Local Plan Economic Viability Assessment

(including CIL)

October 2021

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

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1. Introduction

Scope

1.1 Forest of Dean District Council (FoDDC / the Council) is preparing a new Local Plan for the period through to 2041 that will set out the future spatial strategy for the District and will include sites for allocation. This Viability Assessment has been commissioned to inform the further development of the Plan. HDH Planning & Development Ltd (HDH) has been appointed to advise FoDDC in connection with several matters:

a. Review of the affordable housing policy (including tenure split).

b. Whole plan viability testing, to consider all other standards and policy requirements (including building standards over and above those required by Building Regulations).

c. To consider developer contributions and whether or not there is capacity to introduce CIL, having taken into account other policy requirements and s106 contributions.

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

1.3 A technical consultation to inform this report was undertaken during the Autumn of 2020. A pre-consultation draft of this report[1], and a questionnaire, were circulated to representatives of the main developers, development site landowners, 'call for site' landowners, their agents, planning agents and consultants working in the District, and housing providers. Following a presentation on the 22nd October 2020, comments were invited.

1.4 This report sets out the evidence collated by HDH, and adjusted to reflect the comments made through the consultation. It draws on a wide range of sources. It was stressed that the responses submitted through the consultation needed to be supported by evidence, and that comments that simply observe a particular assumption is too low or too high are not helpful to establishing the correct assumption. Consultees were asked to support their responses with evidence, that could be used to support any suggested changes.

1.5 This report was substantially completed in April 2021, being based on values and costs collected before then. The completion of the project was delayed, in part due to COVID-19 and in part whist several calcifications were sought.

1.6 The Ministry of Housing Communities and Local Government (MHCLG) updated the National Planning Policy Framework, (NPPF), and published new Planning Practice Guidance (PPG) in July 2018. In February 2019, the NPPF was further updated, although these changes did not impact on viability. In May 2019, the viability sections of the PPG were updated again. In

[1] Dated 15th July 2020.

addition to these changes, the CIL Regulations and guidance (within the PPG) were also updated from 1st September 2019. The methodology used in this report is consistent with the 2021 NPPF and the updated PPG.

1.7 In the Autumn, the Government published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The implications in relation to viability are set out in Chapter 2 below but are not material to this report.

1.8 It is important to note, at the start of a study of this type, that not all sites will be viable. It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened by the cumulative impact of the policies.

Report Structure

1.9 This report follows the following format:

Chapter 2	The reasons for, and approach to viability testing, including a review of the requirements of the CIL Regulations, NPPF and updated PPG.
Chapter 3	The methodology used.
Chapter 4	An assessment of the housing market, including market and affordable housing, with the purpose of establishing the worth of different types of housing in different areas.
Chapter 5	An assessment of the non-residential market.
Chapter 6	An assessment of the costs of land to be used when assessing viability.
Chapter 7	The cost and general development assumptions to be used in the development appraisals.
Chapter 8	A summary of the various policy requirements and constraints that influence the type of development that come forward.
Chapter 9	A summary of the range of modelled sites used for the financial development appraisals.
Chapter 10	The results of the appraisals and consideration of residential development.
Chapter 11	The results of the appraisals and consideration of non-residential development.
Chapter 12	Conclusions in relation to the deliverability of development, including consideration of CIL.

HDH Planning & Development Ltd (HDH)

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

a. District-wide and site-specific viability analysis.

b. Community Infrastructure Levy testing.

c. Housing Market Assessments.

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

Caveat and Material Uncertainty

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

1.13 The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

1.14 Market activity is being impacted in many sectors. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

1.15 Our assessment is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our report than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that the assessment is kept under frequent review.

Compliance

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

1.17 *Financial Viability in planning (1st edition), RICS guidance note 2012* is currently subject to a full review to reflect the changes in the 2021 NPPF and the updated PPG (May 2019). As part of the review, *Financial viability in planning: conduct and reporting. 1st edition, May 2019* was published in May 2019. This includes mandatory requirements for RICS members and RICS-regulated firms. HDH confirms that the May 2019 Guidance has been followed in full.

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

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

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

d. HDH confirms it has no conflicts of interest in undertaking this project. HDH confirms that, in preparing this report, no performance-related or contingent fees have been agreed.

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

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

g. HDH confirms that adequate time has been taken to allow engagement with stakeholders through this project (albeit within the restrictions as a result of the Coronavirus pandemic).

h. This assessment includes appropriate sensitivity testing in Chapter 10. This includes the effect of different tenures, different affordable housing requirements against different levels of developer contributions, and the impact of price and cost change.

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

1.18 As this report was being completed in late March 2021, the RICS published a new Guidance Note, *Assessing Viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition* (RICS, March 2021). This is effective from the 1st July 2021. This new Guidance Note cancels *Financial Viability in planning (1st edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further guidance (in as far as it relates to plan-wide viability assessments).

Metric or imperial

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

1m	=	3.28ft (3' and 3.37")	1ft	=	0.30m

$1m^2$	=	10.76 sqft	1sqft	=	$0.0929m^2$
1ha	=	2.471acres	1acre	=	0.405ha

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

2. Viability Testing

2.1 Viability testing is an important part of the planning process. The requirement to assess viability forms part of the National Planning Policy Framework (NPPF), and is a requirement of the Community Infrastructure Levy (CIL) Regulations. In each case the requirement is slightly different, but they have much in common.

National Planning Policy Framework

2.2 Paragraph 34 of the 2021 NPPF says that Plans should set out what development is expected to provide, and that the requirement should not be so high as to undermine the delivery of the plan.

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

2.3 As in the 2012 NPPF (and 2018 NPPF), viability remains an important part of the plan-making process. The 2021 NPPF does not include detail on the viability process, rather stresses the importance of viability. The changes made in July 2021, do touch on matters where viability will be factor:

> *Strategic policies should look ahead over a minimum 15 year period from adoption, to anticipate and respond to long-term requirements and opportunities, such as those arising from major improvements in infrastructure. Where larger scale developments such as new settlements or significant extensions to existing villages and towns form part of the strategy for the area, policies should be set within a vision that looks further ahead (at least 30 years), to take into account the likely timescale for delivery.*
>
> *2021 NPPF, Paragraph 22*
>
> *To ensure faster delivery of other public service infrastructure such as further education colleges, hospitals and criminal justice accommodation, local planning authorities should also work proactively and positively with promoters, delivery partners and statutory bodies to plan for required facilities and resolve key planning issues before applications are submitted.*
>
> *2021 NPPF, Paragraph 96*

2.4 As a result of these changes, the Council will need to engage further with the promoters of the potential Strategic Sites and service and infrastructure providers.

2.5 The main change is a shift of viability testing from the development management stage to the plan-making stage.

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

> *making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.*
>
> *2021 NPPF Paragraph 58*

2.6 Careful consideration has been made to the Planning Practice Guidance (PPG) in this study (see below). This Viability Assessment will be the reference point for viability assessments submitted through the Development Management process in the future.

2.7 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The following, updated, definition is provided:

> ***Deliverable**: To be considered deliverable, sites for housing should be available now, offer a suitable location for development now, and be achievable with a realistic prospect that housing will be delivered on the site within five years. In particular:*
>
> *a) sites which do not involve major development and have planning permission, and all sites with detailed planning permission, should be considered deliverable until permission expires, unless there is clear evidence that homes will not be delivered within five years (for example because they are no longer viable, there is no longer a demand for the type of units or sites have long term phasing plans).*
>
> *b) where a site has outline planning permission for major development, has been allocated in a development plan, has a grant of permission in principle, or is identified on a brownfield register, it should only be considered deliverable where there is clear evidence that housing completions will begin on site within five years.*
>
> *2021 NPPF Glossary*

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

> *Strategic policy-making authorities should have a clear understanding of the land available in their area through the preparation of a strategic housing land availability assessment. From this, planning policies should identify a sufficient supply and mix of sites, taking into account their availability, suitability and likely economic viability. Planning policies should identify a supply of:*
>
> *a) specific, deliverable sites for years one to five of the plan period; and*
>
> *b) specific, developable sites or broad locations for growth, for years 6-10 and, where possible, for years 11-15 of the plan.*
>
> *2021 NPPF Paragraph 68*

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

> *Local planning authorities, and other plan-making bodies, should take a proactive role in identifying and helping to bring forward land that may be suitable for meeting development needs, including suitable sites on brownfield registers or held in public ownership, using the full range of powers available to them. This should include identifying opportunities to facilitate land assembly, supported where necessary by compulsory purchase powers, where this can help to bring more land forward for meeting development needs and/or secure better development outcomes.*
>
> *2021 NPPF Paragraph 121*

2.10 The 2021 NPPF does not include technical guidance, this is included within the PPG.

Planning Practice Guidance

2.11 The viability sections of the PPG (Chapter 10) were rewritten in 2018, and then updated in May 2019 and September 2019. The changes provide clarity and confirm best practice, rather than prescribe a new methodology. Having said this, the emphasis of viability testing has been changed. The, now superseded, requirements for viability testing were set out in paragraphs 173 and 174 of the 2012 NPPF:

> *173 ... To ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards, infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable.*
>
> *174 ... the cumulative impact of these standards and policies should not put implementation of the plan at serious risk, and should facilitate development throughout the economic cycle...*

2.12 The test was whether or not the policy requirements were so high that development was threatened. The updated PPG changes this:

> *... ensure policy compliance and optimal public benefits through economic cycles...*
>
> *10-009-20190509*
>
> *... and the aims of the planning system to secure maximum benefits in the public interest through the granting of planning permission.*
>
> *10-010-20180724*

2.13 The purpose of viability testing is now to ensure that '*maximum benefits in the public interest*' has been secured. This is a notable change in emphasis, albeit in the wider context of striking a balance between the aspirations of developers and landowners, in terms of returns against risk.

2.14 The core requirement to consider viability links to paragraph 58 of the 2021 NPPF:

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

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

2.16 The updated PPG includes 4 main sections:

Section 1 - Viability and plan making

2.17 The overall requirement is that:

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

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

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

2.19 Consultation has formed part of this study.

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

2.20 The policies in the emerging Plan are tested individually and cumulatively, to ensure that they are set at a realistic level. A range of levels of affordable housing have been tested against a range of levels of developer contributions.

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

2.21 The site selection process is underway, and several potential Strategic Sites have been identified. These will be tested individually and, in due course, FoDDC will specifically engage with the sites' promoters. The modelling in this assessment is based on the long list of sites that are being considered for allocation. This is subject to change so, in due course, it may be necessary to revisit this when the preferred allocations have been selected.

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

2.22 This study is based on typologies[2] that have been developed by having regard to the potential sites identified through the emerging Plan.

> *Average costs and values can then be used to make assumptions about how the viability of each type of site would be affected by all relevant policies. Plan makers may wish to consider different potential policy requirements and assess the viability impacts of these. Plan makers can then come to a view on what might be an appropriate benchmark land value and policy requirement for each typology.*
>
> *PPG 10-004-20190509*

2.23 This study draws on a wide range of data sources, including information collected through the development management process. Outliers (of values and costs) have been disregarded.

> *It is important to consider the specific circumstances of strategic sites. Plan makers can undertake site specific viability assessment for sites that are critical to delivering the strategic priorities of the plan. This could include, for example, large sites, sites that provide a significant proportion of planned supply, sites that enable or unlock other development sites or sites within priority regeneration areas. Information from other evidence informing the plan (such as Strategic Housing Land Availability Assessments) can help inform viability assessment for strategic sites.*
>
> *PPG 10-005-20180724*

2.24 The potential Strategic Sites are considered separately.

> *Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage.*
>
> *It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. Policy compliant means development which fully complies with up to date plan policies. A decision maker can give appropriate weight to emerging policies. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan.*
>
> *PPG 10-006-20190509*

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

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

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

Section 2 - Viability and decision taking

2.26 It is beyond the scope of this study to consider viability in decision making. This study will form the starting point consideration of viability at the development management stage.

Section 3 - Standardised inputs to viability assessment

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

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

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

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

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

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

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

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

2.31 All these costs are taken into account.

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

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

2.33 The PPG goes on to set out:

> *Benchmark land value should:*
>
> - *be based upon existing use value*
> - *allow for a premium to landowners (including equity resulting from those building their own homes)*
> - *reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees*
>
> *Viability assessments should be undertaken using benchmark land values derived in accordance with this guidance. Existing use value should be informed by market evidence of current uses, costs and values. Market evidence can also be used as a cross-check of benchmark land value but should not be used in place of benchmark land value. There may be a divergence between benchmark land values and market evidence; and plan makers should be aware that this could be due to different assumptions and methodologies used by individual developers, site promoters and landowners.*
>
> *This evidence should be based on developments which are fully compliant with emerging or up to date plan policies, including affordable housing requirements at the relevant levels set out in the plan. Where this evidence is not available plan makers and applicants should identify and*

> *evidence any adjustments to reflect the cost of policy compliance. This is so that historic benchmark land values of non-policy compliant developments are not used to inflate values over time.*
>
> *In plan making, the landowner premium should be tested and balanced against emerging policies. In decision making, the cost implications of all relevant policy requirements, including planning obligations and, where relevant, any Community Infrastructure Levy (CIL) charge should be taken into account.*
>
> *PPG 10-014-20190509*

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

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

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

2.36 The PPG sets out an approach to the developers' return:

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

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

Section 4 - Accountability

2.38 This section of the PPG sets out new requirements on reporting. These are covered by the Council outside this report.

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

Community Infrastructure Levy Regulations and Guidance

2.40 FoDDC Council has not adopted CIL, however the brief extends to considering the scope for CIL. The CIL Regulations are broad, so it is necessary to have regard to them in any event, and the CIL Guidance (which is contained within the PPG) when undertaking a plan-wide viability assessment and considering the deliverability of development.

2.41 The CIL Regulations have been subject to several subsequent amendments[3]. CIL Regulation 14 (as amended) sets out the core principle for setting CIL.

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

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

> *A charging authority should be able to explain how their proposed levy rate or rates will contribute towards new infrastructure to support development across their area. Charging authorities will need to summarise their viability assessment. Viability assessments should be proportionate, simple, transparent and publicly available in accordance with the viability guidance. Viability assessments can be prepared jointly for the purposes of both plan making*

[3] **SI 2010 No. 948**. The Community Infrastructure Levy Regulations 2010 *Made 23rd March 2010, Coming into force 6th April 2010.* **SI 2011 No. 987**. The Community Infrastructure Levy (Amendment) Regulations 2011 *Made 28th March 2011, Coming into force 6th April 2011.* **SI 2011 No. 2918**. The Local Authorities (Contracting Out of Community Infrastructure Levy Functions) Order 2011. *Made 6th December 2011, Coming into force 7th December 2011.* **SI 2012 No. 2975**. The Community Infrastructure Levy (Amendment) Regulations 2012. *Made 28th November 2012, Coming into force 29th November 2012.* **SI 2013 No. 982**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th April 2013, Coming into force 25th April 2013.* **SI 2014 No. 385**. The Community Infrastructure Levy (Amendment) Regulations 2013. *Made 24th February 2014, Coming into force 24th February 2014.* **S1 2015 No. 836**. COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES, The Community Infrastructure Levy (Amendment) Regulations 2015. *Made 20th March 2015*. **SI 2018 No. 172** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES. The Community Infrastructure Levy (Amendment) Regulations 2018. Made 8th February 2018. Coming into force in accordance with regulation 1. **SI 2019 No. 966** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND The Community Infrastructure Levy (Amendment) (England) Regulations 2019. Made - 22nd May 2019. **SI 2019 No. 1103** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND AND WALES The Community Infrastructure Levy (Amendment) (No. 2) Regulations 2019 *Made 9th July 2019. Coming into Force 1st September 2019*. **SI 2020 No. 781** The Community Infrastructure Levy (Coronavirus) (Amendment) (England) Regulations 2020. *Made 21st July 2020, Coming into force 22nd July 2020*. **SI 2020 No. 1226** COMMUNITY INFRASTRUCTURE LEVY, ENGLAND, The Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020. Made *5th November 2020. Coming into force 16th November 2020*.

and preparing charging schedules. This evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the viability of development across the authority's area. Where the levy is introduced after a plan has been made, it may be appropriate for a local authority to supplement plan viability evidence with assessments of recent economic and development trends, and through working with developers (e.g. through local developer forums), rather than by procuring new evidence.

PPG 25-019-20190901

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

2.44 From April 2015, councils were restricted in relation to pooling S106 contributions from more than five developments[4] (where the obligation in the s106 agreement / undertaking is a reason for granting consent). CIL Regulations were amended from September 2019 lifting these restrictions. Payments requested under the s106 regime must be (as per CIL Regulation 122):

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

b. directly related to the development; and

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

2.45 A local authority which wishes to introduce CIL must set out, in a Charging Schedule, the types of development to be charged (and any exceptions) and the proposed rates. CIL, once introduced, is mandatory on all developments within the categories and areas where the levy applies. This is unlike other policy requirements to provide affordable housing or to build to a particular environmental standard over which there can be negotiations (subject to PPG paragraphs 10-007 and 10-008) where applicants can make a case for policies to be flexed. This means that CIL must not prejudice the viability of most sites.

Wider Changes Impacting on Viability

2.46 There have been a number of changes at a national level since FoDDC's most recent viability work. Paragraph 64 of the 2021 NPPF now sets out national thresholds for the provision of affordable housing:

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

2.47 In this context, major development is as set out in the Glossary to the 2021 NPPF:

***Major development:** For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means*

[4] CIL Regulations 123(3)

> *additional floorspace of 1,000m2 or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.*

2.48 All parishes in the FoDDC area other than Cinderford, Coleford, Lydbrook, Lydney, Mitcheldean, Newent, Tidenham and West Dean are defined as being Designated Rural Areas. A threshold of 5 units is assumed to apply within the Designated Rural Areas and a threshold of 10 units is assumed to apply elsewhere.

Affordable Home Ownership

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

2.50 The 2021 NPPF (paragraph 65) sets out an expectation for a minimum of 10% affordable home ownership units on larger sites.

