshold land value could be reduced or the developer's return could be adjusted, or actual build costs or other assumption variables maybe be differ from that used here.

5.7 The viable position

5.7.1 This section sets out the assessment of residential development viability and also summarises the impact on viability of changes in values and costs, and how this might have an impact on the level of developer contribution.

5.7.2 Each generic site type has been subjected to a detailed appraisal, complete with cashflow analysis. A range of different cost scenarios are then presented, including affordable housing, CIL, s106 and other potential policy costs. Each set of scenarios sets out the maximum headroom for development contributions for infrastructure, whether these are collected through a traditional S106 or CIL. A sample of an appraisal is shown in Appendix B.

Scenario 1 – 35% affordable housing, threshold of 5 dwellings

5.7.3 The first scenario shows the results of the appraisals with 35% affordable and a threshold of 5 dwellings. As can be seen from the results in Table 5.5 the majority of development is viable and able to accommodate a levy at the rates set out in the CIL Economic Viability Study, 2013.

5.7.4 However, whilst the majority of development is viable there is an issue with the generic sites of 5 – 10 dwellings. Of the four scenarios within this size range that were tested only the small brownfield site in the highest value area (site typology 8) is viable. This suggests that it may be appropriate to raise the threshold if the council does not want to put at risk the delivery of these smaller sites. Scenario 2 will test a threshold to 10 dwellings to explore the impact on viability of removing the affordable housing requirement on all schemes of 10 or less dwellings.

Table 5.5 Scenario 1 results

	Site Typology	Value Area	Dwellings	Affordable housing	Residual land value	Benchmark	Headroom	
			No.	%	Per Ha	Per Ha	Per Ha	CIL liable Sqm
1	West (1)	West	1	0%	£1,117,260	£1,100,000	£17,260	£4
2	East (1)	East	1	0%	£1,691,192	£1,100,000	£59,192	£148
3	Centre (1)	Central	1	0%	£2,839,057	£1,100,000	£1,739,057	£435
4	West (3)	West	3	0%	£1,021,389	£1,100,000	-£78,611	-£22
5	East (3)	East	3	0%	£1,341,377	£1,200,000	£141,377	£39
6	Centre (3)	Central	3	0%	£2,351,365	£1,200,000	£1,151,365	£320
7	Brownfield infill (5)	West	5	0%	£917,199	£1,200,000	-£282,801	-£71
8	Small Brownfield (7)	Central	7	35%	£1,628,000	£1,200,000	£428,000	£157
9	Small Greenfield infill (7)	East	7	35%	£1,080,683	£1,100,000	-£19,317	-£7
10	Brownfield infill (10)	East	10	35%	£1,020,584	£1,200,000	-£179,416	-£58
11	Small Greenfield	Central	20	35%	£2,544,840	£1,100,000	£1,444,849	£627
12	Brownfield (30)	East	30	35%	£1,458,996	£950,000	£508,996	£237
13	Greenfield (75)	East	75	35%	£1464,574	£1,100,000	£365,574	£190
14	Large Brownfield (120)	Central	120	35%	£2112,935	£950,000	£1,162,935	£546
15	Urban extension (200)	East	200	35%	£1,248,955	£600,000	£648,955	£341
16	Urban extension (500)	Central	500	35%	£1636,556	£600,000	£1,036,556	£510

Scenario 2 – 35% affordable housing, threshold of 10 dwellings

5.7.5 Scenario 2 changes the threshold from 5 dwellings to 10 to illustrate the effect of removing the affordable housing requirements from smaller sites. Table 5.6 shows that all sites, apart from generic site 4 and 7, are now viable and capable of paying CIL.

Table 5.6 Scenario 2 results

	Site Typology	Value Area	Dwellings	Affordable housing	Residual land value	Benchmark	Headroom	
			No.	%	Per Ha	Per Ha	Per Ha	CIL liable Sqm
1	West (1)	West	1	0%	£1,117,260	£1,100,000	£17,260	£4
2	East (1)	East	1	0%	£1,691,192	£1,100,000	£59,192	£148
3	Centre (1)	Central	1	0%	£2,839,057	£1,100,000	£1,739,057	£435
4	West (3)	West	3	0%	£1,021,389	£1,100,000	-£78,611	-£22
5	East (3)	East	3	0%	£1,341,377	£1,200,000	£141,377	£39
6	Centre (3)	Central	3	0%	£2,351,365	£1,200,000	£1,151,365	£320
7	Brownfield infill (5)	West	5	0%	£917,199	£1,200,000	-£282,801	-£71
8	Small Brownfield (7)	Central	7	0%	£2,688,484	£1,200,000	£1,488,484	£354
9	Small Greenfield infill (7)	East	7	0%	£1,737,570	£1,100,000	£637,570	£152
10	Brownfield infill (10)	East	10	0%	£1,794,910	£1,200,000	£594,910	£124
11	Small Greenfield (20)	Central	20	35%	£2,544,849	£1,100,000	£1,444,849	£627
12	Brownfield (30)	East	30	35%	£1,458,996	£950,000	£508,996	£237
13	Greenfield (75)	East	75	35%	£1464,574	£1,100,000	£364,574	£190
14	Large Brownfield (120)	Central	120	35%	£2112,935	£950,000	£1,162,935	£546
15	Urban extension (200)	East	200	35%	£1,248,955	£600,000	£648,955	£341
16	Urban extension (500)	Central	500	35%	£1636,556	£600,000	£1,036,556	£510

5.7.6 Generic sites 4 and 7 are within the west value area. This is the lowest value area in the District and, as described in 'CIL Economic Viability Study, September 2013, very little future development that has not already gained planning permission is anticipated or relied upon within this area. Therefore whilst these generic sites is not shown as viable even with no affordable housing it is considered that it is not significant to supply and does not have an adverse effect on the delivery of the plan.

Scenario 3 – 35% affordable housing, threshold 10, alternative tenure mix

5.7.7 As a sensitivity test scenario 3 shows the impact on viability of an alternative mix of affordable housing tenure. In scenarios 1 and 2, the preferred tenure mix of 60% Social Rent, 20% Affordable Rent and 20% Intermediate has been used for the affordable housing component of the dwelling mix. However, tenure can have an impact on viability. For example Social Rent is a greater cost to development than Affordable Rent. In order to illustrate the difference to the Council to aide their policy making we set out below a revised tenure mix whereby the Social and Affordable Rent tenure percentages are switched, so that Affordable Rent is tested as 60% and Social Rent at 20%. The results are shown in Table 5.7 for typologies over 10 dwellings as it is assumed that the threshold for affordable housing is still 10 dwellings for testing purposes.

Table 5.7 Scenario 3 results

	Site Typology	Value Area	Dwellings	Affordable housing	Residual land value	Benchmark	Headroom	
			No.	%	Per Ha	Per Ha	Per Ha	CIL liable Sqm
11	Small Greenfield (20)	Central	20	35%	£2,656,497	£1,100,000	£1,556,497	£675
12	Brownfield (30)	East	30	35%	£1,550,898	£950,000	£600,898	£280
13	Greenfield (75)	East	75	35%	£1,546,317	£1,100,000	£446,317	£232
14	Large Brownfield (120)	Central	120	35%	£2,214,084	£950,000	£1,264,084	£594
15	Urban extension (200)	East	200	35%	£1,328,075	£600,000	£728,075	£383
16	Urban extension (500)	Central	500	35%	£1,728,984	£600,000	£1,128,984	£555

5.7.8 The effect of switching the Affordable Rent and Social Rent is significant. On average the maximum level of CIL liable charge goes up by around 13% across the sites – so for example the site of 200 dwellings in the east goes from a maximum of £341 per sq. m to £383 per sq. m. As can be seen in these results tenure mix can have a big impact on viability, therefore a flexible approach to tenure mix within policy would help sites that are marginal to still contribute to affordable housing provision.

Strategic sites

5.7.9 As stated earlier in this report, strategic sites have also been tested for their viability. The results are set out in detail in the 'Canal Quarter and Employment Sites Viability and Deliverability Report' and 'Viability and Deliverability Strategic Sites', both published at the same time as this report.

5.7.10 In terms of the Canal Quarter the report found that it would be necessary to reduce the affordable housing proportion to around 20-25%, dependant on the required level of CIL and potential to vary the tenure mix. In terms of the other potential strategic sites, all were found to be viable at 35% affordable housing on the basis of the same tenure mix proposed in this report. The level of CIL was broadly comparable to the findings set out in the CIL Economic Viability Study.

5.8 Commuted sums

5.8.1 The Council wishes to explore the potential of commuted sums. From the point of efficiency of providing and managing affordable housing units, and from a community cohesion and design impact, it has been suggested that a threshold for affordable housing commuted sums policy may be appropriate as part of a flexible approach to affordable housing policy. Two approaches to assessing commuted sum calculations are provided for the Council to consider:

Approach one - the equivalence approach to assessing commuted sums

5.8.2 The 'equivalence' approach measures the difference in residual at policy compliant affordable policy and the proposed affordable value is then paid as a commuted sum towards off site affordable housing provision. On the face of it, this appears the fairest approach to assessing the level of commuted sum.

5.8.3 This approach requires a viability appraisal submission by an applicant and a review and response by the Council. Resources would have to be committed by both the applicant and the council to do this.

Approach two – a simplified appraisal based on the cost of delivering on site affordable

5.8.4 Some local planning authorities have developed simplified methods for calculating commuted sums which can then be applied equally to any scheme coming forward in their area. One such methodology (St Helens) assesses the gross development value of the proposed scheme in total by reference to Land Registry 'norms' for the area (at the date of the assessment) to which it then applies a multiplier being the function of the planning policy target percentage (say 35%) and the cost to the developer of delivering affordable housing onsite (assume 25% of the gross development value).

5.8.5 For example a scheme of fifteen 3 bedroom dwellings with an average value of say £150,000 will trigger a 35% affordable housing requirement (5 dwellings). The gross development value of the overall scheme would be £2,250,000. To determine the level of commuted sum, we would multiply the total development value by 8.75% (based on 35% times 25%). This generates a commuted sum payment of £196,875 (which equates to £39,375 per dwelling).

5.8.6 The approach will require the need to regularly monitor and update changes to the Land Registry average market values for a range of property types; however, this may be required any way as part of the overall affordable policy.

Viability considerations

5.8.7 The council is considering whether to introduce commuted sums and appropriate methods to calculate the required amount. As the council has yet to determine whether it will introduce commuted sums or indeed the method for calculating sums we have presented our analysis on the basis of zero on site provision and an added cost ranging from £10,000 per dwelling to £20,000 per dwelling as the commuted sum payment. All other costs remain the same as the base scenario. We have shown the results for schemes of 6 – 10 dwellings, as sites above 10 dwellings are shown as viable with 35% onsite affordable housing.

5.8.8 As can be seen from Table 5.8, all sites are viable with a commuted sum of £10,000 per unit, although the level of CIL may have to be reduced from the £150 per square metre set out in the Preliminary Draft Charging Schedule. With an increase to £15,000 per dwelling the sites remain viable but the level of CIL may have to be reduced further. At £20,000 per dwelling only sites within the central area are viable, those in the East would not be viable (the same would apply to the west as it is within a lower value area than the East).