> *Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership[5], unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups. Exemptions to this 10% requirement should also be made where the site or proposed development:*
>
> *a) provides solely for Build to Rent homes;*
>
> *b) provides specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students);*
>
> *c) is proposed to be developed by people who wish to build or commission their own homes; or*
>
> *d) is exclusively for affordable housing, an entry-level exception site or a rural exception site.*
>
> *2021 NPPF, Paragraph 65*

2.51 In this context, the Government launched a further consultation[6] in January 2021. Amongst other things this clarified that that 10% relates to all the homes on a site. This is tested.

First Homes

2.52 In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021.

> *<u>What is a First Home?</u>*
>
> *First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:*
>
> *a. must be discounted by a minimum of 30% against the market value;*

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

[6] 29th January 2021. NPPF draft for consultation (publishing.service.gov.uk)

> *b. are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
>
> *c. on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
>
> *d. after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*
>
> *First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.*
>
> *PPG: 70-001-21210524*

2.53 This requirement has been tested (up to a 50% discount).

Environmental Standards

2.54 Early in October 2019, the Government launched a consultation on 'The Future Homes Standard'[7]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. As this report was being concluded (January 2021), the outcome of the consultation was announced[8]. This is considered in Chapter 8 below.

Biodiversity

2.55 In March 2019, the Government announced that new developments must deliver an overall increase in biodiversity. Within the current iteration of the Environment Bill, it is anticipated that all consented developments (with a few exceptions), will be mandated to deliver a biodiversity net gain of 10%.

2.56 The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

2.57 Green improvements on-site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere. The costs of this type of requirement is considered in Chapter 8 below.

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

[8] The Future Buildings Standard - GOV.UK (www.gov.uk)

White Paper: Planning for the Future (MHCLG, August 2020)

2.58 The Government has consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. In terms of viability the two key paragraphs are:

> ***Assessments of housing need, viability and environmental impacts are too complex and opaque****: Land supply decisions are based on projections of household and business 'need' typically over 15- or 20-year periods. These figures are highly contested and do not provide a clear basis for the scale of development to be planned for. Assessments of environmental impacts and viability add complexity and bureaucracy but do not necessarily lead to environ improvements nor ensure sites are brought forward and delivered;*
>
> ***Local Plans should be subject to a single statutory "sustainable development" test****, and unnecessary assessments and requirements that cause delay and challenge in the current system should be abolished. This would mean replacing the existing tests of soundness, updating requirements for assessments (including on the environment and viability) and abolishing the Duty to Cooperate.*

2.59 Pillar Three of the White Paper then goes on to set out options around the requirements for infrastructure and how these may be funded. The key proposal are:

> *Proposal 19: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> *Proposal 21: The reformed Infrastructure Levy should deliver affordable housing provision*

2.60 The above suggests a downgrading of viability in the planning system, however, as it stands, the proposals in the White Paper are options which may or may not come to be adopted so, at the time of this report a viability assessment is a requirement.

NPPF and National Model Design Code: consultation proposals

2.61 The Government announced a further consultation on the 31st January 2021, under the title *National Planning Policy Framework and National Model Design Code: consultation proposals*[9]. The 2021 NPPF took this forward, saying:

> *128. To provide maximum clarity about design expectations at an early stage, all local planning authorities should prepare design guides or codes consistent with the principles set out in the National Design Guide and National Model Design Code, and which reflect local character and design preferences. Design guides and codes provide a local framework for creating beautiful and distinctive places with a consistent and high quality standard of design. Their geographic coverage, level of detail and degree of prescription should be tailored to the circumstances and scale of change in each place, and should allow a suitable degree of variety.*
>
> *129. Design guides and codes can be prepared at an area-wide, neighbourhood or site-specific scale, and to carry weight in decision-making should be produced either as part of a plan or as supplementary planning documents. Landowners and developers may contribute to these exercises, but may also choose to prepare design codes in support of a planning application for sites they wish to develop. Whoever prepares them, all guides and codes should be based on effective community engagement and reflect local aspirations for the*

[9] National Planning Policy Framework and National Model Design Code: consultation proposals - GOV.UK (www.gov.uk)

> *development of their area, taking into account the guidance contained in the National Design Guide and the National Model Design Code. These national documents should be used to guide decisions on applications in the absence of locally produced design guides or design codes.*

2.62 The National Design Code does not add to the cost of development. Rather it sets out good practice in a consistent format. It will provide a checklist of design principles to consider for new schemes, including street character, building type and requirements addressing wellbeing and environmental impact. Local authorities can use the code to form their own local design codes.

Queen's Speech 2021

2.63 A range of planning reforms were outlined in the papers supporting the Queen's Speech. This included the following statements. For the purpose of this assessment, the key points are as follows:

> *Planning Bill "Laws to modernise the planning system, so that more homes can be built, will be brought forward…"*
>
> *The purpose of the Bill is to:*
>
> - *Create a simpler, faster and more modern planning system to replace the current one ...*
> - *Help deliver vital infrastructure whilst helping to protect and enhance the environment by introducing quicker, simpler frameworks for funding infrastructure and assessing environmental impacts and opportunities.*
>
> *The main benefits of the Bill would be:*
>
> - *Simpler, faster procedures for producing local development plans, approving major schemes, assessing environmental impacts and negotiating affordable housing and infrastructure contributions from development. ...*
>
> *The main elements of the Bill are: ... Replacing the existing systems for funding affordable housing and infrastructure from development with a new more predictable and more transparent levy.*

2.64 At this stage, no timetable or draft Planning Bill have been published. In the late summer of 2021, as part of the Government reshuffle, The Ministry of Housing Communities and Local Government has been renamed as the Department for Levelling Up, Housing and Communities (DLUHC). Various ministers have commented about revisiting some of the subjects that had been consulted on, however, beyond statements that Housebuilding remains a priority, no further detail have been released. The Council will need to keep this under review.

Viability Guidance

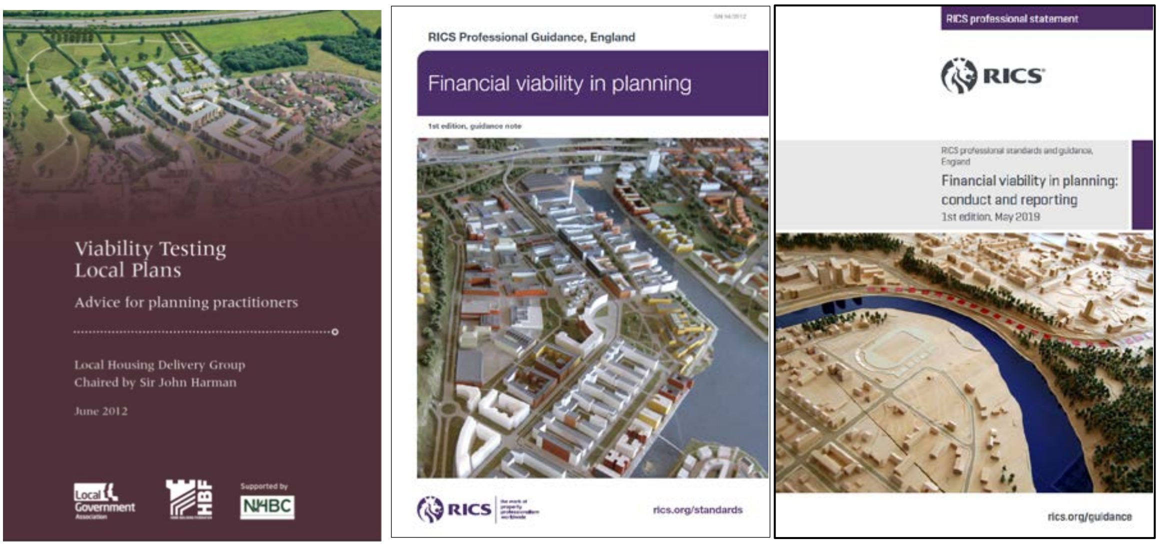
2.65 There is no specific technical guidance on how to test viability in the 2021 NPPF or the updated PPG, although the PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions[10] that support the methodology HDH has

[10] Barnet: APP/Q5300/ A/07/2043798/NWF, Bristol: APP/P0119/ A/08/2069226, Beckenham: APP/G5180/ A/08/2084559, Bishops Cleeve; APP/G1630/A/11/2146206 Burgess Farm: APP/U4230/A/11/2157433, CLAY FARM: APP/Q0505/A/09/2103599/NWF, Woodstock: APP/D3125/ A/09/2104658, Shinfield APP/X0360/

developed. This study follows the *Viability Testing in Local Plans – Advice for planning practitioners* (LGA/HBF – Sir John Harman) June 2012[11] (known as the **Harman Guidance**).

2.66 The planning appeal decisions, and the HCA good practice publication[12] suggest that the most appropriate test of viability for planning policy purposes is to consider the Residual Value of schemes compared with the Existing Use Value (EUV), plus a premium. The premium over and above the EUV being set at a level to provide the landowner with an inducement to sell. This approach is specified in the PPG.

2.67 The Harman Guidance and *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) which was published during August 2012 (known as the **RICS Guidance**) sets out the principles of viability testing[13]. Additionally, the Planning Advisory Service (PAS) provides viability guidance and manuals for local authorities.



2.68 There is common ground between the 2012 RICS Guidance and the Harman Guidance, but they are not consistent. The RICS Guidance recommends against the 'EUV plus a margin' – which is recommended in the Harman Guidance and required by the PPG. The Harman Guidance advocates an approach based on Threshold Land Value (Threshold Land Value is equivalent to Benchmark Land Value as referred to in the updated PPG).

A/12/2179141, Oxenholme Road, APP/M0933/A/13/2193338, Former Territorial Army Centre, Parkhurst Road, Islington APP/V5570/W/16/3151698, Vannes: Court of Appeal 22 April 2010, [2010] EWHC 1092 (Admin) 2010 WL 1608437

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

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

[13] There are two principle pieces of relevant guidance; *Draft Financial viability in planning: conduct and reporting RICS professional statement, England (October 2018)* and *Financial Viability in planning (1st edition), RICS guidance note 2012*. The 2012 guidance note, is subject to a full review to reflect the changes in the 2019 NPPF and the updated PPG (July 2018) so relatively little weight is given to this.

2.69 The RICS Guidance dismisses a Threshold Land Value. As set out in Chapter 1 above, *Financial viability in planning*, *RICS guidance note, 1st edition* (GN 94/2012) is not consistent with the 2021 NPPF and updated PPG so relatively little weight is given to this RICS Guidance. As this report was being completed in late March 2021, the RICS published a new Guidance Note, *Assessing Viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition* (RICS, March 2021). This is effective from the 1st July 2021 so does not apply to this report. This new Guidance Note cancels *Financial Viability in planning (1st edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further draft guidance (in as far as it relates to plan-wide viability assessments).

2.70 This study uses the EUV Plus (EUV+) methodology. The methodology is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The uplift over and above the EUV must be sufficient to provide a return to the landowner. To inform the judgement as to whether the uplift at an appropriate level, reference is made to the value of the land with and without planning consent.

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

3. Methodology

Viability Testing – Outline Methodology

3.1 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

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

LESS

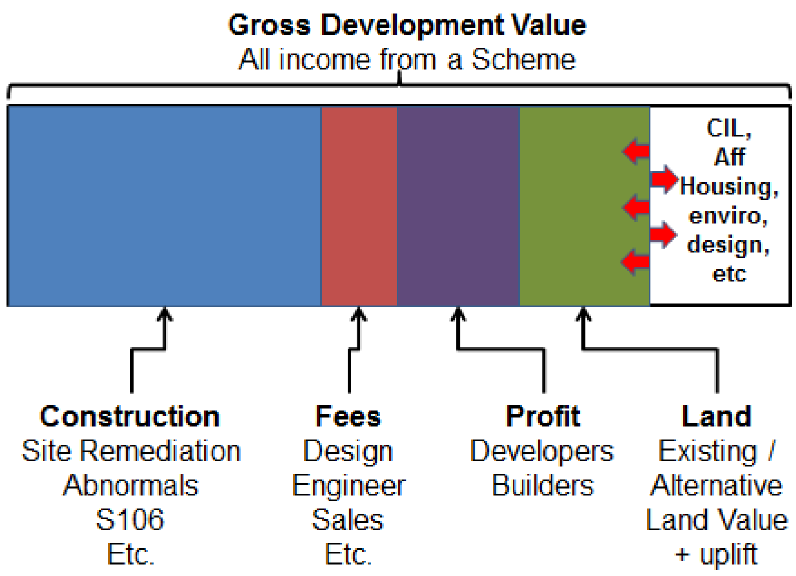
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)

=

RESIDUAL VALUE

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

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



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

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

3.6 This study is not trying to mirror any particular developer's business model – rather it is making a broad assessment of viability in the context of plan-making and the requirements of the 2021 NPPF and CIL Regulations.

Limitations of viability testing in the context of the NPPF

3.7 High level viability testing does have limitations. The assessment of viability is a largely quantitative process based on financial appraisals – there are however types of development where viability is not at the forefront of the developer's mind, and they will proceed even if a 'loss' is shown when assessed in line with the PPG. For example, an individual may want to fulfil a dream of building a house and may spend more than the finished home is worth, or the end user of an industrial or logistics building may build a new factory or depot that will improve its operational efficiency even if, as a property development, the resulting building may not seem to be viable.

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

The meaning of Landowner Premium

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

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

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

Benchmark land value should:

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

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

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

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

PPG 10-014-20190509

3.11 There has been much discussion as to what may and may not be a landowner premium. The term has not been given a firm definition through the appeal, planning examination or legal processes. 'Competitive return' was considered at the Shinfield Appeal (January 2013)[14] and the case is sometimes held up as a firm precedent, however as confirmed in the Oxenholme Road Appeal (October 2013)[15] the methodology set out in Shinfield is site specific and should only be given limited weight. More recently further clarification has been provided in the Territorial Army Centre, Parkhurst Road, Islington Appeal (June 2017)[16], which has subsequently been confirmed by the High Court[17]. This notes the importance of comparable data, but stresses the importance of the quality of the comparable. The level of return to the landowner is discussed and the approach taken in this study is set out in the later parts of Chapter 6 below.

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

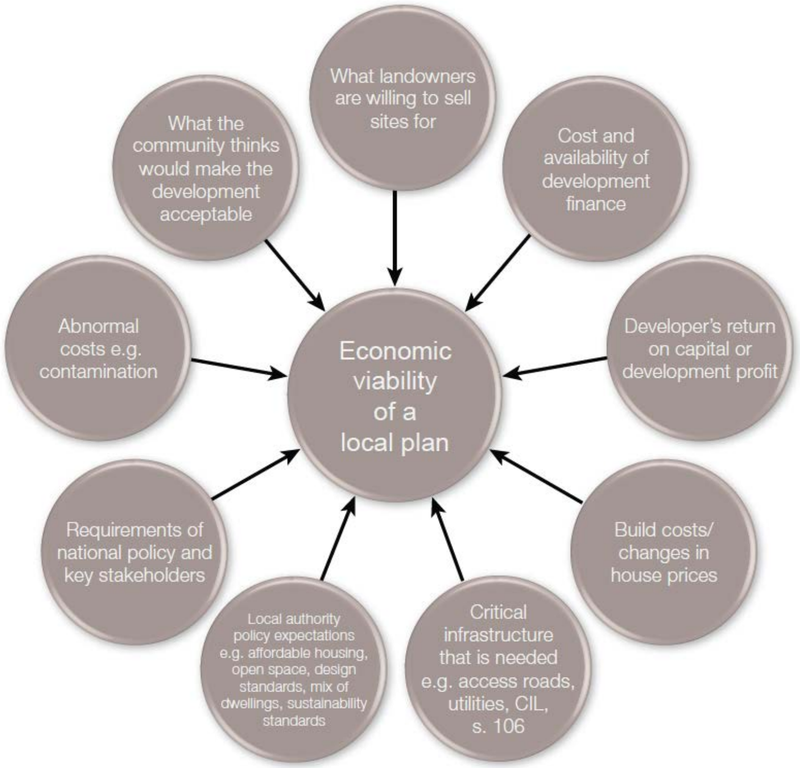
[14] APP/X0360/A/12/2179141 (Land at The Manor, Shinfield, Reading RG2 9BX)

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

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

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

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



Existing Available Evidence

3.13 The 2021 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that wherever possible, the assessment of viability should be based on existing available evidence rather than new evidence. The evidence that is available from FoDDC has been reviewed. This falls into three broad types:

3.14 Firstly, that which has been prepared earlier in the plan-making process and to inform the setting of CIL. These studies were subject to consultation and include the *Affordable Housing Site Viability Appraisal* (Fordham Research, March 2008). This is over 10 years old, so is given little weight.

3.15 Secondly, that which FoDDC holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions. The approach taken is to draw on this existing evidence and to consolidate it so that it can then be used as a sound base for setting the affordable housing target and the levels of CIL[18] – it is important to note that these figures are the figures submitted by developers for discussion at the start of the viability process.

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

Table 3.1 Review of Development Management Viability Appraisals.