Table 5.8 Commuted sums impact

Scenario	Value Area	Land type	Dwellings	Affordable housing	Residual land value	Headroom	
			No.	£ Contribution per dwelling	Per Ha	Per Ha	CIL liable Sqm
£10,000							
8	Central	Small Brownfield	7	£10,000	£2,380,021	£1,180,021	£281
9	East	Small Greenfield	7	£10,000	£1,403,441	£303,441	£72
10	East	Small Brownfield	10	£10,000	£1,413,048	£213,048	£44
£15,000							
8	Central	Small Brownfield	7	£15,000	£2,212,956	£1,012,956	£241
9	East	Small Greenfield	7	£15,000	£1,250,000	£150,000	£36
10	East	Small Brownfield	10	£15,000	£1,222,117	£22,117	£5
£20,000							
8	Central	Small Brownfield	7	£20,000	£2,045,892	£845,892	£201
9	East	Small Greenfield	7	£20,000	£1,090,126	-£9,874	-£2
10	East	Small Brownfield	10	£20,000	£1,031,186	-£168,814	-£35

6 Conclusions and findings

6.1 Viability findings

6.1.1 The assessment identified the policies most likely to impact on the residential viability of the Local Plan were affordable housing, building standards and infrastructure (wide ranging). Other policy costs identified are already factored into the viability appraisal 'inputs'.

6.1.2 The emerging Core Strategy indicates that the housing supply is dependent on the delivery of a mix of small and large urban brownfield sites, small greenfield sites and strategic greenfield sites. This has shaped the viability assumptions for the urban and greenfield sites.

6.1.3 As shown in the CIL Economic Viability Study, September 2013, an important study finding is that Stratford-upon-Avon district has effectively three value zones. This was further agreed by the stakeholder consultations and supported by the research on sales values.

6.1.4 A review of past planning consents identified that, there has been a steady stream of planning applications, with a particular focus on the supply of smaller brownfield sites in the rural areas and some medium to larger greenfield sites on the edge of the main settlements.

6.1.5 The review of planning consents identified that the majority of applications have included little or no affordable housing. As discussed this is mainly due to the size of applications that have come forward over the past five years and the less favourable economic climate over the same period. Despite the relatively low contributions from market housing led schemes there has been a good supply of affordable housing at around 30% of all new housing completed over the past five years.

6.2 Is the Local Plan deliverable?

6.2.1 The final stage of this assessment is to draw broad conclusions on whether the Stratford-upon-Avon Core Strategy is deliverable in terms of viability.

6.2.2 The scenarios set out in section 6 shows all the residential development typologies relevant to the planned trajectory are viable, even when additional costs such as the CfSH 4 are included. However the potential level of CIL may have to be reviewed when all costs are included.

6.2.3 For the Core Strategy to continue to remain viable with the inclusion of policy, some policy trade-off will be required between affordable housing and infrastructure (as outlined below).

6.2.4 The viability assessment has been tested at current costs and current values. There has not been a need to test the impact of longer term variations in assumptions, as the plan has be demonstrated to be viable based on current values and with the inclusion of a sensible mix of policies.

The study findings for affordable housing policy

6.2.5 The whole plan viability assessment and emerging options for affordable housing policy and infrastructure (in the form of CIL and S106) are set out in section 5. The main findings and policy trade-off to inform the recommendation options are as follows:

- The assessment findings demonstrate that affordable housing viability is sensitive to the percentage of affordable housing, especially on smaller sites of 10 or less dwellings.

- The viability evidence suggests that schemes of 10 dwellings or less are not generally viable at 35% onsite affordable housing – the draft policy sets a threshold of 5 dwellings, so this may need to be reviewed.
- On sites above 10 dwellings affordable housing provision at 35% and a CIL contribution is viable
- Alternating the tenure mix from 60% Social Rent, 20% Affordable Rent and 20% Intermediate to a more favourable mix in viability terms, such as switching Social Rent down to 20% and Affordable Rent up to 60% will make schemes more viable and help the overall contribution to affordable housing
- The potential strategic sites are viable at 35% affordable housing contribution and are able to contribute varying amounts towards CIL relevant infrastructure.
- The Canal Quarter is not viable at 35% or 30% and marginal at 25% affordable housing, it is however viable at a 20% or less affordable housing contribution.
- Commuted sums for off-site affordable housing would be viable at £10,000 - £15,000 per dwelling.

Study recommendations

6.2.6 The viability assessment findings demonstrate that policy trade-off decisions are required between the need to deliver infrastructure to support the delivery of growth and meeting the affordable housing need if the delivery of the Core Strategy overall is to remain viable. These decisions will be informed in part by the infrastructure assessment undertaken by the Council and political priorities.

6.2.7 The affordable housing policy recommendations are set out below in table 6.1.

Table 6.1 Recommendations

Policy position	Recommendations
Threshold	The threshold for onsite affordable housing should be raised to 10 dwellings from the draft policy of 5 dwellings
Affordable housing percentage – all non-strategic sites	35% to be included within policy
Potential strategic site	35% to be included within policy
Canal Quarter	20-25% to be included within policy
Housing tenure	Target of 60% Social rent, 20% Affordable rent, 20% Intermediate to be included as a target within supporting text, to allow flexibility, where schemes are marginal
Commuted sums	A requirement for offsite provision for affordable housing on sites above 5 dwellings but below the threshold to be included within policy, although this should be subject to viability.