		A		B		C		D	
Consultant		DVS		DVS		DVS		DVS	
Client		FoDDC	Developer	FoDDC	Developer	FoDDC	Developer	FoDDC	Developer
Date		Oct-17		Apr-19		Jul-19		Jan-20	
Units		110	110	320	320	80	80	36	36
m2		9,561	9,561	27,318	27,435	9,100	9,100	3,095	3,095
Market Housing	£/m2	£2,445	£2,416	£2,620	£2,482	£2,662	£2,583	£3,071	£2,811
Affordable	£/m2		£1,335	A Rent 55%, SO 65%	A Rent £1,345.49 (54%), SO £1,453.13 (59%)	A Rent 55%, SO 65%	£1,400 (54%)	A Rent 55%, SO 65%	£1,210 (43%)
Construction	£/m2	Median BCIS £959.35	£966	Median BCIS £1,121	Median BCIS £1,087	Median BCIS £1,177	Median BCIS £1,173	Median BCIS £1,160 / £1,316	LQ BCIS
		£9,297,996	£9,366,224						
Externals		15%	13.98%	10%	10%	20%	19.25%	20%	15%
		+ Garages	+ Garages	£7,500/garage	£7,500/garage		£7,500/garage		
Abnormals		£2,984,432	£2,802,092						
		32%	30%	3.20%	3.10%				
Contingency		3%	3%	3%	3%	3%	3%	3%	3%
		5% on abnormals	5% on abnormals						
Fees		7%	5%	6%	6%	8%	8%	8%	7.50%
			7% of abnormals						
s106	£	£210,000	£210,000			£366,415	£586,371	£274,684	£50,000
	£/unit	£1,909	£1,909	£9,493	£5,000	£4,580	£7,330	£7,630	£1,389
Sales		3% + £650	3% + £650	2.5% + £650	2.5% + £650	2.5% + £650	2.5% + £650	3% + £500	3% + £600
Interest		6.50%	6.50%	6.50%	6.50%	6.50%	6%	6.50%	6%
Return		20% / 6%	16.90%	20% / 6%	20% / 6%	17.5 / 6%	16.62%	20% / 6%	20% / 6%
EUV	£/ha	£12,335 to ££24,710	£18,533		£24,710	£24,710	£24,710	£487,288	£677,966
			Agricultural						
BLV	£/ha	£160,600	Shinfield	£190,267	£190,267	10 x EUV		EUV + 20%	

Source: Review of appraisals submitted through Development Management.

3.16 Thirdly, FoDDC also holds evidence of what is being collected from developers under the s106 regime. This is being collected, by the Council, outside this study[19].

Stakeholder Engagement

3.17 The PPG and the CIL Guidance require stakeholder engagement. The preparation of this viability assessment includes specific consultation and engagement with the industry. A pre-consultation draft of this report, and a questionnaire, were circulated to representatives of the main developers, development site landowners, 'call for site' landowners, their agents, planning agents and consultants working in the District and housing providers in June 2020. Comments were invited.

3.18 The pre-consultation draft report set out the evidence as collated by HDH, drawing on a wide range of sources. It was stressed that the responses submitted through the consultation were to be supported by evidence and that comments that simply observe a particular assumption is too low or too high are not helpful to establishing the correct assumption.

3.19 **Appendix 2** includes the details of the consultees, and **Appendix 3** includes the questionnaire.

3.20 The comments of the consultees are reflected throughout this report and the assumptions adjusted where appropriate. The main points from the consultation were:

a) The methodology was appropriate and in line with the guidance.

b) That the base s106 assumption of £3,150/unit may be too low.

c) Some of the value assumptions may be a little high.

d) One consultee[20] did question the time available for the consultation. Whist the time was limited, it was in line with the time provided in other districts and did elicit a strong response. It was also questioned why the consultation was directed at developers and landowners. This approach is in line with paragraph 10-006-20190509 of the PPG[21]. The wider community has scope to comment formally later in the plan making process.

---

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

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

[20] Keith Benton

[21] 10-06-20190509 says '*Plan makers should engage with landowners, developers, and infrastructure and affordable housing providers to secure evidence on costs and values to inform viability assessment at the plan making stage....*'.

e) Several consultees[22] [23] [24] did question the whole plan making process, on the grounds that there was insufficient infrastructure as well as flooding in the area. Likewise, some policy objectives[25] [26] were mentioned. Whilst this is noted, it is important to note that this assessment only considers viability in line with the NPPF and PPG. The Council's wider evidence will consider other factors and inform the future Local Plan.

f) One consultee[27] suggested that further rounds of consultation were undertaken as this report develops. Whilst this is noted, we understand that the Council's wider plan-making programme does not allow for this. There will be further opportunities to comment when this report is published, as the plan-making process continues.

3.21 Bearing in mind the constraints on social contact due to COVID-19, the consultation process has been carried out in accordance with the requirements of the updated PPG, the Harman Guidance and the RICS Guidance.

Viability Process

3.22 The assessment of viability as required under the 2021 NPPF and the CIL Regulations is a quantitative and qualitative process. The updated PPG requires that (at PPG 10-001-20190509) '*...policy requirements should be informed by evidence of infrastructure and affordable housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106*'.

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

---

[22] John Gough

[23] Yvonne Hickman

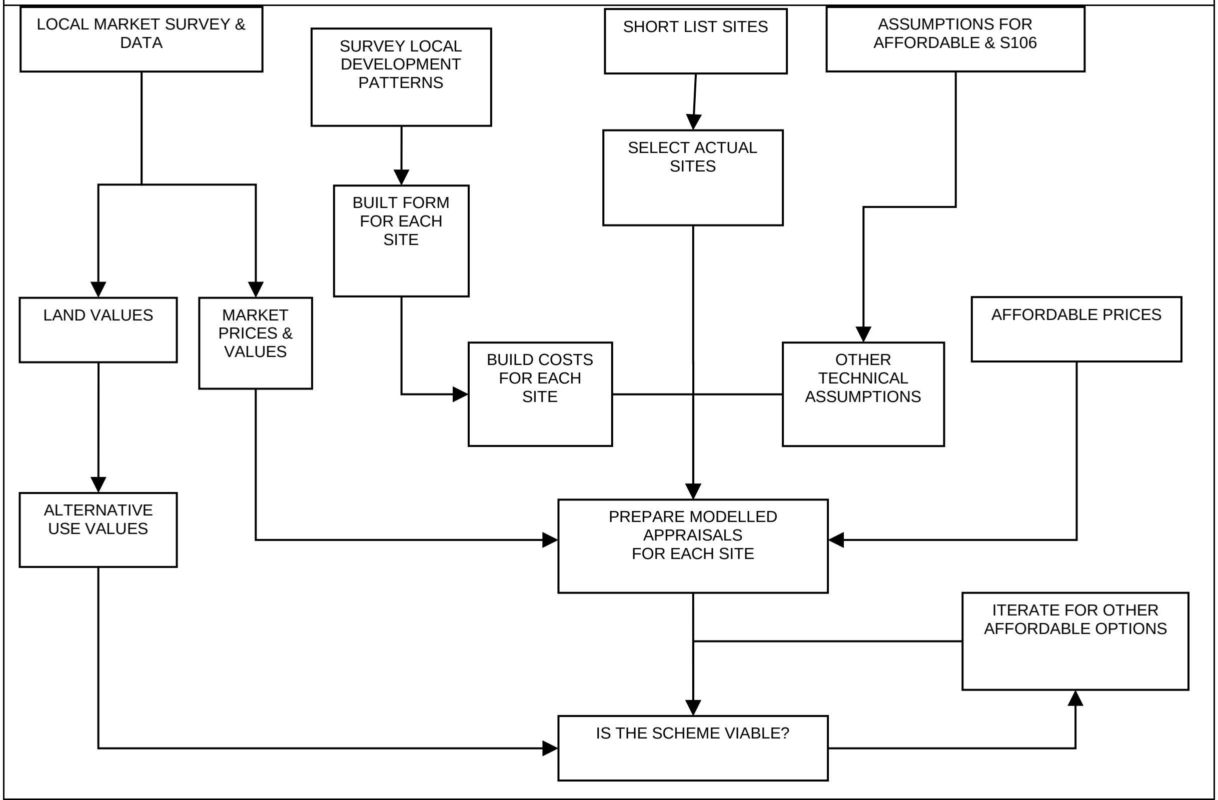
[24] Keith Benton

[25] Alexandra Taylor

[26] Miss G Walker

[27] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Figure 3.1 Viability Methodology



Source: HDH 2020

3.24 In addition to modelling a range of representative sites, three Strategic Sites are modelled individually, whilst a potential new settlement is modelled in two phases.

Table 3.2 Strategic Sites

Site	Location	Dwellings
Newent Expansion	SE of Newent	500
New Settlement ph. 1	Churcham S of A40 north of A48	2,000
New Settlement ph. 2	Churcham S of A40 north of A48	2,000
Beachley Camp	Beachley	600

Source: FoDDC (April 2020)

3.25 It is important to note that, at this stage of the plan-making process, plans have not been worked up. The fact that these sites are tested should not be taken as a confirmation that these sites will be taken forward. The size of the schemes is also subject to change, particularly in relation to the potential new settlement which is evaluated in the context of the general location, rather than being a specific site. The Council is currently considering the requirements for Strategic Infrastructure and mitigation measures. At this stage, an assumption of £10,000/unit has been considered reasonable to use, and this will be kept under review, Sensitivity testing has also been carried out in regards to this assumption.

3.26 The promoter of the Beachley Barracks[28] site noted that the master planning process is ongoing and that the capacity of the site had yet to be settled. It is likely to be in the range of 535 and 798. This is noted, the assumption used is within this range.

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

3.28 The appraisals are based on existing and emerging policy options as summarised in Chapter 8 below. The emerging Plan is still developing, the policies used in this assessment may be subject to further changes and various options are explored. For appropriate sensitivity testing a range of options including different levels of affordable housing provision and different levels of developer contributions are tested. If the Council allocates different types of site, or develop significantly different policies to those tested in this study, it may be necessary to revisit viability and consider the impact of those further requirements.

3.29 A bespoke viability testing model designed and developed by HDH specifically for area wide viability testing as required by the NPPF and CIL Regulations[29] is used. The purpose of the viability model and testing is not to exactly mirror any particular business model used by those companies, organisations or people involved in property development. The purpose is to capture the generality and to provide high level advice to assist FoDDC in assessing the deliverability of the Local Plan and to assist the Council in in setting CIL.

Additional Profit

3.30 To assess whether or not a contribution to CIL can be made, a calculation needs to be undertaken to establish the Additional Profit. Additional Profit is the amount of profit over and above the normal profit made by developers having purchased the land (existing land value plus uplift), developed the site, and sold the units (including providing any affordable housing that is required). The approach to calculating additional profit is to complete the appraisal using the same base cost and price figures and other financial assumptions as used to establish the Residual Value. Instead of calculating the Residual Value, the cost of the land

[28] Pete Stockall, Avision Young, for DIO re Beachley Barracks.

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

(the Benchmark Land Value as EUV +) is incorporated into the cost side of the appraisal to show the resulting profit (or loss).

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

Gross Development Value
(The combined value of the complete development
including x% affordable housing)

LESS

Cost of creating the asset, including a profit margin
(land* + construction + fees + finance charges + developers' profit)
=

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

4. Residential Market

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

4.2 The data in this chapter was updated in January 2021. Where possible this includes the period of the COVID-19 'lockdowns'.

Forest of Dean's Residential Market

4.3 The FoDDC area is to the west of the River Severn and the East of the River Wye, making up the western parts of Gloucestershire. It is essentially a deeply rural area, but parts have an industrial heritage.

a. The District takes its name from the forest which is one of the largest surviving ancient forests in England.

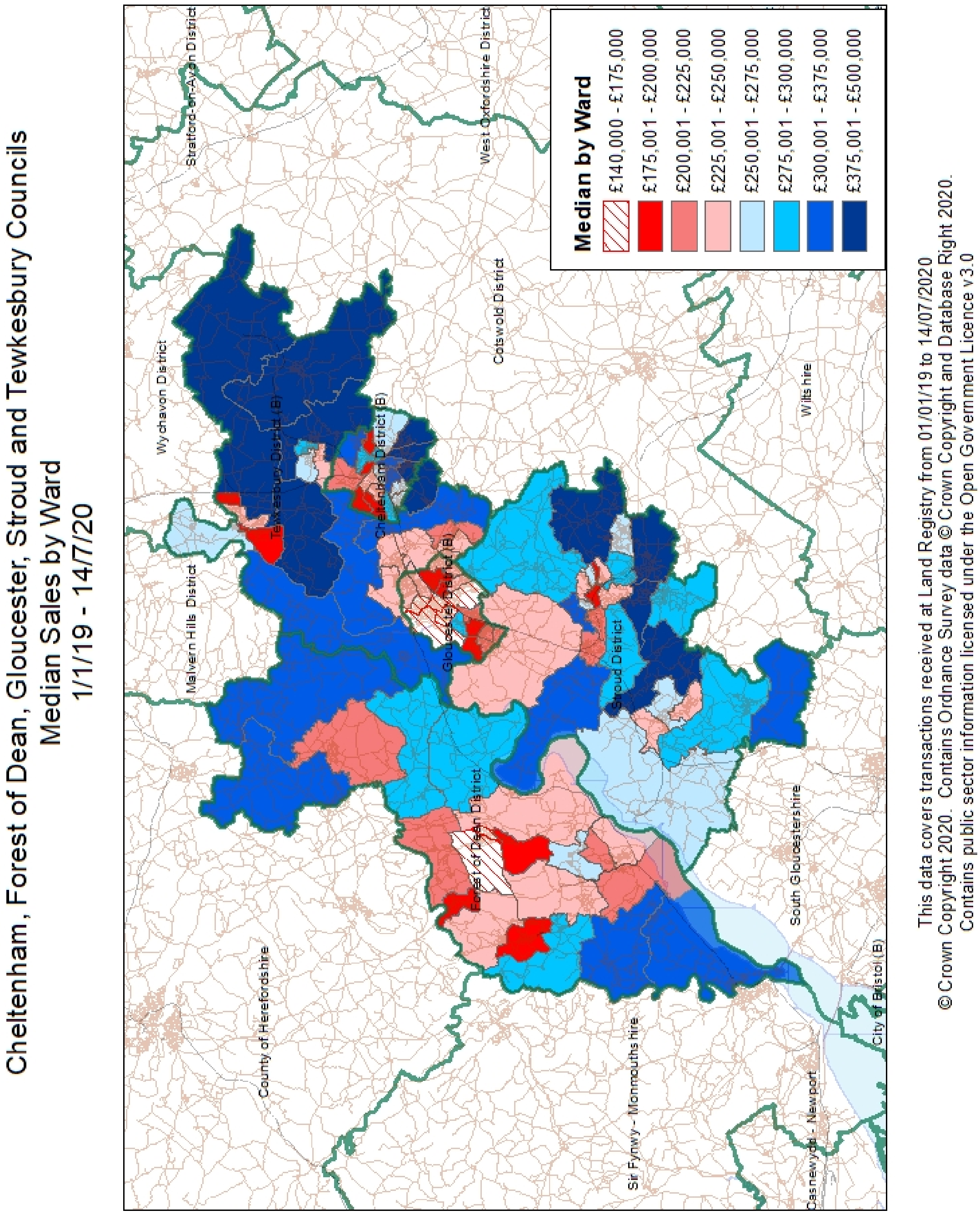
b. Economically, the area developed through charcoal production before becoming an early centre for iron production. In the early 19th Century, the Forest of Dean Coalfield was developed, largely to fuel the iron production and was the principle economic activity in the area. About half of the male working population was employed in mining in 1945. The decline of the mining industry was rapid with the last mine closing in 1965. Parts of the District still show signs of the decline of the coal industry.

c. The District is relatively remote from major economic centres, forming part of the Welsh border. It does however benefit from good transport connections with the M50 running across the north of the District and good access to the M48 (and to the M4) and Severn Bridge in the extreme south. East / west movement is served by the A40 and A48. Both are major main roads, but are mostly single carriageway.

d. The main settlements in the south of the District are Coleford, Cinderford and Lydney. Only Lydney benefits from a train station.

4.4 The values in the Forest of Dean are less than across much of Gloucestershire. Overall, the market is perceived to be mixed and whilst most places are seen as a desirable place to develop housing, certain areas (principally Cinderford) are challenging.

Figure 4.1 Median House Prices by Ward

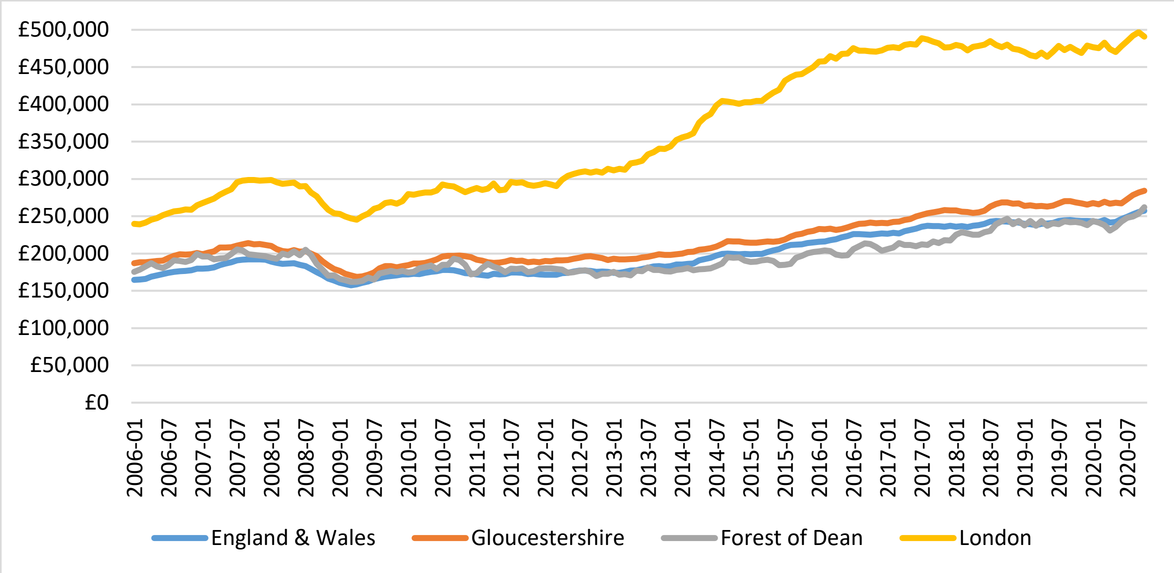


Source: HDH based on Land Registry Price Paid Data (February 2020). Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

National Trends and the relationship with the wider area

4.5 The housing market peaked late in 2007 (see the following graph) and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'.

Figure 4.2 Average House Prices (£)



Source: Land Registry (January 2021). Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

4.6 Average house prices across England and Wales have recovered to their 2007 pre-recession peak, this is strongly influenced by London. Prices in the FoDDC area are now 28% above their 2007 peak, which is somewhat less than in England and Wales where the increase is 35% and Gloucestershire where the increase is 35%. In part, the increase seen across England and Wales is driven by London, where the increase is 66%[30].

4.7 Up to the 2008 pre-recession peak of the market, the long-term rise in house prices had, at least in part, been enabled by the ready availability of credit to home buyers. Prior to the increase in prices, mortgages were largely funded by the banks and building societies through deposits taken from savers. During a process that became common in the 1990s, but took off in the early part of the 21st Century, many financial institutions changed their business model whereby, rather than lending money to mortgagees that they had collected through deposits, they entered into complex financial instruments and engineering through which, amongst other things, they borrowed money in the international money markets, to then lend on at a margin

30

	England & Wales	Gloucestershire	Forest of Dean	London
2007-07	£190,824	£210,515	£205,430	£295,694
2020-10	£257,321	£284,156	£262,069	£490,936
	£66,497	£73,641	£56,639	£195,242
	35%	35%	28%	66%

or profit. They also 'sold' portfolios of mortgages that they had granted. These portfolios also became the basis of complex financial instruments (mortgage-backed securities and derivatives etc.).

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

4.9 It is important to note that, at the time of this report, the housing market is actively supported by the Government though products and initiatives such as Help-to-Buy and the Stamp Duty holiday (although this will come to an end at the end of September 2021). In addition, the historically low Bank of England's base rates, since the recession, have contributed to the wider economic recovery, including a rise in house prices.

4.10 There is a degree of uncertainty in the housing market as reported by the RICS. The March 2020 RICS UK Residential Market Survey[31] said:

> *Unfortunately, having started the year showing a marked pick-up in momentum, sentiment across the UK housing market predictably deteriorated sharply in March as highlighted by the latest RICS UK Residential Survey results. Government measures introduced to combat the spread of the coronavirus have required estate agents to close their offices, meaning much activity has effectively been frozen over the coming months. The situation is evolving rapidly, and it remains unclear how long such restrictions will remain in place. However, as is the case across many sectors of the UK economy, these closures are going to take a significant toll on the outlook for the market this year.*
>
> *In terms of new buyer demand, a run of three successive monthly increases was brought to an abrupt end, with a net balance of -74% of respondents across the UK as a whole reporting a fall in enquiries during March. Likewise, the uptick in sales volumes that had been seen since December 2019 went into reverse, evidenced by a headline net balance of -69% of survey participants noting a decline over the month. Unsurprisingly, sales fell across all parts of the UK when compared with February.*
>
> *Looking ahead, near term sales expectations are of course deeply negative following the government's lockdown measures, with the latest net balance of -92% representing the weakest figure since the inception of this series back in 1998. At the twelve month horizon, sales expectations are a little less downbeat, albeit a still sizeable net balance of -42% of contributors expect sales to be down over the year ahead...*

4.11 When ranked across England and Wales, the average house price for FoDDC is 179th (out of 336) at about £254,738[32]. To set this in context, the Council at the middle of the rank (168 –

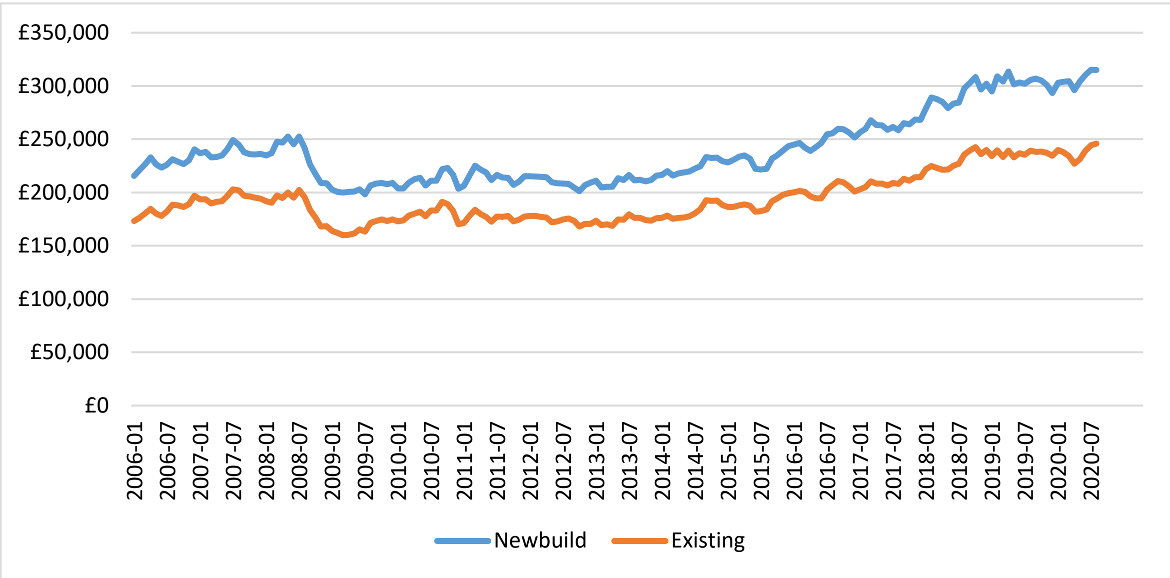
[31] https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/

[32] Mean house prices for administrative geographies: HPSSA dataset 12 (Release 9th December 2021).

Cornwall), has an average price of £273,164. FoDDC's median price is a little lower than the mean at £228,000[33].

4.12 The figure above shows that prices in the FoDDC area have seen a significant recovery since the bottom of the market in mid-2009. A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes (£315,041) is about 28% higher than the average price paid for existing homes (£245,896).

Figure 4.3 Change in House Prices. Existing v Newbuild – FoDDC



Source: Land Registry (January 2021) Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

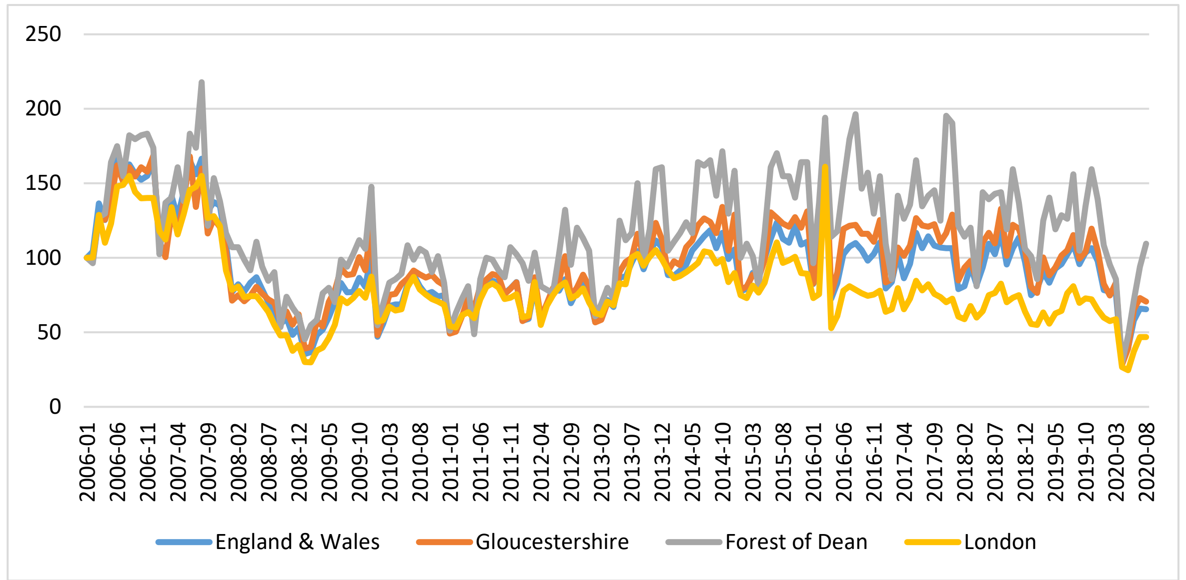
4.13 Through the 2020 viability consultation it was suggested[34] that the above data, and the increase in newbuild values, are not representative because newbuild properties are different to existing properties. The data is as provided by the Land Registry so we consider it to be reliable, and can be given weight. Newbuild homes are, of course, different to existing homes, they are likely to be in prime condition (being new) and are designed to appeal to the current market (as developers design their products to appeal to current buyers).

4.14 The rate of sales (i.e. sales per month) in the FoDDC area is a little greater than the wider country, underlining the fact that the local market is an active market. The data shows a significant return in sales rates following the first COVID-19 lockdown.

[33] Median house prices for administrative geographies: HPSSA dataset 9 (Release 9th December 2021)

[34] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Figure 4.4 Sales per Quarter – Indexed to January 2006



Source: Land Registry (January 2021) Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

4.15 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK economy is in a period of uncertainty. A further uncertainty is around the coronavirus pandemic. COVID-19 was first reported in China, in December 2019 and was declared a pandemic in March 2020. It is too early to predict what the impact on the economy, and therefore house prices, may be.

a. World stock markets fell substantially, and to a large extent, have recovered.

b. The Government imposed restrictions on movement and implemented guidance on social distancing. Nearly all construction sites were closed, or at least slowed down very substantially, although these are largely open again.

c. The Government paused house moves, and sales, although these have now resumed.

4.16 There are real material uncertainties around the values of property that are a direct result of the COVID-19 pandemic. There has been mixed feedback about the property market. There is anecdotal evidence of an increased demand for larger units (with space for working from home) and with private outdoor space. Conversely, employees in some sectors that have been particularly affected by the coronavirus and the Government's restrictions, have found their ability to secure a loan restricted.

4.17 At the time of this update there is no statistical evidence of a fall in house prices, indeed house prices have increased by over 10% over the last year or so. The economy is in a period of uncertainly and, whilst it is not the purpose of this assessment to forecast of how house prices and values may change in the future, it is necessary to set the report in the wider context and provide sensitivity testing. HM Treasury brings together some of the forecasts in its monthly *Forecasts for the UK economy: a comparison of independent forecasts* report.

Table 4.1 Consolidated House Price Forecasts

House price inflation (annual average, %)										Output gap (% of GDP)				
2020	2021	2022	2023	2024						2020	2021	2022	2023	2024
							City forecasters							
-	-	-	-	-	Aug	*	Bloomberg Economics	*	Aug	-	-	-	-	-
-3.0	3.0	2.0	-	-	May		Capital Economics		May	-	-	-	-	-
-	-	-	-	-	May		CEBR		May	-	-	-	-	-
-	-	-	-	-	May		Citigroup		May	-	-	-	-	-
0.6	-3.2	1.6	4.3	3.4	Aug	*	Commerzbank	*	Aug	-4.8	-2.3	-1.2	-1.1	-0.9
1.0	1.5	3.0	3.5	3.5	Aug	*	EY ITEM Club	*	Aug	-	-	-	-	-
-	-	-	-	-	Aug	*	Natwest Markets	*	Aug	-	-	-	-	-
							Non-City forecasters							
-2.9	7.0	18.3	5.6	-6.2	Aug	*	Beacon Economic Forecasting	*	Aug	-	-	-	-	-
-5.0	0.5	1.5	2.0	2.0	May		EIU		May	-4.4	-3.0	-2.4	-1.8	-1.5
-	-	-	-	-	Aug	*	Kern Consulting	*	Aug	-	-	-	-	-
-	-	-	-	-	May		Liverpool Macro Research		May	-	-	-	-	-
0.3	-5.3	0.7	4.7	5.0	Aug	*	Oxford Economics	*	Aug	-6.1	-3.3	-1.4	-0.7	-0.3
-1.5	0.6	4.5	4.0	1.5			Independent average			-5.1	-2.9	-1.7	-1.2	-0.9
-0.2	0.0	5.9	4.5	1.4			New forecasts			-5.5	-2.8	-1.3	-0.9	-0.6
1.0	7.0	18.3	5.6	5.0			Highest			-4.4	-2.3	-1.2	-0.7	-0.3
-5.0	-5.3	0.7	2.0	-6.2			Lowest			-6.1	-3.3	-2.4	-1.8	-1.5
-0.7	-3.8	9.6	7.8	6.1			OBR - central economic scenario							

Source: *Forecasts for the UK economy: a comparison of independent forecasts No 397* (HM Treasury, August 2020. Table M9: Medium-term forecasts for house price inflation and the output gap

4.18 In the pre-consultation draft of this report we noted that the expectation is that, generally, house prices will return to growth relatively quickly. This presumption was challenged[35]. It is not the purpose of this report to provide economic forecasts, it is however useful to draw on those provided by some of the leading forecasting organisations in the country.

4.19 Property agents Savills was predicting the following changes in price (although it is important to note that these were published before the coronavirus pandemic):

Table 4.2 Savills Autumn 2019 Property Price Forecasts

	2020	2021	2022	2023	2024	5 Year
Mainstream UK	1.0%	4.5%	3.0%	3.0%	3.0%	15.3%
South West	0.5%	4.0%	3.0%	2.5%	2.5%	13.1%
Prime Wider South	1.0%	4.0%	4.0%	3.5%	3.0%	16.5%

Source: Residential Property Forecasts (Savills, Autumn 2019) & https://www.savills.co.uk/insight-and-opinion/research-consultancy/residential-market-forecasts.aspx

4.20 These have now been updated as follows:

Table 4.3 Savills June 2020 Property Price Forecasts

	2020	2021	2022	2023	2024	5 Year
Mainstream UK	-7.5%	5.0%	8.0%	5.0%	4.5%	15.1%
South West	-7.5%	3.0%	8.0%	5.5%	4.5%	12.9%

Source: UK Residential – August 2020 UK Housing Market Update[36]

4.21 In this context it is notable that house prices have increased significantly over the last year. Halifax, in its most recent House Price Index Report[37] said:

a. On a monthly basis, house prices in November were 1.2% higher than in October.

b. In the latest quarter (September to November) house prices were 3.8% higher than in the preceding three months (June to August).

c. House prices in November were 7.6% higher than in the same month a year earlier – the strongest growth since June 2016.

4.22 Similarly, Nationwide, in its House Price Index[38] said:

a. Annual house price growth rose to a six-year high of 7.3% at the end of 2020.

b. Prices up 0.8% month-on-month, after taking account of seasonal factors.

[35] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[36] https://research.euro.savills.co.uk/united-kingdom/to-publish/pdfs/uk-housing-market-update-aug-2020.pdf

[37] Press Release Title (halifax.co.uk)

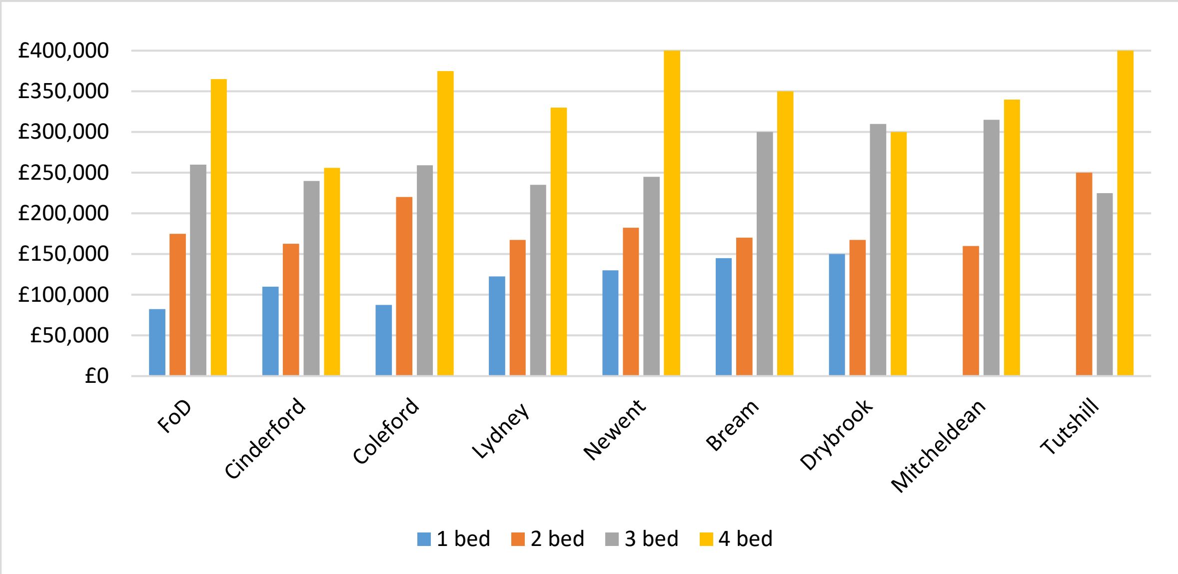
[38] December & Q4 2020 House Price Release | Nationwide

c. All regions saw a pickup in house price growth rates in Q4.

The Local Market

4.23 A survey of asking prices across the FoDDC area was carried out in February 2020. Through using online tools such as rightmove.co.uk and zoopla.co.uk median asking prices were estimated.