6.2.8 The affordable housing policy should be set as a flexible policy which will be adjusted at regular intervals to reflect changes in viability. Review periods could be on a 3 - 5 year basis so as to give some certainty to developers, but also allow flexibility to adapt policy to reflect changes in viability and delivery. The Council should regularly review the market conditions and consult with the development industry to inform any review.

6.2.9 It is recommended that a threshold of 10 dwellings is set for seeking on site affordable housing provision. Whilst it is not recommended that onsite provision is sought below this level it is considered that there may be opportunity for some form of commuted sum. However this would have to be considered with any potential for CIL and a choice to be made between collecting contributions towards affordable housing which would be negotiable and collection CIL which is non-negotiable.

6.2.10 The Council will need to review its proposed CIL as a result of the findings of this report and any changes made to Core Strategy policy. In particular findings in relation to CfSH 4, the Canal Quarter and smaller sites will need to be considered.

Appendix A Viability assumptions

Assumption	Source	ID	Notes
Scenarios			
Residential development typology	Consultation with client		This mix of schemes was selected in discussion with the client group, making use of

Ref	Typology	Settlement	Land type		Gross area (ha)	Net area (ha	Total	dwph	B-space (sqm)
1	West (1)	West	Small Greenfield	Greenfield	0.03	0.03	1	33	-
2	East (1)	East	Small Greenfield	Greenfield	0.03	0.03	1	33	-
3	Centre (1)	Central	Small Greenfield	Greenfield	0.03	0.03	1	33	-
4	West (3)	West	Small Greenfield	Greenfield	0.10	0.10	3	30	-
5	East (3)	East	Small Brownfield	Brownfield	0.10	0.10	3	30	-
6	Centre (3)	Central	Small Brownfield	Brownfield	0.10	0.10	3	30	-
7	Brownfield infill (5)	West	Small Brownfield	Brownfield	0.15	0.15	5	33	-
8	Small Brownfield (7)	Central	Small Brownfield	Brownfield	0.20	0.20	7	35	-
9	Small Greenfield infill (7)	East	Small Greenfield	Greenfield	0.20	0.20	7	35	-
10	Brownfield infill (10)	East	Small Brownfield	Brownfield	0.25	0.25	10	40	-
11	Small Greenfield (20)	Central	Small Greenfield	Greenfield	0.60	0.47	20	42	-
12	Brownfield (30)	East	Brownfield	Brownfield	1.00	0.76	30	39	-
13	Greenfield (75)	East	Small Greenfield	Greenfield	3.00	2.12	75	35	-
14	Large Brownfield (120)	Central	Brownfield	Brownfield	4.50	3.07	120	39	-
15	Urban extension (200)	East	Strategic site	Greenfield	8.75	5.73	200	35	-
16	Urban extension (500)	Central	Strategic site	Greenfield	22.00	13.38	500	37	-

Assumption	Source	Notes
Mix type	Assumed	Except for the CQ sites, unit size distribution is taken from the GL Herne Coventry and Warwickshire SHMA (Nov 2013), Tables 98 & 99.

		OM dwelling type (%)				AH dwelling type (%)			
		1-2 bed Flats	2 bed house	3 bed house	4+ bed house	1-2 bed Flats	2 bed house	3 bed house	4+ bed house
Ref	***Typology***	***5.00%***	***35.00%***	***40.00%***	***20.00%***	***17.5%***	***37.5%***	***37.5%***	***7.5%***
1	West (1)	0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%
2	East (1)	0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%
3	Centre (1)	0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%
4	West (3)	0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%
5	East (3)	0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%
6	Centre (3)	0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%
7	Brownfield infill (5)	0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%
8	Small Brownfield (7)	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
9	Small Greenfield infill (7)	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
10	Brownfield infill (10)	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%
11	Small Greenfield (20)	5.0%	35.0%	40.0%	20.0%	17.5%	37.5%	37.5%	7.5%
12	Brownfield (30)	5.0%	35.0%	40.0%	20.0%	17.5%	37.5%	37.5%	7.5%
13	Greenfield (75)	5.0%	35.0%	40.0%	20.0%	17.5%	37.5%	37.5%	7.5%
14	Large Brownfield (120)	5.0%	35.0%	40.0%	20.0%	17.5%	37.5%	37.5%	7.5%
15	Urban extension (200)	5.0%	35.0%	40.0%	20.0%	17.5%	37.5%	37.5%	7.5%
16	Urban extension (500)	5.0%	35.0%	40.0%	20.0%	17.5%	37.5%	37.5%	7.5%

Unit sizes

Industry standard

Residential floorspace is based upon industry standards of new build schemes. Two floor areas are displayed for flatted schemes: The Gross Internal Area (GIA) is used to calculate build costs and Net Internal Area (NIA) is applied to calculate the sales revenue. For the small housing sites (up to 5 units) larger dwellings are delivered in the borough, with medium and larger sites delivering more 'standard' unit sizes, we have

Private		
Private sale	Flats (NIA)	55 sq m
Private sale	Flats (GIA)	65 sq m
Private sale	2 bed house	70 sq.m
Private sale	3 bed house	80 sq.m
Private sale	4+ bed house	120 sq m
Affordable units		
Social rent	Flats (NIA)	55 sq m
Social rent	Flats (GIA)	65 sq m
Social rent	2 bed house	70 sq.m
Social rent	3 bed house	80 sq m
Social rent	4+ bed house	120 sq m
Affordable rent	Flats (NIA)	55 sq m
Affordable rent	Flats (GIA)	65 sq m
Affordable rent	2 bed house	70 sq m
Affordable rent	3 bed house	80 sq m
Affordable rent	4+ bed house	120 sq m
Intermediate	Flats (NIA)	55 sq m
Intermediate	Flats (GIA)	65 sq m
Intermediate	2 bed house	70 sq m
Intermediate	3 bed house	80 sq m
Intermediate	4+ bed house	120 sq m

Residential scenarios

Council policy

The Council targets an affordable housing rate of 35% on schemes of 5 dwellings or more. The policy also states an overall balance of 60% social rent, 20% affordable rent and 20% for intermediate affordable tenures.

Threshold 10 Units

			Type		Affordable tenure split		
			Private	**Affordable**	**Social rent**	**fordable rent**	**Intermediate**
Ref	***Typology***		***65%***	***35%***	***20%***	***60%***	***20%***
1	West (1)	1 Units	100%	0%	20%	60%	20%
2	East (1)	1 Units	100%	0%	20%	60%	20%
3	Centre (1)	1 Units	100%	0%	20%	60%	20%
4	West (3)	3 Units	100%	0%	20%	60%	20%
5	East (3)	3 Units	100%	0%	20%	60%	20%
6	Centre (3)	3 Units	100%	0%	20%	60%	20%
7	Brownfield infill (5)	5 Units	100%	0%	20%	60%	20%
8	Small Brownfield (7)	7 Units	100%	0%	20%	60%	20%
9	Small Greenfield infill (7)	7 Units	100%	0%	20%	60%	20%
10	Brownfield infill (10)	10 Units	100%	0%	20%	60%	20%
11	Small Greenfield (20)	20 Units	65%	35%	20%	60%	20%
12	Brownfield (30)	30 Units	65%	35%	20%	60%	20%
13	Greenfield (75)	75 Units	65%	35%	20%	60%	20%
14	Large Brownfield (120)	120 Units	65%	35%	20%	60%	20%
15	Urban extension (200)	200 Units	65%	35%	20%	60%	20%
16	Urban extension (500)	500 Units	65%	35%	20%	60%	20%
17	Urban extension (2000)	2,000 Units	65%	35%	20%	60%	20%
18	Long Marston Airfield (SS)	2,100 Units	65%	35%	20%	60%	20%
19	South East Stratford (SS)	2,500 Units	65%	35%	20%	60%	20%
20	Gaydon-Lighthorne Heath (SS)	2,500 Units	65%	35%	20%	60%	20%
21	Stoneythorpe (SS)	800 Units	65%	35%	20%	60%	20%
22	Southam (SS)	2,000 Units	65%	35%	20%	60%	20%
23	CQ Area 1a: Masons Road	183 Units	65%	35%	20%	60%	20%
24	CQ Area 1b: Masons Road	131 Units	65%	35%	20%	60%	20%
25	CQ Area 2: Timothy's Bridge Road	267 Units	65%	35%	20%	60%	20%

Policy costs

	Apply?	
CSH Level 4	**Yes**	2.5% build cost
Lifetime homes + BR2013	**Yes**	£953 per unit

Calculate

Assumption	Source	Notes
Construction Costs		
Build costs	BCIS Quarterly Review of Building Prices online version accessed March 2014. Prices rebased to the district.	Residential build costs are based upon industry data from the Build Cost Information Service (BCIS) which is published by the Royal Institution of Chartered Surveyors (RICS). The data is published by RICS on a quarterly basis. BCIS offers a range of prices dependent on the final specification. The following median build costs used are derived from recent data of actual prices in the marketplace. As early as 2009, the market across the UK was building at round Code for Sustainable Homes Level 3 for private and Level 4 for affordable housing. Small housebuilder < 4 dwgs / Large house builder **Private** Flats – £993 / £993 sqm Houses (general estate) – £1,257 / £891 sqm **Affordable** Flats – £993 / £993 sqm Houses (general estate) – £1,257 / £891 sqm The arrival on new Building Regulations Part L in April 2014 on tightening of carbon standards is estimated to add about £450 in costs per home above the 2010 Building Regulation standards (this is based on the Government's Regulatory Impact Assessment findings). The final effect of these changes on viability is difficult to foresee at the current time. A review of current Government research on cost impacts of changes in building regulations and CfSH suggests that past forecasts of price changes (such as that predicted in the original Cyril Sweet work (2010)) have never affected costs to the extent forecast. When these future requirements come into force, they will impact on both development costs and land values, normally with one cancelling the other out. The PBA work has not incorporated these possible impacts into the viability testing because the appraisal is based on current market conditions and not forecasts of potential future change. The
Plot external	Industry standards	Plot externals relate to costs for internal access roads, hard and soft landscaping. This will vary from site to site, but we have allowed for this at the following rate: 10% Build cost
Site abnormals		Developing greenfield, brownfield and mixed sites represent different risk and costs. These costs can vary significantly depending on the site's specific **Land type** Brownfield £200,000 per net ha Mixed £100,000 per net ha Greenfield £0 per net ha
Opening up costs (generic sites)	Infrastructure study	Opening up costs typically account for strategic infrastructure and S106 costs - local highway improvements, drainage, strategic landscaping, PoS, education/ community facilities, etc. This is treated as an add on to the adopted benchmark land value so that the benchmark land value is sufficiently below the market rate for clean residential land. Generally, SI costs including S.106 costs - vary between £500k and £800k/ha increasing as schemes get bigger (say 500 - 10,000 units), which should fall within the difference between the benchmark land value and the clean residential land value. Since some strategic infrastructure will be paid for seperately through CIL charges, the following assumptions are used based on the site area (NB: the estimate for the Dwgs Generic sites < 200 £5,000 per unit Generic sites < 500 £10,000 per unit Generic sites >= 500 £18,000 per unit
Professional fees	Industry standards	Professional fees relate to the costs incurred to bring the development forward and cover items such as; surveys, architects, quantity surveyors, etc. 12% Build cost
Contingency	Industry standards	Contingency is based upon the risk associated with each site and has been calculated as a percentage of build costs at 5% Build cost
Sale costs	Industry standards	Sale costs relate to the costs incurred for disposing the completed residential units, including legal, agents and marketing fees. These are based on industry accepted scales at the following rates: 3% Gross Development Value
Finance costs	Industry standards	When testing for development viability it is common practice to assume development is 100% debt financed (Viability Testing Local Plans - Advice for planning practitioners and RICS Financial viability in planning guidance note GN94/2012. Within our cashflow we used a finance rate based upon market rates of interest as follows: 7% Development costs
Professional fees on land purchase	Industry standards	In addition to SDLT the purchaser of land will incur professional fees relating to the purchase. Fees associated with the land purchase are based upon the following industry standards: Surveyor - 1.00% Legals - 0.75%
Stamp duty on land purchase	HMRC	Stamp Duty Land Tax (SDLT) is generally payable on the purchase or transfer of property or land in the UK where the amount paid is above a certain threshold. The SDLT rates are by Treasury, the following rates current rates have been applied: <= £150,000 0.00% > £150,000 1.00% > £250,000 3.00% > £500,000 4.00%