Figure 4.5 Median Asking Prices (£)

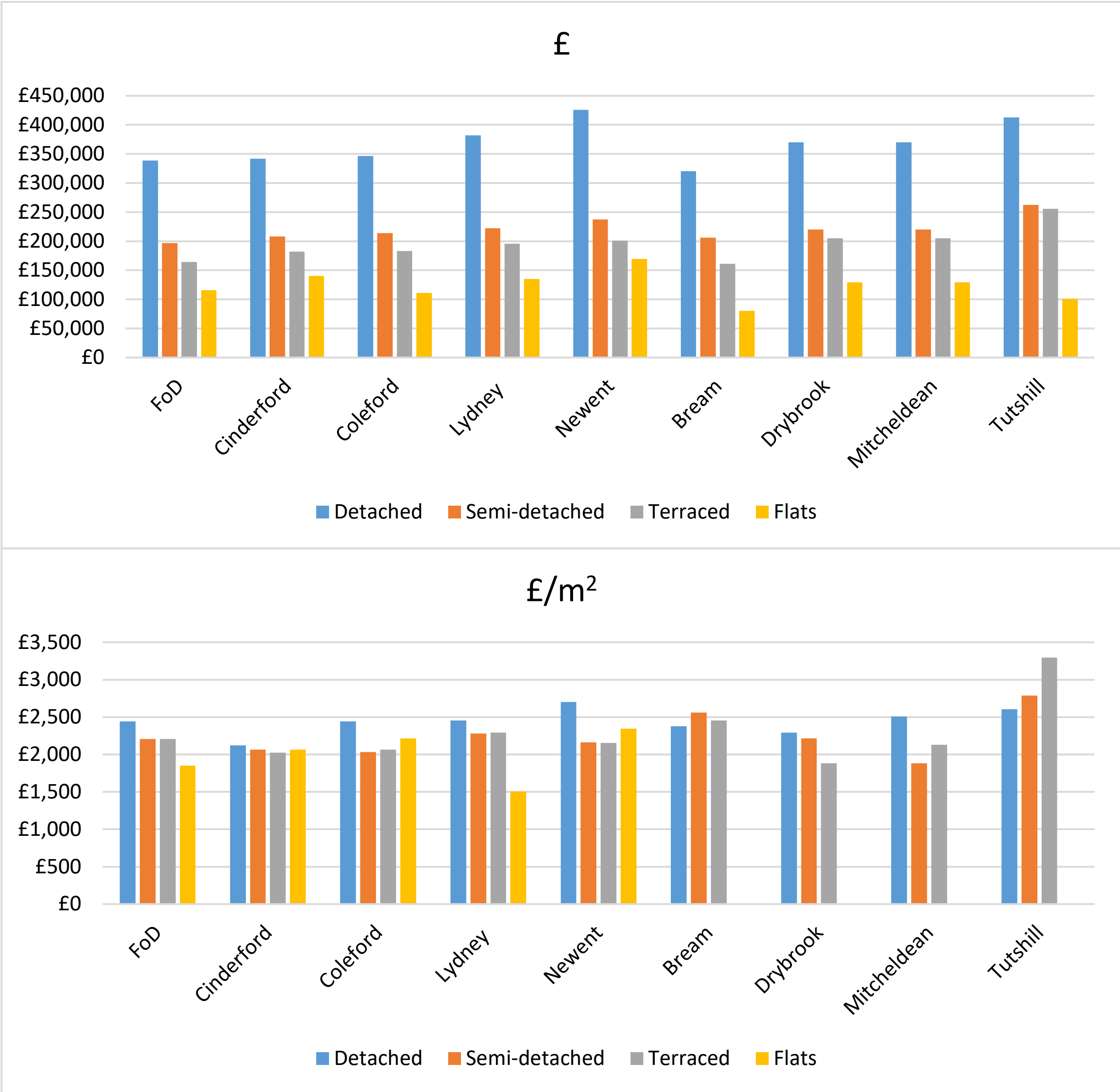


Source: Rightmove.co.uk (February 2020)

4.24 Through the 2020 viability consultation, it was noted[39] that the data behind the above was not presented in full. It is not considered appropriate to include it in full here (it would add over 100 pages to the report).

[39] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Figure 4.6 Values (£/m²)



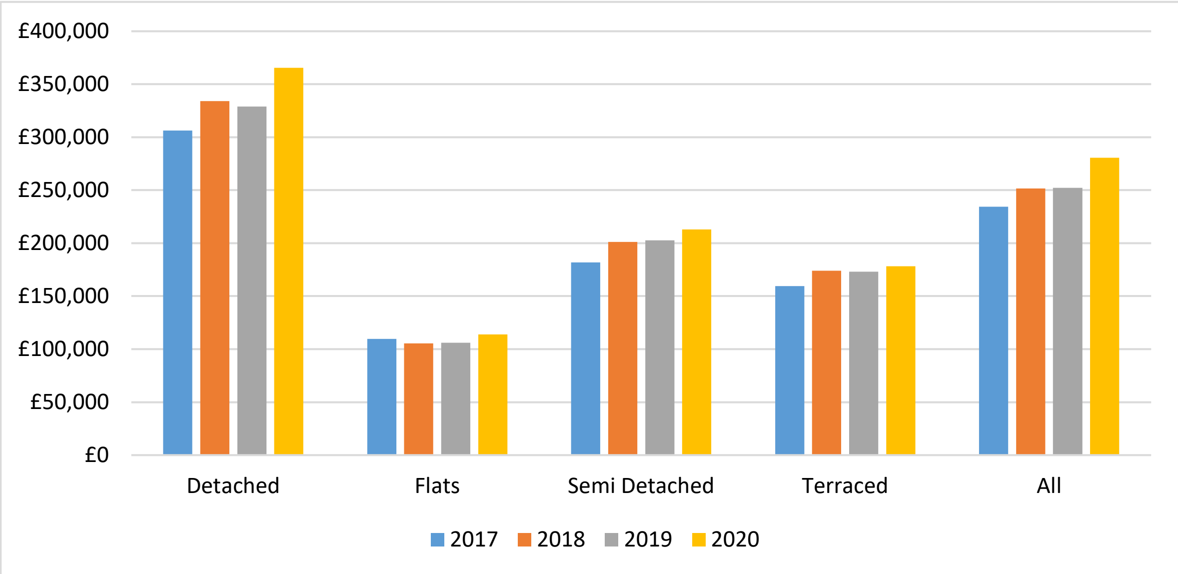
Source: Zoopla.co.uk (January 2021)

4.25 The Land Registry publishes data of all homes sold. Across the FoDDC area 4,824 home sales are recorded since the start of 2017[40]. These transactions (as recorded by the Land Registry) are summarised as follows.

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

Table 4.4 Land Registry Price Paid Data

Sample Size					
	Detached	**Flats**	**Semi Detached**	**Terraced**	**All**
2017	705	66	408	282	**1,461**
2018	613	64	429	253	**1,359**
2019	633	66	377	259	**1,335**
2020	533	43	303	172	**1,051**
All	**2,484**	**239**	**1,517**	**966**	**5,206**
Average Price Paid					
	Detached	**Flats**	**Semi Detached**	**Terraced**	**All**
2017	£306,366	£109,810	£181,807	£159,492	**£234,353**
2018	£334,137	£105,545	£201,074	£173,969	**£251,549**
2019	£329,040	£106,052	£202,801	£172,986	**£252,091**
2020	£365,442	£113,813	£213,108	£178,153	**£280,579**



Source: Land Registry Data (January 2021). Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

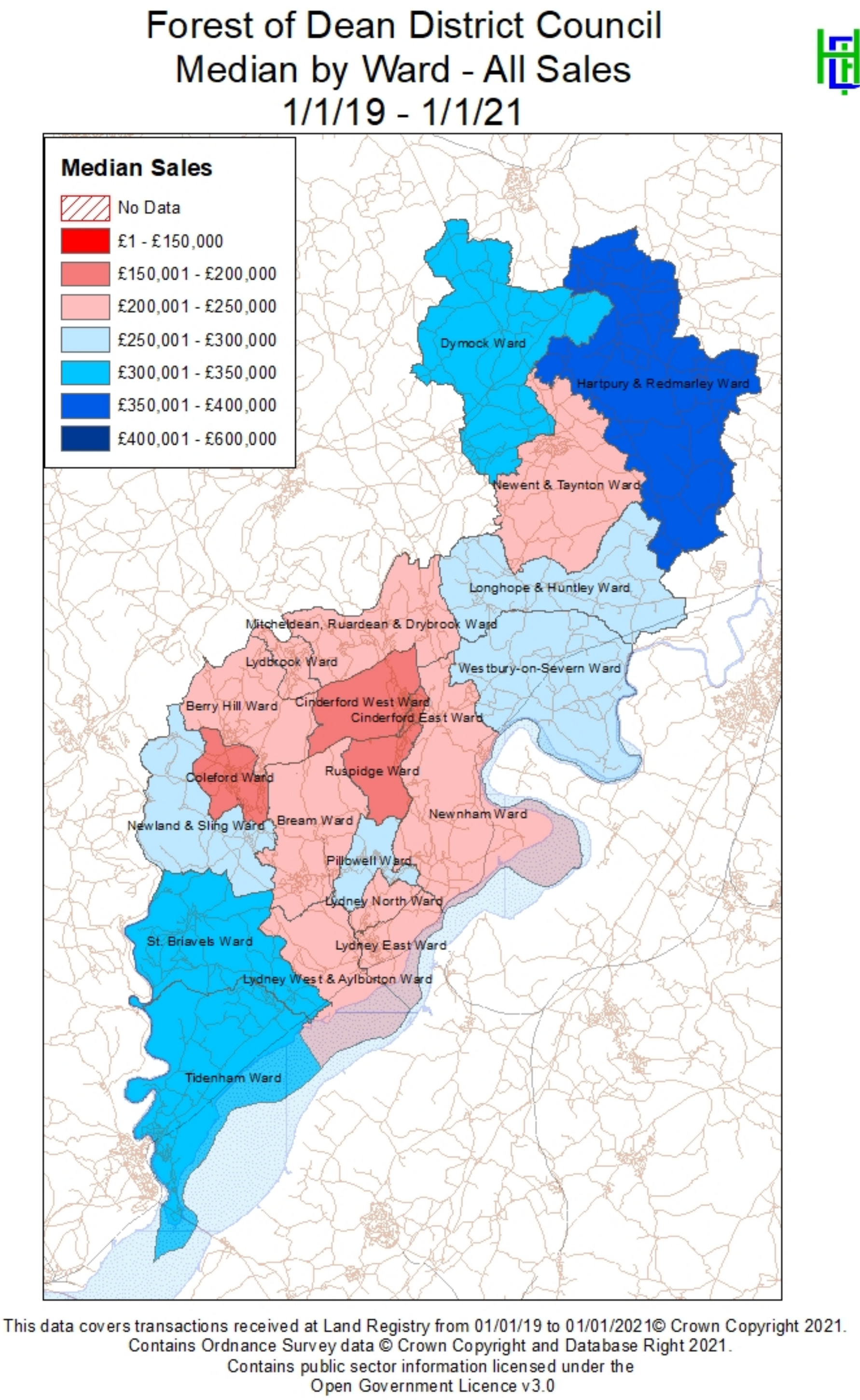
4.26 Across the area, whilst different types of dwelling have significantly different values, the variations by location are relatively limited.

Table 4.5 Land Registry Price Paid Data – by Town. 2019 and 2020						
		Detached	Flats	Semi-detached	Terraced	All
BLAKENEY	Count	12	0	7	9	28
	Average £	£422,208		£209,750	£152,717	£282,471
CHEPSTOW	Count	127	5	40	17	189
	Average £	£435,198	£112,690	£259,871	£207,324	£369,063
CINDERFORD	Count	104	17	120	120	361
	Average £	£253,628	£102,382	£178,955	£153,544	£188,415
COLEFORD	Count	179	21	129	60	389
	Average £	£313,774	£88,569	£188,432	£166,228	£237,293
DRYBROOK	Count	31	0	15	4	50
	Average £	£313,306		£205,733	£200,499	£272,010
DYMOCK	Count	16	1	7	5	29
	Average £	£435,219	£125,000	£262,571	£282,600	£356,534
GLOUCESTER	Count	89	0	29	11	129
	Average £	£439,633		£270,167	£221,268	£382,915
LEDBURY	Count	7	0	3	0	10
	Average £	£409,857		£279,500		£370,750
LONGHOPE	Count	44	0	6	6	56
	Average £	£404,773		£218,833	£188,167	£361,643
LYDBROOK	Count	30	3	23	5	61
	Average £	£323,437	£76,667	£193,015	£183,200	£250,630
LYDNEY	Count	354	40	194	96	684
	Average £	£320,272	£112,136	£214,108	£172,776	£257,288
MITCHELDEAN	Count	25	4	30	16	75
	Average £	£282,180	£74,375	£179,135	£180,375	£208,161
MONMOUTH	Count	6	1	3	7	17
	Average £	£444,583	£339,500	£185,917	£178,250	£283,088
NEWENT	Count	86	13	51	52	202
	Average £	£343,013	£140,231	£228,813	£185,897	£260,684
NEWNHAM	Count	24	4	9	14	51
	Average £	£463,938	£107,250	£240,333	£228,214	£331,794
ROSS-ON-WYE	Count	6	0	0	0	6
	Average £	£403,417				£403,417
RUARDEAN	Count	21	0	11	7	39
	Average £	£293,119		£191,045	£190,143	£245,846
WESTBURY-ON-SEVERN	Count	5	0	3	2	10
	Average £	£338,000		£209,983	£270,500	£286,095
ALL	Count	1,166	109	680	431	2,386
	Average £	**£345,680**	**£109,113**	**£207,394**	**£175,048**	**£264,639**

Source: Land Registry Data (January 2021). Contains HM Land Registry data © Crown copyright right 2021. This data is licensed under the Open Government Licence v3.0

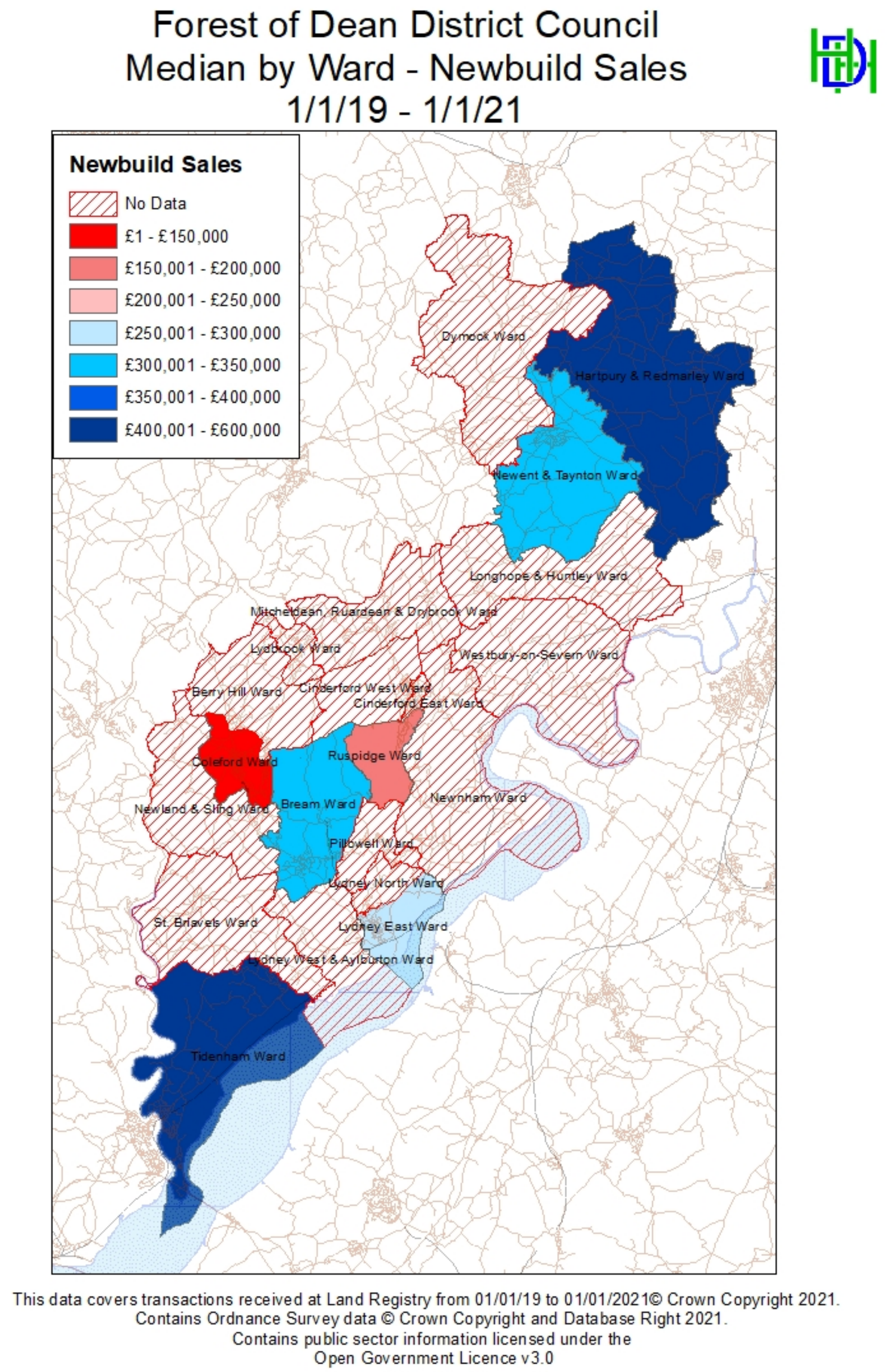
4.27 The geographical differences in prices are illustrated in the following maps showing the median price by ward, the first being for all properties and the second just for newbuild.

Figure 4.7 Median Prices – All Properties



Source: HDH based on Land Registry Price Paid Data (January 2021). Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

Figure 4.8 Median Prices – Newbuild Properties



Source: HDH based on Land Registry Price Paid Data (January 2021). Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

4.28 Further maps are included within **Appendix 4** that show the median prices by ward by house type (detached, semi-detached, terraced, flats). The general pattern of larger houses in the rural areas, compared to smaller homes in the towns is, at least in part, the reason for the higher values in the more rural areas. Through the 2020 viability consultation it was noted[41] that the data behind the above plans was not presented in full. The data is Land Registry data[42], and it is not considered appropriate to include it in full here (it would add over 200 pages to the report). It was also requested[43] that the data be presented as a heat map, it is not clear how this would assist the understanding of the data.

Newbuild Sales Prices

4.29 This study is concerned with the development of residential property so the key input for the appraisals is the price of new units. Recent newbuild sales prices from the Land Registry have been reviewed and a survey of new homes for sale during February 2020 was carried out.

4.30 Across the FoDDC area, 313 newbuild home sales are recorded by the Land Registry since the start of 2017[44]. These transactions are summarised, as follows, and listed in **Appendix 5**.

4.31 Each dwelling sold requires an Energy Performance Certificate (EPC)[45]. The EPC contains the floor area (the Gross Internal Area – GIA) as well as a wide range of other information about the construction and energy performance of the building. This information is also included in **Appendix 5**. The EPC certificate is available for 308 of the sales. The price paid data from the Land Registry has been married with the floor area from the EPC Register to derive the value on a £/m^2 basis[46]. The Land Registry data can be broken down by house type and is presented by 'post town'. The data can be summarised as follows:

[41] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[42] Available at HM Land Registry house price data.