Profit		
Developer's return	Industry standards	A developer's return is based upon their attitude to risk. A developer's attitude to risk will depend on many factors that include but not exclusive to, development type (e.g. Greenfield, Brownfield, refurbishment, new build etc), development proposal (uses, mix and quantum), credit worthiness of developer, and current market conditions. The Harmen Report states that "residential developer margin expressed as a percentage of GDV - should be the default methodology" and E.2.3.8.1 of the RICS Financial viability in planning report states "The residential sector seeks a return on the GDV". We have applied a rate that is acceptable to both developers and financial institutions in the current market. The developer return is a Gross Margin and therefore includes overheads. The developer return is calculated as a percentage of Gross Development Value at the following rate: Developer return on market housing 20% Gross development value Return on affordable housing 6% Gross development value A lower margin has been applied to the affordable units as these represent less development risk as the end user is known at point of construction. This approach is also typical with industry standards. The Homes and Community Agency (HCA) state 'Conventional practice is to allow for developer's margin at a lower rate for affordable housing developed as part of a Section 106 agreement, as the risks are low relative to development of open market housing. The user manual for the Economic Appraisal Tool states that a typical figure may be in the region of 6% of affordable housing value on a nil grant basis'.
Revenue		
Sales value of completed scheme	Land Registry/Rightmove Brochures	Property values are derived from different sources, depending on land use. For housing, Land Registry and Rightmove data forms a basis for analysis. This provides a full record of all individual transactions. Values used are as **House** **Flats** Private sale West £2,650 £2,143 sqm Private sale East £2,850 £2,143 sqm Private sale Central £3,250 £2,143 sqm
Affordable housing (Section 106)	Industry standards	The current percentage requirement for affordable housing is X% on sites with X+ new dwellings. The impact of residential tenure can affect the impact of this policy, and we have assumed a blended average of intermediate and affordable rented accommodation as follows: ***Transfer value*** ***45%*** Social rent West £1,193 £964 sqm Social rent East £1,283 £964 sqm Social rent Central £1,463 £964 sqm ***Transfer value*** ***55%*** Affordable rent West £1,458 £1,179 sqm Affordable rent East £1,568 £1,179 sqm Affordable rent Central £1,788 £1,179 sqm ***Transfer value*** ***65%*** Intermediate West £1,723 £1,393 sqm Intermediate East £1,853 £1,393 sqm Intermediate Central £2,113 £1,393 sqm
Time-scales		
Build rate units/per annum	Industry standards	House builders typical build to sale. Therefore build rates are determined by market conditions of how many units can be sold on a monthly basis as developers do not want to be holding onto stock as this impacts their cashflow. **Construction Start** **Building growth rate** **Sales delay (days)** 0.65 187
Benchmark land value per ha		
Residential land values	Land Registry & UK Land Directory website	It is important to appreciate that assumptions on benchmark land values can only be broad approximations, subject to a wide margin of uncertainty. We take account of this uncertainty in drawing conclusions and recommendations from our analysis. We have examined a cross section of residential land comparables across Swale. These comparable recent transactions generally relate to urban, brownfield sites, which were fully serviced with roads and major utilities to the site boundary. In collecting evidence on residential land values, we aimed to distinguish between sites that deliver flats and housing sites - this is due to development densities, and sites values that might reflect extra costs for opening up and planning permission from those which are clean residential sites. The figure we use reflect a fairly clean residential site (although it may not yet be permitted) We would expect that land values for smaller sites with less than 10 dwellings to be higher because of being under the affordable housing threshold. This approach is in line with the Harman report which advises authorities to work on the basis of future policy and its effects on land values. Residential values Small Brownfield £1,200,000 per ha £384,460 Residential values Small Greenfield £1,100,000 per ha Residential values Brownfield £950,000 per ha Residential values Strategic site £600,000 per ha

Appendix B Assessment results

Small Greenfield	Central	20 Units					
ITEM							
Net Site Area	0.47	Greenfield	Residual Value £2,656,497 per net ha				
	Units	Private	Affordable	Social rent	Intermediate re	Shared ownership	
Yield	20	13.00	7.00	1.40	4.20	1.40	

1.0	**Development Value**						
1.1	**Private units**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats (NIA)	0.65	55	36	£2,143	£76,612
		2 bed house	4.55	70	319	£3,250	£1,035,125
		3 bed house	5.20	80	416	£3,250	£1,352,000
		4+ bed house	2.60	120	312	£3,250	£1,014,000
			13.0		1,082		
1.2	**Social rent**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats (NIA)	0.25	55	13	£964	£12,995
		2 bed house	0.53	70	37	£1,463	£53,747
		3 bed house	0.53	80	42	£1,463	£61,425
		4+ bed house	0.11	120	13	£1,463	£18,428
			1.4		105		
1.3	**Affordable rent**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats (NIA)	0.74	55	40	£1,179	£47,647
		2 bed house	1.58	70	110	£1,788	£197,072
		3 bed house	1.58	80	126	£1,788	£225,225
		4+ bed house	0.32	120	38	£1,788	£67,568
			4.2		314		
1.3	**Intermediate**		**No. of units**	**Size sq.m**	**Total sq.m**	**£psm**	**Total Value**
		Flats (NIA)	0.25	55	13	£1,393	£18,770
		2 bed house	0.53	70	37	£2,113	£77,634
		3 bed house	0.53	80	42	£2,113	£88,725
		4+ bed house	0.11	120	13	£2,113	£26,618
			1.4		105		
	Gross Development value						**£4,373,589**
2.0	**Development Cost**						
2.1	**Site Acquisition**						
2.1.1	Site value (residual land value)						£1,254,233
					Purchaser Costs		5.75%
							1,326,352
2.3	**Build Costs**						
2.3.1	**Private units**		**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		Flats (GIA)	0.65	65	42	£993	£41,954.25
		2 bed house	4.55	70	319	£891	£283,783.50
		3 bed house	5.20	80	416	£891	£370,656.00
		4+ bed house	2.60	120	312	£891	£277,992.00
			13		1,089		
2.3.2	**Affordable units**		**No. of units**	**Size sq.m**	**Total sq.m**	**Cost per sq.m**	**Total Costs**
		Flats (GIA)	1.23	65	80	£993	£79,067.63
		2 bed house	2.63	70	184	£891	£163,721.25
		3 bed house	2.63	80	210	£891	£187,110.00
		4+ bed house	0.53	120	63	£891	£56,133.00
			7		536		
			20.00				**£1,460,418**
2.4	**Construction Costs**						
2.4.1	External works as a percentage of build costs			10%			£146,041.76
2.4.2	Site abnormals (remediation/demolition)			£0	per net ha		£0
2.4.2	Site opening up costs			£5,000	per unit		£100,000
							£246,042
2.5	**Professional Fees**						
2.5.1	as percentage of build costs			12%			£175,250
							£175,250
2.6	**Contingency**						
2.6.1	as percentage of build costs			5%			£73,020.88
							£73,021
2.7	**Developer contributions**						
2.7.3	CSH Level 4 (applies to sites >0.3ha or with 10+ units, whichever is the higher)			2.5%	build cost		£36,510
2.7.5	Lifetime homes + BR2013			£953	per unit		£19,060
							£55,570
2.8	**Sale cost**						
2.8.1	as percentage of GDV			3.00%			£131,208
							£131,208
	TOTAL DEVELOPMENT COSTS (including land)						**£3,467,860**
3.0	**Developers' Profit**						
3.1	Private units			20%	Gross development value		£695,547
3.2	Affordable units			6%	Gross development value		£53,751
							£749,299
	TOTAL PROJECT COSTS [EXCLUDING INTEREST]						**£4,217,159**
	TOTAL INCOME - TOTAL COSTS [EXCLUDING INTEREST]						£156,431
4.0	**Finance Costs**						
4.1	Finance			APR 7.00%		PCM 0.565%	-£156,431
	TOTAL PROJECT COSTS [INCLUDING INTEREST]						**£4,373,589**

This appraisal has been prepared by Peter Brett Associates for the Council. The appraisal has been prepared in line with the RICS valuation guidance. The purpose of the appraisal is to inform the Council about the impact of planning policy has on viability at a strategic level. This appraisal is not a formal 'Red Book' (RICS Valuation – Professional Standards January 2014) valuation and should not be relied upon as such.

Appendix C Development industry workshop notes

Notes of Workshop

Attendees:

- John Careford (JC) - Policy Planner, Stratford-on-Avon District Council
- Mark Felgate (MF) - Associate Planner, Peter Brett Associates
- Russell Porter (RP) - Associate Economist, Peter Brett Associates

- Barry Harding
- Bernard Alsop (Noralle Traditional Country Homes Ltd)
- Caroline Keane (Gerald Eve)
- Chris Shaw (Bloor Homes)
- David Green (Delta Planning)
- Henry Morrison
- Jasbir Kaur (Warwickshire County Council)
- John Gordon (Stratford District Council (Housing))
- Jonathan Dyke (Spitfire Bespoke Homes)
- Les Greenwood (Greenwood Planning)
- Marcus Faulkner (Sheldon Bosley)
- Mike Hill (Bromford Housing Association)
- Neil Gilliver (Warwickshire Rural Housing Association)
- Nicole Escue (Jaguar Land Rover)
- Oliver Taylor (Strutt & Parker)
- Paul Boileau (Brook Banks on behalf of CEG/Bird Group))
- Paul Richardson (PR Designs)
- Peter Cornford (John Earle)
- Phil Ward (Warwickshire Rural Community Council)
- Reuben Bellamy (CALA Homes)
- Reuben Flynn (Waterloo Housing Association)
- Richard Hardy (Bromwich Hardy)
- Richard Sykes (Jones Lang LaSalle)
- Rob Csondor (RCA Regeneration)
- Robert Davies (Gerald Eve)
- Rupert Hopcraft (Greywell Property)
- Sue Green (HBF)
- Tim Sharples (Noralle Traditional Country Homes Ltd)
- Ziyad Thomas (Planning Bureau Ltd)