[43] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

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

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

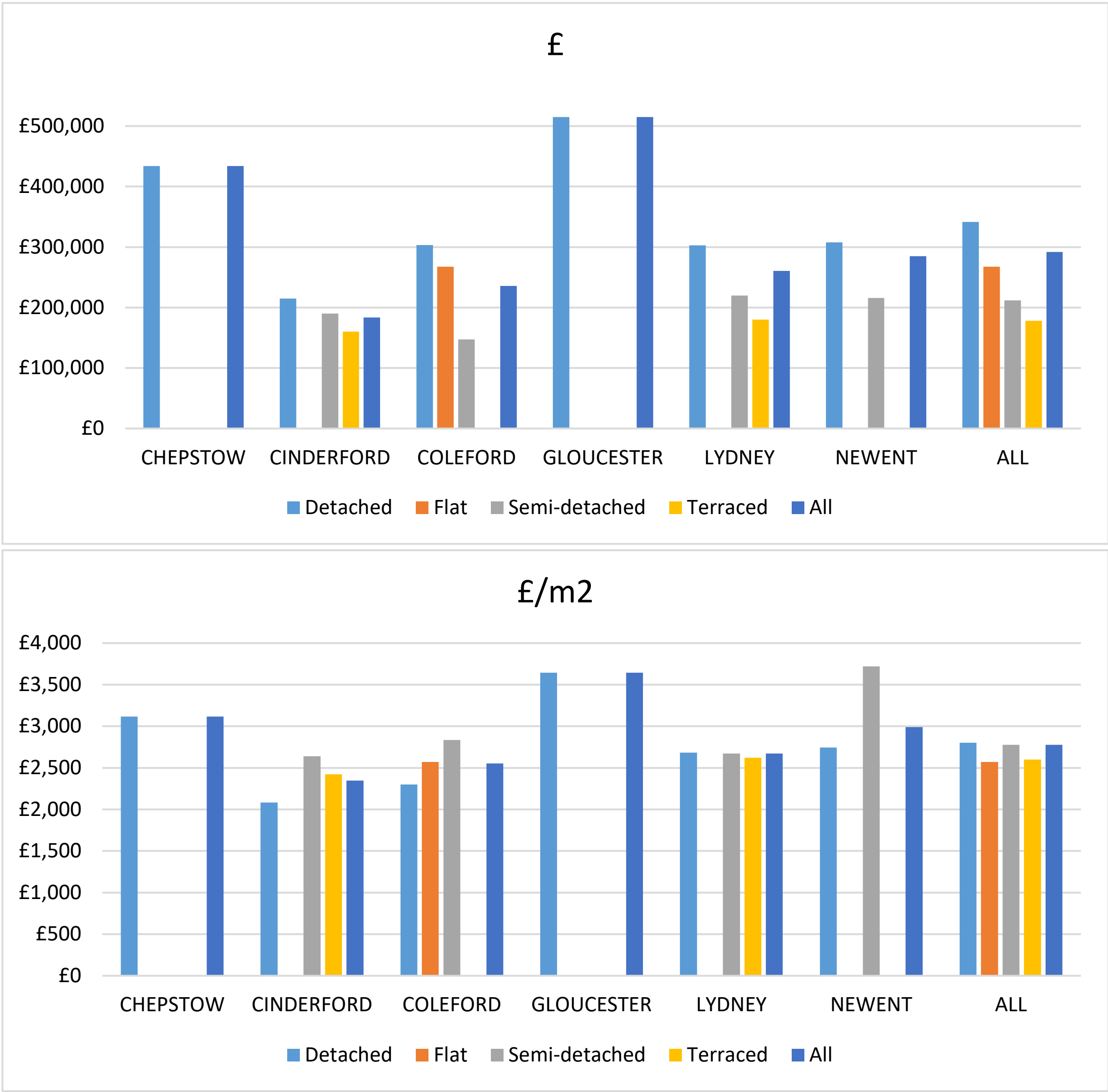
[46] Price paid ÷ internal area = £/m^2

Table 4.6 Prices Paid – Newbuild Homes from January 2018

	Detached			Flat			Semi-detached			Terraced			ALL		
	Count	Average £	Average £/m2	Count	Average £	Average £/m2	Count	Average £	Average £/m2	Count	Average £	Average £/m2	Count	Average £	Average £/m2
2018, 2019, 2020															
CHEPSTOW	44	£434,141	£3,116	0			0			0			44	£434,141	£3,116
CINDERFORD	2	£215,000	£2,082	0			1	£189,950	£2,638	3	£160,000	£2,424	6	£183,325	£2,346
COLEFORD	10	£303,295	£2,299	1	£267,500	£2,572	8	£147,500	£2,837	0			19	£235,813	£2,553
GLOUCESTER	9	£514,711	£3,643	0			0			0			9	£514,711	£3,643
LYDNEY	111	£302,599	£2,684	0			66	£219,711	£2,671	25	£180,220	£2,622	202	£260,370	£2,672
NEWENT	21	£307,710	£2,746	0	£0		7	£216,071	£3,718	0	£0	£0	28	£284,800	£2,989
ALL	**197**	**£341,360**	**£2,804**	**1**	**£267,500**	**£2,572**	**82**	**£211,992**	**£2,776**	**28**	**£178,054**	**£2,600**	**308**	**£291,832**	**£2,777**
2018															
CHEPSTOW	2	£427,475	£3,166	0			0			0			2	£427,475	£3,166
CINDERFORD	0			0			1	£189,950	£2,638	1	£160,000	£2,424	2	£174,975	£2,531
COLEFORD	10	£303,295	£2,299	1	£267,500	£2,572	4	£145,000	£2,788	0			15	£258,697	£2,458
GLOUCESTER	1	£590,000		0			0			0			1	£590,000	
LYDNEY	29	£313,578	£2,713	0			18	£227,060	£2,574	2	£180,495	£2,600	49	£276,364	£2,657
NEWENT	9	£241,829	£2,345	0			7	£216,071	£3,718	0			16	£230,560	£2,946
ALL	**51**	**£308,787**	**£2,588**	**1**	**£267,500**	**£2,572**	**30**	**£212,318**	**£2,872**	**3**	**£173,663**	**£2,542**	**85**	**£269,484**	**£2,688**
2019															
CHEPSTOW	33	£437,372	£3,114	0			0			0			33	£437,372	£3,114
CINDERFORD	2	£215,000	£2,082	0			0			1	£160,000	£2,424	3	£196,667	£2,196
COLEFORD	0			0			4	£150,000	£2,885	0			4	£150,000	£2,885
GLOUCESTER	6	£566,233	£3,745	0			0			0			6	£566,233	£3,745
LYDNEY	62	£299,528	£2,641	0			38	£216,930	£2,804	18	£183,551	£2,659	118	£255,238	£2,696
NEWENT	7	£354,138	£3,230	0			0			0			7	£354,138	£3,230
ALL	**110**	**£357,367**	**£2,871**	0			**42**	**£210,556**	**£2,812**	**19**	**£182,311**	**£2,647**	**171**	**£301,858**	**£2,831**
2020															
CHEPSTOW	9	£423,774	£3,109	0			0			0			9	£423,774	£3,109
CINDERFORD	0			0			0			1	£160,000	£2,424	1	£160,000	£2,424
COLEFORD	0			0			0			0			0		
GLOUCESTER	2	£322,500	£3,338	0			0			0			2	£322,500	£3,338
LYDNEY	20	£296,195	£2,778	0			10	£217,047		5	£168,120		35	£255,285	£2,613
NEWENT	5	£361,297	£2,791	0			0			0			5	£361,297	£2,791
ALL	**36**	**£338,593**	**£2,894**	**0**			**10**	**£217,047**		**6**	**£166,767**	**£2,484**	**52**	**£295,393**	**£2,740**

Source: HDH based on Land Registry Price Paid Data (January 2021) and EPC Register. Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

Figure 4.9 Average Price Paid, Newbuild, 2018 to 2020



Source: HDH based on Land Registry Price Paid Data (January 2021) and EPC Register. Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

4.32 The average Newbuild price paid in 2019 is £2,831/m^2 and in 2020 £2,740/m^2. Care should be taken when considering the disaggregated data as some of the sample sizes are small. Across the FoDDC area, flats are somewhat less expensive than houses. Through the 2020 viability consultation a representative of a housebuilder[47] noted as follows:

> *... the newbuild sales data in Appendix 6 of the draft LPEVA is sorted based on low to high £ per Sqm. This process reveals, for example, that 'Lydney' has newbuild sales for detached homes both at the highest and the lowest end of the value range (i.e. with values at £1,985 and £3,614) suggesting different markets and / or specification homes within this single location*

[47] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

category. A similar issue applies to 'Newent' with values at £2,168 and £4,035. It is also apparent that the data sample for certain locations such as Cinderford and Gloucester is extremely small for the whole of the 2017 to 2019 period referred to in the draft LPEVA (with just 9 and 8 transactions respectively) – see Table 4.4d. The previous tables (4.4a to 4.4c) which break the data down by year have even smaller samples.

4.33 Prices will vary from unit to unit with each actual schemes and from scheme to scheme. This is anticipated within the updated PPG, which specifies the use of average values (paragraph 10-004-20190509 and 10-011-20180724) and typologies (paragraph 10-002-20180724).

4.34 During the course of the research, sales offices and agents were contacted to enquire about the price achieved relative to the asking prices, and the incentives available to buyers. In most cases the feedback was that the units were 'realistically priced' or that as there is strong demand, significant discounts are not available. When pressed, it appeared that the discounts and incentives offered are typically between 1% and 2% of the asking prices. It would be prudent to assume that prices achieved, net of incentives offered to buyers, are 2% less than the above asking prices.

4.35 Through the 2020 viability consultation, a representative of a housebuilder[48] commented that incentives are likely to vary, with specific reference being made to the developers bearing stamp duty[49]. This is agreed, although we have been unable to find any evidence of developers bearing more than the lower band.

4.36 The above data does show variance across the area, however it is necessary to consider the reason for that variance. The principal driver of the differences is the situation rather than the location of a site. The small sample size and very local matters to make picking out a particular pattern challenging. Based on the existing data, the value will be more strongly influenced by the specific site characteristics, the immediate neighbours and the environment, rather than in which particular ward or postcode sector the scheme is located. Having said this, values along the Severn Estuary tend to be higher than those further west, possibly due to the access to the transport network, and the areas closest to the Severn Bridge/M4 in the southwest of the District, and the areas in the northeast, closest to Gloucester, have the highest values.

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[48] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[49] The relevant rates at the time of this report are (from [Stamp Duty Land Tax: Residential property rates - GOV.UK (www.gov.uk)](www.gov.uk)):

Rates from 1 July 2021 to 30 September 2021

Property or lease premium or transfer value	**SDLT rate**
Up to £250,000	Zero
The next £675,000 (the portion from £25,001 to £925,000)	5%
The next £250,001 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

Rates from 1 October 2021

Property or lease premium or transfer value	**SDLT rate**
Up to £125,000	Zero
The next £125,000 (the portion from £125,001 to £250,000)	2%
The next £675,000 (the portion from £250,001 to £925,000)	5%
The next £575,000 (the portion from £925,001 to £1.5 million)	10%
The remaining amount (the portion above £1.5 million)	12%

4.37 At the time of this research (February 2020) there were 30 or so newbuild houses and no newbuild flats being advertised for sale in the FoDDC area, although on some of these, construction had yet to start. The analysis of these shows that asking prices for newbuild homes vary very considerably, starting at £160,000 and going up to £650,000. The average is just under £350,000. These are summarised in the following table and set out in detail in **Appendix 6**. When considered on a £/m^2 basis the average asking price for dwellings is a little over £2,900/m^2.

Table 4.7 Average Newbuild Asking Prices

£	2 Beds	3 Beds	4 Beds	5 Beds	OVERALL
Berry Hill			£359,950		£359,950
Bream			£492,500		£492,500
Cinderford	£162,500				£162,500
Coleford	£225,000	£335,000	£550,000		£370,000
Drybrook				£650,000	£650,000
Lydney	£162,495	£229,796	£309,852		£260,210
St Briavels		£285,000			£285,000
Tutshill		£319,995	£455,595	£559,995	£451,138
OVERALL	**£178,123**	**£261,122**	**£396,368**	**£604,998**	**£345,112**
£/m^2	**2 Beds**	**3 Beds**	**4 Beds**	**5 Beds**	**OVERALL**
Berry Hill			£3,180		£3,180
Bream			£2,888		£2,888
Cinderford					
Coleford		£3,737			£3,737
Drybrook					
Lydney	£2,600	£2,752	£2,545		£2,641
St Briavels					
Tutshill		£3,855	£3,172	£2,732	£3,207
OVERALL	**£2,600**	**£3,051**	**£2,888**	**£2,732**	**£2,906**

Source: Market Survey (February 2020)

4.38 When this data was being refreshed in January 2021, there were no completed units being advertised for sale. Though the 2020 viability consultation[50] concern was expressed, by a representative of a housebuilder, over the above sample size. It is agreed that a larger sample would be preferable, however this data includes all the newbuild homes being advertised for sale at the time of this assessment. No further data was submitted.

[50] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Price Assumptions for Financial Appraisals

4.39 It is necessary to form a view about the appropriate prices for the schemes to be appraised in the study. The preceding analysis does not reveal simple clear patterns with sharp boundaries. It is necessary to relate this to the pattern of development expected to come forward in the future. Bringing together the evidence above (which we acknowledge is varied), the following approach to value was put to the May 2020 consultation.

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

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

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

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

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

4.40 The impact of Help to Buy[51] on the newbuild housing market is relevant. The price paid reported in the Land Registry data set out above is the price paid to the developer, so this is the correct figure to use. It is accepted that Help to Buy may be having a market wide impact of bolstering the prices paid for newbuild homes, particularly lower down the value range. Should Help to Buy be withdrawn, then some buyers that are able to access the housing market with Help to Buy would no longer be able to do so, and the resulting fall in demand could result is a drop in sales rates and/or a drop in values of newbuild houses. As set out earlier in this chapter, newbuild values are, on average, only a little higher than for existing homes.

[51] With a Help to Buy: Equity Loan the Government lends the buyer up to 20% of the cost of a newly built home, so the buyer only needs a 5% cash deposit and a 75% mortgage to make up the rest. Interest is not charged on the 20% loan for the first five years. In the sixth year, the buyer is charged a fee of 1.75% of the loan's value. The fee then increases every year, according to the Retail Prices Index plus 1%.

4.41 Based on the MHCLG data tables[52] there were only 290 properties purchased under Help to Buy in FoDDC since Q2 2013 – averaging at 48 units per year. Of these just 11 were under the Help to Buy NewBuy completions.

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

South West The area to the west of Cone Brook (which is just to the east of Woolaston), being the area that connects, most strongly to Chepstow and is influenced by better transport links.

Coleford and Cinderford Sites within and adjacent to the towns of Coleford and Cinderford.

Other Areas The remaining areas of the District.

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

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

	South West	Coleford, Cinderford	Other Areas
Brownfield	3,200	2,500	3,000
Urban Flatted Schemes	3,000	2,500	2,750
Large Greenfield Sites	3,200	2,800	3,200
Medium Greenfield Sites	3,150	2,750	3,100
Small Greenfield Sites	3,400	3,200	3,400

Source: HDH (April 2020)

4.44 Through the 2020 viability consultation, the following points were made:

a. In relation to the potential allocation at Beachley Barracks[53]:

The open market sales value at £3,200/SqM (£297/SqFt) is higher than we would expect. We would wish to make the observation that within the site viability work Avison Young has undertaken thus far for Beachley Barracks on behalf of the DIO, we have adopted a figure of £2,982/SqM (£277/SqFt).

[52] https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-statistics-april-2013-to-30-june-2019-england

[53] Pete Stockall, Avision Young, for DIO re Beachley Barracks.

b. A more nuanced (fine grained) approach was advocated[54] [55].

c. Whist the values for Cinderford were appropriate the values based on the Land Registry data suggests that Coleford's values should be between 10% and 20% higher than Cinderford. Coleford's values are more closely associated with Lydney.

d. Very few flats come forward, and the values tend to be very site specific so difficult generalise. This is agreed.

e. That rigorous sensitivity testing is undertaken due to the uncertainties around the COVID-19 pandemic[56]. This is agreed.

f. That further £/m^2 data should be used. This would be desirable, however no further data is available. No further data was submitted[57].

g. Developers are price takers not price setters. This is agreed (as set out at the start of Chapter 3 above). Regard must be had to second hand values. This is agreed, however regard must also be had to sale prices of newbuild homes[58].

h. Values should be determined not only by site type but by number of bedrooms. Unfortunately, there is very limited data to draw on (beyond the newbuild asking prices) so this is not considered a sound approach, based on the available data[59].

4.45 Following the consultation, the residential value areas and assumptions were updated as follows:

South West	The area to the west of Cone Brook (which is just to the east of Woolaston), being the area that connects most strongly to Chepstow, and is influenced by better transport links.
Coleford / Lydney	The area to the west of Cinderford and to the east of the South West area (see above), including the smaller settlements, (including Soudley, and Blakeney, but not Newnham).
Cinderford	Sites within and adjacent to the town of Cinderford only.
Other Areas	The remaining areas of the District.

[54] Sue Green for the HBF.

[55] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[56] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[57] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[58] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[59] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Table 4.9 Post-consultation Residential Price Assumptions (£/m²)				
	South West	Coleford / Lydney	Cinderford	Other Areas
Brownfield	3,000	2,750	2,500	3,000
Urban Flatted Schemes	3,000	2,600	2,500	2,750
Large Greenfield Sites	3,000	2,900	2,750	3,000
Medium Greenfield Sites	3,150	3,000	2,750	3,100
Small Greenfield Sites	3,400	3,200	3,000	3,400

Source: HDH (January 2021)

4.46 There are clearly differences within the four areas used. Careful consideration has been given to adopting a finer grained pricing pattern across the Forest of Dean District. There is no doubt that prices vary within the smallest settlements and within schemes. As highlighted through the 2020 viability consultation within some settlements there are significant variances. In reality prices will vary from unit to unit, across schemes, from scheme to scheme and within each settlement, as well as from settlement to settlement. Any price areas must be justified and defendable, whilst there is a case to be made for a higher value area in the northeast of the District the data to support such a differentiation is thin and would be difficult to justify if challenged. In the South West the only significant site is the Beachley Camp site, the figure used by the developer has been used (rounded).

Ground Rents

4.47 Over the last 20 or so years many new homes have been sold subject to a ground rent. Such ground rents have recently become a controversial and political topic. In this study, no allowance is made for residential ground rents[60].

Build to Rent

4.48 The Council has not seen Build to Rent schemes coming forward, however this is a growing sector (subject its own guidance within the PPG[61]) so it is appropriate to consider it at this stage of the plan-making process. The Built to Rent sector is a different sector to mainstream housing.

4.49 The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. Having said this, at present the Council has no policy reason or justification to impose a planning condition restricting the use of a housing scheme to the PRS, and if it did it is difficult to see how it could maintain such a condition

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

[61] See Chapter 60 of the PPG - https://www.gov.uk/guidance/build-to-rent

through a s78 appeal. This is quite different to affordable housing where there is evidence and policies to support restricting the use of some housing to affordable housing.

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

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

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

Table 4.10 Rents Reported by Zoopla

	1 bed	2 beds	3 beds	4 beds	5 beds
FoD	£775	£911	£873	£1,300	£1,400
Cinderford	£477		£821		
Coleford	£550	£550	£793		
Lydney	£1,352	£756	£836	£1,300	
Newent	£425		£761		
Bream					
Drybrook					
Mitcheldean					
Tutshill			£1,132		

Source: Zoopla.co.uk (January 2021)

Table 4.11 Median Asking Rents Reported by Rightmove				
	1 bed	2 bed	3 bed	4 bed
FoD	£455	£625	£817	£1,200
Cinderford	£463	£590	£795	
Coleford	£487	£565	£795	
Lydney	£450	£800	£925	£1,300
Newent	£425	£685	£775	
Bream				
Drybrook				
Mitcheldean				
Tutshill				£1,150

Source: Rightmove.co.uk (January 2021)

4.52 There is relatively little variance in the levels of rent, for similar quality and types of property across the District.

4.53 In calculating the value of PRS units it is necessary to consider the yields. Several sources of information have been reviewed. Savills in its *Investing in Private Rent* (Savills, 2018) reports a North-South divide:

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

4.54 Knight Frank in its *Residential Yield Guide* (February 2018) reported a 4.0% to 4.24% yield in Prime Regional Cites and 5.0% to 5.25% in Secondary Regional Cities. Having considered a range of sources, initially a gross yield of 5% has been assumed.

Table 4.12 Capitalisation of Private Rents				
	1 bed	2 bed	3 bed	4 bed
Gross Rent (£/month)	£501	£685	£848	£1,250
Gross Rent (£/annum)	£6,009	£8,223	£10,171	£15,000
Value	£120,187	£164,460	£203,411	£300,000
m^2	50	70	84	97
£/m^2	£2,404	£2,349	£2,422	£3,093

Source: January 2021

4.55 In this study we have assumed a value for PRS schemes, of £2,385/m². Through the 2020 viability consultation a representative of a housebuilder[62] questioned whether the yields used were representative of this area (being drawn from national data). In the absence of more local data (none was provided) it is believed that this is appropriate.

Affordable Housing

4.56 The Council currently seeks 40% Affordable Housing on sites of 5[63] or more units in Designated Rural Areas and on sites of 10 or more elsewhere. As set out later in this report, a range of tenure mixes have been tested (informed by the wider evidence base). In line with the Council's current practice, in the base appraisals it is assumed that Affordable Housing will be provided as 30% affordable home ownership 70% Affordable Housing to rent.

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

Affordable Housing Values

4.58 Prior to the 2015 Summer Budget, rents of Affordable Housing (both Affordable Rents and Social Rents) were generally increased by inflation (RPI) plus up to 1% each year. These provisions were to prevail until 2023. The result was that Housing Associations knew their rents would go up and those people and organisations who invest in such properties (directly or indirectly) knew that the rents were going up year on year. This made them a particularly attractive and secure form of investment or security for a loan.

4.59 In the 2015 Budget it was announced that Social and Affordable Rents would be reduced by 1% per year for 4 years[64]. The effect of this is to reduce the value of Affordable Housing to rent. Having said this, in October 2017, the Government announced that rents will rise by CPI +1% for five years from 2020, reversing this alteration. It is necessary to consider the value of Affordable Housing in this context, so the value of Affordable Housing has been reconsidered from first principles.

Social Rent

4.60 The value of a rented property is a factor of the rent – although the condition and demand for the units also have an impact. Social Rents are set through a national formula that smooths

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[62] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[63] Paragraph 63 of the 2029 NPPF says:

> ***63.*** *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.*

[64] We understand that the objective is to reduce the overall costs of Housing Benefit / Local Housing Allowance / Universal Credit to the Exchequer.

the differences between individual properties and ensures properties of a similar type pay a similar rent:

Table 4.13 FoDDC Social Rent (£/Week)

Unit Size	Net Rent	Social Rent Rate	Service Charge	Gross Rent	Unit Count
Non-self-contained	£0.00	£0.00	£0.00	£0.00	0
Bedsit	£85.25	£59.20	£5.87	£86.98	17
1 Bedroom	£81.69	£80.11	£3.34	£84.83	691
2 Bedroom	£91.75	£88.36	£2.28	£93.82	1,196
3 Bedroom	£100.18	£97.98	£0.98	£100.96	1,383
4 Bedroom	£108.80	£106.70	£1.00	£109.67	51
5 Bedroom	£112.31	£106.98	£0.00	£112.31	1
6+ Bedroom	£0.00	£0.00	£0.00	£0.00	0
All Self-Contained	£93.39	£90.92	£2.00	£95.13	3,339
All Stock Sizes	£93.39	£90.92	£2.00	£95.13	3,339

Source: Table 9, SDR 2018-2019 – Data Tool

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

Table 4.14 Capitalisation of Social Rents

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/week)*	£81.69	£91.75	£100.18	£108.80
Gross Rent (£/annum)	£4,248	£4,771	£5,209	£5,658
Net Rent	£3,398	£3,817	£4,167	£4,526
Value	£75,518	£84,818	£92,611	£100,580
m^2	50	70	84	97
£/m^2	£1,510	£1,212	£1,103	£1,037

Source: HDH (February 2020). *Gross rent, before management, voids and bad debts and repairs, but net of service charges.

4.62 On this basis, a value of £1,220/m^2 across the study area is assumed. Through the 2020 viability consultation it was suggested[65] that the values be based on transactional evidence. The above values were put to both developers and housing associations, however no further comments were received.

[65] Sue Green for the HBF,

Affordable Rent

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

4.64 In estimating the likely level of Affordable Rent, a survey of market rents across the FoDDC area has been undertaken and is set out under the Build to Rent heading above.

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

Table 4.15 FoDDC LHA Caps by BRMA (£/Week)

	Gloucester	Herefordshire	Monmouthshire
Shared Accommodation	£70.23	£59.95	£55.70
One Bedroom	£92.05	£92.05	£90.90
Two Bedrooms	£126.03	£117.37	£115.07
Three Bedrooms	£151.54	£135.19	£136.93
Four Bedrooms	£192.75	£173.09	£172.60

Source: VOA (February 2020)

4.66 These caps are generally more than the Affordable Rents being charged as reported in the most recent HCA data release (although this data covers both newbuild and existing homes). It is important to note that the cap relates to the combined rent and service charge due and whilst it is not mandatory that housing associations charge less than the LHA cap, this is the Council's preference.

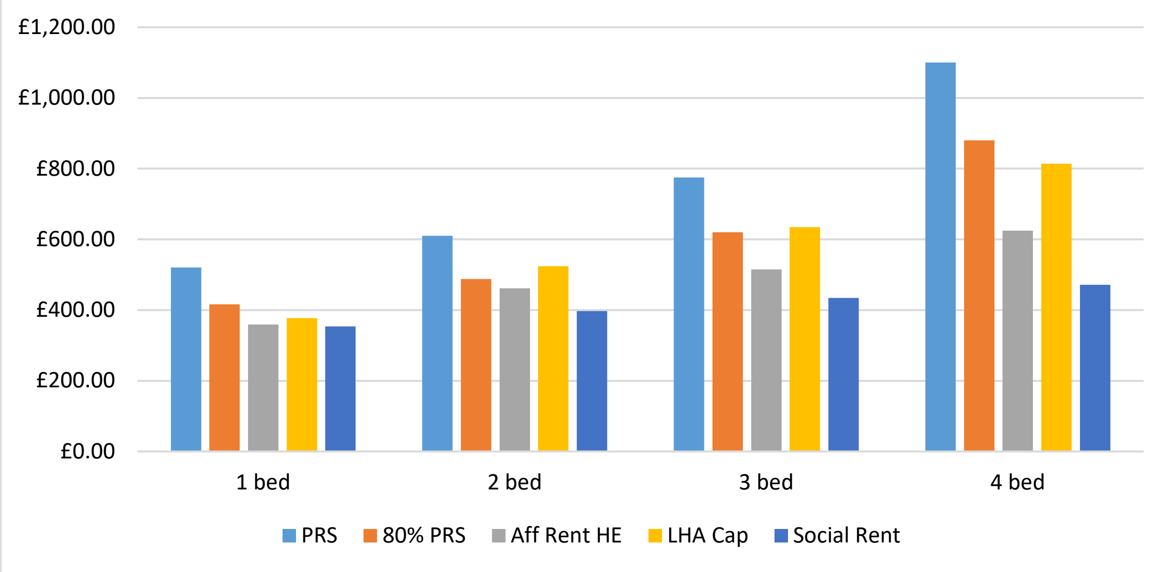
Table 4.16 FoDDC Affordable Rent (£/Week)		
Unit Size	Gross Rent	Unit Count
Non-self-contained	£0.00	0
Bedsit	£0.00	0
1 Bedroom	£82.98	59
2 Bedroom	£106.48	188
3 Bedroom	£118.87	153
4 Bedroom	£144.15	16
5 Bedroom	£0.00	0
6+ Bedroom	£0.00	0
All Self-Contained	£109.16	416
All Stock Sizes	**£109.16**	**416**

Source: Table 11, SDR 2018-2019 – Data Tool

4.67 In the above table the Gross Rent is the rent, so does not include service charges (the data shown earlier for Social Rent lists service chares separately). The LHA cap applies to the rent and service charge, an allowance of £5/week is made for this.

4.68 The rent under different tenures can be summarised as follows.

Figure 4.10 Rents by Tenure – £/Month



Source: Market Survey, HCA Statistical Return and VOA (February 2020)

4.69 In calculating the value of Affordable Rent we have allowed for 10% management costs, 4% voids and bad debts and 6% repairs. In the pre-consultation report we capitalised the income at 4.5%. On this basis affordable rented property has the following worth.

Table 4.17 Capitalisation of Affordable Rents				
	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Gross Rent (£/month)	£377.22	£488.00	£620.00	£813.58
Gross Rent (£/annum)	£4,527	£5,856	£7,440	£9,763
Net Rent	£3,621	£4,685	£5,952	£7,810
Value	£80,473	£104,107	£132,267	£173,564
m^2	50	70	84	97
£/m^2	£1,609	£1,487	£1,575	£1,789

Source: HDH (February 2020)

4.70 Using this method to assess the value of Affordable Housing, under the Affordable Rent tenure, a value of £1,615/m^2 across all areas is derived.

4.71 Through the 2020 viability consultation it was suggested[66] that the values be based on transactional evidence. The above values were put to both developers and housing associations, one comment was received. It was also suggested[67] that values are likely to vary across the District in line with rents. There is relatively little variance in rents across the District.

Affordable Home Ownership

4.72 Affordable Home Ownership products for sale include shared ownership and shared equity products[68]. The market for these is difficult at present and we have found little evidence of the availability of such products in the study area. Initially, we assumed a value of 70% of open market value for these units. These values were based on purchasers buying an initial 30% share of a property and a 2.75%[69] per annum rent payable on the equity retained. The rental income is capitalised at 4%.

4.73 The following table shows ‘typical’ values for shared ownership housing at a range of proportions sold:

[66] Sue Green for the HBF,

[67] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

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

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

Table 4.18 Value of Shared Ownership Housing at 30% to 80% of Proportion Sold

Market Value			% Sold		Rent			Value		
m2	£/m2	£	%	£	%	£/year	£	£	£/m2	**% OMV**
95	2,650	251,750	30%	75,525	2.75%	4,846	109,039	184,564	1,943	**73.31%**
95	2,650	251,750	40%	100,700	2.75%	4,154	93,462	194,162	2,044	**77.13%**
95	2,650	251,750	50%	125,875	2.75%	3,462	77,885	203,760	2,145	**80.94%**
95	2,650	251,750	60%	151,050	2.75%	2,769	62,308	213,358	2,246	**84.75%**
95	2,650	251,750	70%	176,225	2.75%	2,077	46,731	222,956	2,347	**88.56%**
95	2,650	251,750	80%	201,400	2.75%	1,385	31,154	232,554	2,448	**92.38%**

Source: HDH2020

4.74 The Council does not impose a particular cap on intermediate housing sale prices (although we understand that initial tranches are typically in the range of 30% to 50%). Having said this, it is relevant to note the Starter Home cap in FoDDC is £250,000 (being outside London). A two bedroom Starter Home would have a cap of £3,571/m^2 (assuming 70m^2, from NDSS). The maximum household income to be eligible for a Starter Home (outside London) is £80,000/year, assuming a conservative multiplier of 3.5 times income, this would suggest maximum value of around £300,000 or so.

4.75 In this regard it is timely to note that between 19 November 2020 and on 17 December 2020 the Government ran *New model for Shared Ownership: technical consultation* which sought comments on four main proposals:

- Reduce the minimum initial share from 25% to 10%.
- Introduce a new gradual staircasing offer, to allow people to buy additional shares in their home in 1% instalments with heavily reduced fees.
- Introduce a 10-year period during which the shared owner will receive support from their landlord to pay for essential repairs.
- Give Shared Ownership leaseholders (shared owners) more control when they come to sell their home.

4.76 The outcome of this consultation is not yet known. Such changes, if introduced, may depress the value of such homes.

4.77 A representative of a housebuilder[70] suggested that 70% may appear too optimistic if these changes are introduced. Having discussed this with housing associations, the general feedback was that it is too early to know (as the outcome of the consultation is not known) and that 70% is a typical figure with some schemes being priced higher and some lower. There was some scepticism expressed about the demand for such a low proportion (i.e. 10%) in the local area and whether or not such low portions would be mortgageable, in part due to the

[70] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

relatively high costs of purchase (survey, valuation, mortgage, legal fees) relative to the portion being purchased.

4.78 In this iteration, it is assumed that shared ownership housing will have a value of 65% of market value.

Grant Funding

4.79 It is assumed that grant is not available.

Older People's Housing

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

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

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

4.82 On this basis it is assumed Sheltered and Extracare Housing has the following worth:

Table 4.19 Worth of Sheltered and Extracare			
Cinderford	Area (m^2)	£	£/m^2
3 bed semi-detached		£190,000	
1 bed Sheltered	50	£142,500	£2,850
2 bed Sheltered	75	£190,000	£2,533
1 bed Extracare	65	£178,125	£2,740
2 bed Extracare	80	£237,500	£2,969
Coleford	Area (m^2)	£	£/m^2
3 bed semi-detached		£220,000	
1 bed Sheltered	50	£165,000	£3,300
2 bed Sheltered	75	£220,000	£2,933
1 bed Extracare	65	£206,250	£3,173
2 bed Extracare	80	£275,000	£3,438
Lydney	Area (m^2)	£	£/m^2
3 bed semi-detached		£215,000	
1 bed Sheltered	50	£161,250	£3,225
2 bed Sheltered	75	£215,000	£2,867
1 bed Extracare	65	£201,563	£3,101
2 bed Extracare	80	£268,750	£3,359
Newent	Area (m^2)	£	£/m^2
3 bed semi-detached		£215,000	
1 bed Sheltered	50	£161,250	£3,225
2 bed Sheltered	75	£215,000	£2,867
1 bed Extracare	65	£201,563	£3,101
2 bed Extracare	80	£268,750	£3,359

Source: HDH (February 2020)

4.83 There are no retirement schemes being marketed or recently sold in the area (including beyond the boundaries of FoDDC) at the time of this study.

4.84 No allowance is made for ground rents. The typical value of the ground rents on these types of units would be about of £3,850/unit. In this high-level assessment to following values are used:

Table 4.20 Value Assumptions of Sheltered and Extracare - £/m^2	
Sheltered	£3,100
Extracare	£3,300

Source: HDH (February 2021)

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

5. Non-Residential Market

5.1 This chapter sets out an assessment of the markets for non-residential property, providing a basis for the assumptions of prices to be used in financial appraisals. There is no need to consider all types of development in all situations – and certainly no point in testing the types of scheme that are unlikely to come forward as planned development. In this study we have considered the larger format office and industrial use and retail uses and hotel uses.

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

National Overview

5.3 The various non-residential markets in the FoDDC area reflects national trends. The retail markets are particularly challenging:

> *The Q4 2019 RICS UK Commercial Property Market Survey results are consistent with a modestly stronger outlook emerging for rents and capital values over the year ahead. Anecdotal evidence suggests greater political clarity is expected to spur on some pent-up activity which had been placed on hold due to Brexit uncertainty. That said, this is unlikely to change the fortunes of the retail sector which continues to struggle against structural headwinds. Indeed, the latest survey figures show no let-up in the ongoing downturn across the retail portion of the commercial property market.*
>
> *At the headline level, occupier demand continued to slip in Q4, evidenced by a net balance of -12% of survey participants reporting a decline. However, disaggregating the figures shows the retail sector was the only area to see an outright decline, posting a net balance -58%. Conversely, tenant demand increased in the industrial segment, while respondents cited a flat trend in demand for office space. Alongside this, availability was also reported as unchanged in the office sector, together with a further modest dip in the supply of industrial space. By way of contrast, retail vacancies are still cited to be rising sharply, in keeping with pattern established since early 2017.*
>
> *RICS – Q4 2019: UK Commercial Property Market Survey*

Non-Residential Markets

5.4 There are several employment sites in the District:

a. Lydney
   i. Lydney Harbour Estate – A mix of traditional manufacturing users in larger sheds.
   ii. South of Lydney – an area of mainly manufacturing businesses between the railway and A48.

b. Coleford
   i. Suntory – Large food processing factory to the west of the town
   ii. Tufthorn Avenue – A large estate of manufacturing estate with a mix of users, including trade counters.

c. Cinderford

   i. Forest Vale Industrial Estate and adjacent sites with a range of manufacturing sites and trade counters.

d. Mitcheldean

   i. Vantage Point Business Village. A range of larger manufacturing users and offices.

e. Newent

   i. Newent Business Park. A mix of newer office and manufacturing users.