Discussion:

JC welcomed attendees to the workshop and provided a brief update summary of the Stratford-on-Avon Core Strategy. He also introduced MF and RP from Peter Brett Associates. MF provided an overview of the background and purpose of viability study. The bulk of the workshop focused on the initial viability assumptions and was led by RP who sought comments from the stakeholders. MF chaired the discussion. JC concluded the workshop by thanking attendees for their time.

The main points of the discussion were as follows (please note that these do not necessarily follow the order they were discussed):

Approach

1. Question in respect of the definitions of affordable housing and distinction between different types of tenure. MF explained that definitions are set out in the National Planning Policy Framework (NPPF). *Post meeting note – definitions can be found here in Annex 2* *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf*
2. Query whether the threshold of 5 units was sensible and whether a Housing Association would actually manage 1 or 2 affordable units spread across the rural area. RP responded that testing would look to set thresholds and if evidence suggests that it should be lower or higher then that will form part of the recommendations. Warwickshire Rural Housing Association confirmed that it and other RPs regularly manage dispersed affordable housing properties.
3. Suggested that a lower threshold will prevent development and increasing the threshold will actually increase housing delivery meeting Councillors' and residents' aspirations for the development of small sites. Rugby BC recently increased their threshold from 5 units to 14 units.
4. Comments were made on whether testing zero threshold is realistic and if smaller sites are considered then 'commuted sum' should be used.

Build costs

5. There was debate about the proposed build costs. RP explained that build costs were based on BCIS and did include a higher figure for smaller developments (as set out in presentation). RP also stated that build costs shown are just for the brick and mortar of the buildings themselves, other development costs are discussed later. Whilst there was general agreement about the costs for estate type housing for larger development there was concern about the costs for smaller developments. It was discussed that smaller developers cannot achieve the same economies of scale and that there experience is that build costs are much higher. *Post meeting note – PBA are happy to use a higher figure if there is evidence to support this to counter BCIS costs. BCIS data is locally applied, so should reflect the local experience. If there is a difference then PBA can go back to BCIS had seek an explanation for the difference. Those who expressed concern with the data need to send evidence to support their view.*
6. Query whether square metre assumptions correct and if they are gross whether they include garages? *Post meeting note – to clarify the costs will reflect average process across a range of properties, some of which may include integral garages. Attached or detached garages are not included.*

Site size

7. Advised of recent guidance prepared by Savills encouraging people to downsize to bespoke 'retirement' apartments "large and leafy". No examples of this in Stratford.
8. Affordable housing policy needs to be mindful of impacts of welfare reform on unit sizes.

Residential values

9. Account should be taken of a 'gradient' of residential values as a large house next to an affordable housing unit won't attract same high price as a large house in isolation.
10. Should also be remembered that one or two areas in the District (e.g. Studley) have lower values.
11. General consensus that the average values and value area shown were broadly correct

Benchmark land values

12. Biggest barrier to development in Stratford District is high land prices – should be representative and assumptions should take account of small sites.

13. Query whether values take account of incentives – many homebuilders offering big discounts.
14. Query site typologies on small sites in particular and the need for a distinction between e.g. brownfield office/residential and brownfield industrial/derelict. Alternative use value also needs to be taken into account.

Typologies

15. Site typologies need to model small, medium and big sites on both brownfield and greenfield as well as a high density scheme. *Post meeting note – PBA will model some smaller schemes including those with an existing use such as a pub or demolition of a large property*

Developer return and finance

16. Query development finance assumptions, again in respect of small sites. 7% was considered too low for smaller builders. *Post meeting note – PBA will need to see some evidence for an alternative approach to finance*
17. Should account be taken of increases in interest rates over the plan period? If so should also take account of increases in land values. RP stated that guidance suggests assumptions should be based on current costs and current values because it provides more certainty.
18. Developer return does not reflect risk on more difficult sites over time which should be calculated on a per annum basis. Even on long-term Local Plan sites assumed 30%.

Other costs

19. Account should be taken of ecology issues (e.g. badgers and bats) and the impacts resolving such issues can have on project timescales. Affects the 'risk' associated with developing a site.
20. Account should also be taken of lack of utility (e.g. gas) services in most rural areas not just in terms of on-site costs but also in respect of policy requirements for Code for Sustainable Homes and the impact on scheme viability.
21. Query whether CIL assumptions take account of education contributions or whether these are required in addition through s106. *Post meeting note – SDC currently consider that the proposed CIL charge of £150psm includes education contribution this will be clarified in report.*
22. Difficulty in trying to establish viability assumptions based on aspirational land prices in a district without a 5 year supply of land as landowners/developers see opportunities.
23. Advised that South Worcestershire Development Plan and Solihull require a different affordable housing rate for different sizes of site.
24. Simplicity = certainty. Policy can't be too complicated.
25. Support for change from affordable housing sq foot threshold to unit threshold
26. Concern that £5,000 per unit for S106/opening up costs is tight but could be ok if all other assumptions are generous.

Other issues

27. A buffer should be included, so policy is not set at the margin of viability, but this may vary across the district depending on local market.
28. Whilst situation in Stratford is uncertain, developers are going elsewhere.