5.5 There are also, small, older industrial estates and clusters of non-residential development such as the Churcham Business Park in the east of the District and Staunton Court in the north of the District.

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

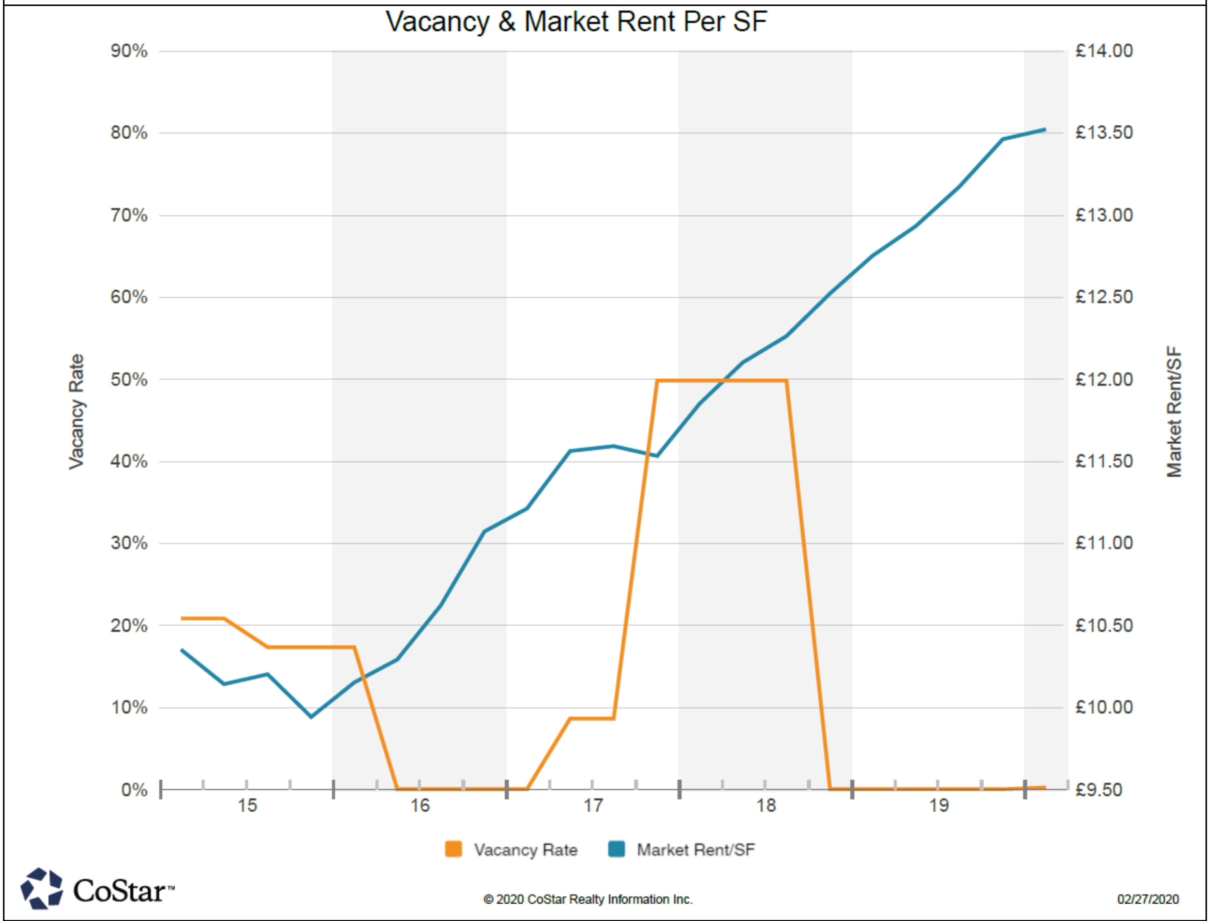
5.7 Various sources of market information have been analysed, the principal sources being the local agents, research published by national agents, and through the Estates Gazette's Property Link website (a commercial equivalent to Rightmove.co.uk). In addition, information from CoStar (a property industry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

5.8 **Appendix 7** includes market data from CoStar.

Offices

5.9 CoStar data shows low vacancy rates in the office sector over the last five years, although this is based on a limited sample.

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



Source: CoStar - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.10 The CoStar data is very limited. A survey of the market suggests that the supply of good quality offices is limited to a few sites. Much of the supply is in the town centres, with outdated floor plans and limited parking. More modern space is likely to have rental value of between £130/m^2/year (£12/sqft/year) to a maximum of £160/m^2/year (£15/sqft/year). A yield of 7% is assumed.

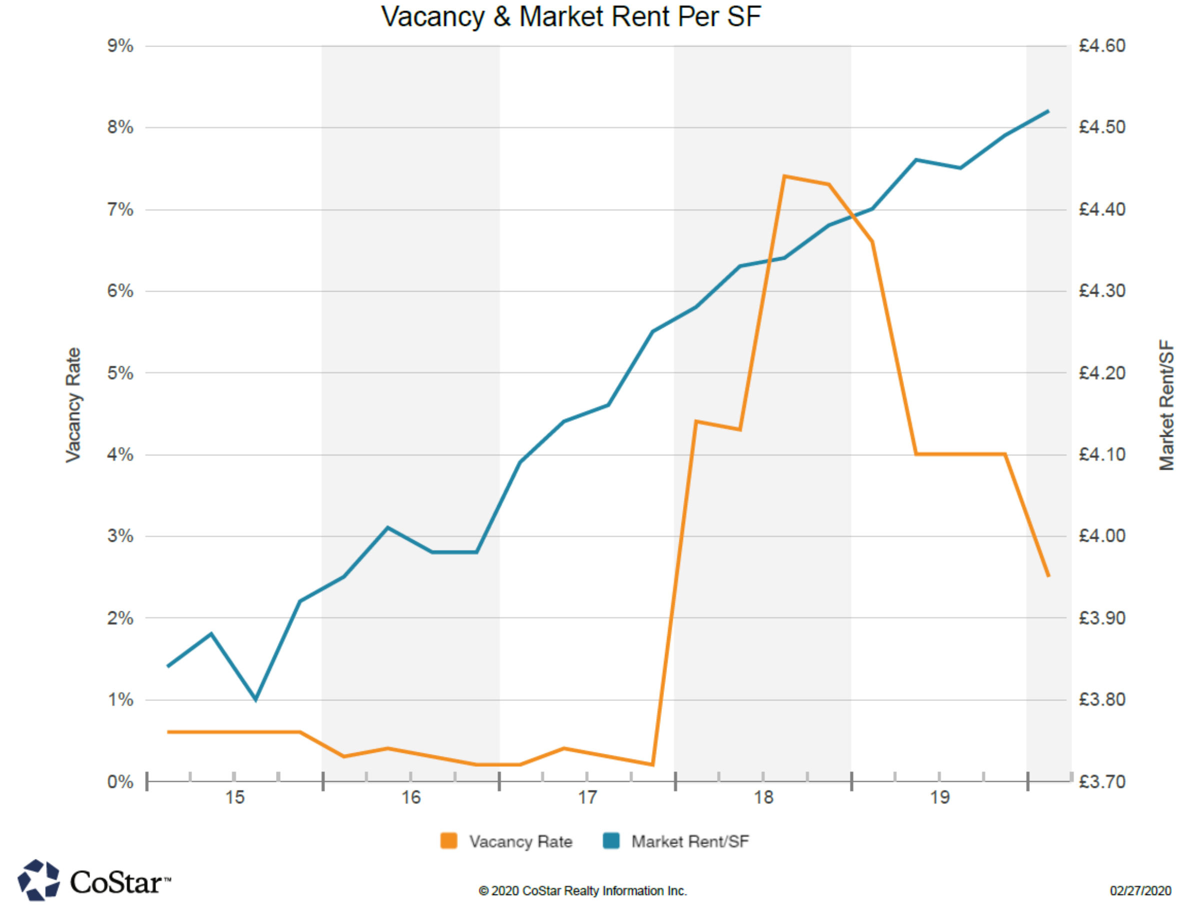
5.11 On this basis new office development would have a value of £1,735/m^2 (having allowed for a rent free / void period of 12 months). Bearing in mind the nature of the new development that this study is concerned with, office development is assumed to have a value of £1,800/m^2.

5.12 At the time of this assessment there is anecdotal evidence that asking rents are higher for higher specification new units – however this is largely due to the provision of parking spaces and floor plans. There is insufficient evidence to differentiate on this basis.

Industrial and Distribution

5.13 CoStar data also shows reducing vacancy rates and an increase in rents over the last five years in the industrial sector:

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



Source: CoStar - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.14 A survey of the market suggests that there is a varied supply of industrial space. The specification and quality vary tremendously, from 'crinkly tin sheds' to high specification modern manufacturing units. CoStar data suggests rents for this type of accommodation are likely to have a rental value of between £32/m^2/year to £55/m^2/year (£3/sqft/year to £5/sqft/year) to a maximum of £80/m^2/year (£7.50/sqft/year). FoDDC has a portfolio of commercial units, the majority of which are industrial. These have an average rent of £56/m^2/year (£5.20/sqft/year). A yield of 7% is assumed.

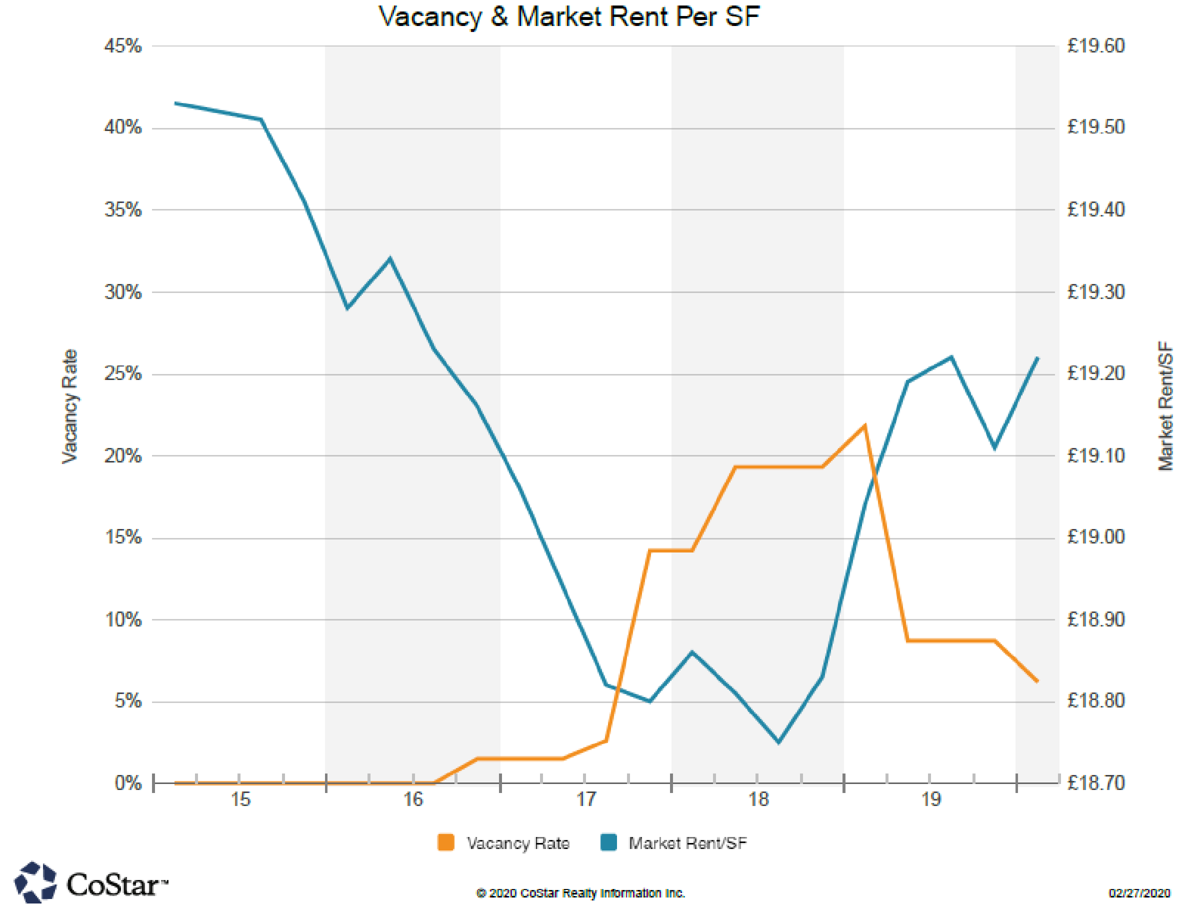
5.15 On this basis, new industrial development would have a value of £868/m^2 (having allowed for a rent free / void period of 12 months). Bearing in mind the nature of the new development that this study is concerned with, office development is assumed to have a value of £1,000/m^2.

Retail

5.16 The retail market is in a period of particular uncertainty. The rise in the online retailer sector has put pressure on the high street and shopping centres. Several national chains have been put into administration or have entered a Company Voluntary Arrangements (CVA)[71]. The value of shopping centres in particular has been put under pressure and is less attractive to investors than it was a few years ago.

5.17 Surprisingly, bearing in mind the gloomy picture that can be taken from the national situation, the CoStar data shows low rates of vacancies over the last few years, however the trend is that rents are falling.

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



Source: CoStar - This copyrighted report contains research licensed to CoStar UK Ltd - 701359

5.18 The retail market is overshadowed by Gloucester and Bristol (and to a lesser extent Ledbury) with most of the retailing being essentially local. There are relatively few of the larger national operators[72]. Retailing in secondary locations remains challenging.

5.19 Rents for units in the best central locations are currently over £215/m^2/year (£20/sqft/year)[73] although generally they are well below this level at around £160/m^2/year (£15/sqft/year). A

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

[72] Of the supermarket operators, there is a Tesco in Lydney, a Lidl in Cinderford and several Coop stores.

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

prime value (based on a 7% yield) of £2,140/m^2 (£200/sqft) is used for town centre, shop-based retail. The rents for town centre shops vary greatly, particularly as one moves away from the best locations into the secondary situations where rents are normally around £110/m^2/year (£10/sqft/year), although yields are rather higher at around 10% to give a value of £1,000/m^2 (£93/sqft) or so.

5.20 We have given consideration to supermarkets and retail warehouses. There is little local evidence that is publicly available relating to these in the FoDDC area, however drawing on our wider experience, we have assumed supermarket rents of £215/m^2/year (£20/sqft/year) with a yield of 5.5% to give a value of £3,700/m^2 (£345/sqft). This reflects the increased confidence in this sector after a difficult period faced by the traditional supermarket operators.

5.21 In the case of retail warehouses, we have assumed a rent of £195/m^2/year (£18/sqft/year) and a yield of 6% giving a value of £2,890/m^2 (£268/sqft) (allowing for a 2 year rent free / void period).

Hotels

5.22 For the hotel sector, a rental of £5,000/room/year for newbuild hotels is assumed to apply across the area. Assuming a yield of 5.5%, this equates to a value of about £3,680/m^2. It is important to note that this study is only concerned with newbuild hotels[74].

Appraisal Assumptions

5.23 The following assumptions have been used:

Table 5.1 Commercial Values £/m^2 2020

	Rent £/m^2	Yield	Rent free period		Assumption
Offices	£130	7.00%	1.0	£1,736	£1,800
Industrial	£65	7.00%	1.0	£868	£1,000
Retail (Prime Centre)	£160	7.00%	1.0	£2,136	£2,140
Retail (elsewhere)	£110	10.00%	1.0	£1,000	£1,200
Supermarket	£215	5.50%	1.0	£3,705	£3,700
Retail warehouse	£195	6.00%	2.0	£2,892	£2,890
Hotel (per room)	£5,000	5.50%	0.0	£3,681	£3,680

Source: HDH (May 2020)

[74] 60 rooms x £5,000 = £300,000. 5.5% yield = £5,545,454. 60 rooms @19m^2 + 30% circulation space = £3,681/m^2

6. Land Values

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

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

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

Existing Use Values

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

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

> *How should land value be defined for the purpose of viability assessment?*
>
> *To define land value for any viability assessment, a benchmark land value should be established on the basis of the existing use value (EUV) of the land, plus a premium for the landowner. The premium for the landowner should reflect the minimum return at which it is considered a reasonable landowner would be willing to sell their land. The premium should provide a reasonable incentive, in comparison with other options available, for the landowner to sell land for development while allowing a sufficient contribution to comply with policy requirements. This approach is often called 'existing use value plus' (EUV+).*
>
> *In order to establish benchmark land value, plan makers, landowners, developers, infrastructure and affordable housing providers should engage and provide evidence to inform this iterative and collaborative process.*
>
> *PPG: 10-013-20190509*
>
> *What is meant by existing use value in viability assessment?*
>
> *Existing use value (EUV) is the first component of calculating benchmark land value. EUV is the value of the land in its existing use. Existing use value is not the price paid and should disregard hope value. Existing use values will vary depending on the type of site and*

development types. EUV can be established in collaboration between plan makers, developers and landowners by assessing the value of the specific site or type of site using published sources of information such as agricultural or industrial land values, or if appropriate capitalised rental levels at an appropriate yield (excluding any hope value for development).

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

PPG: 10-015-20190509

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

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

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

6.9 The 'model' approach is outlined below:

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

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

iii. Where the development is on brownfield land, we have assumed an industrial value.

Residential Land

6.10 In August 2020, MHCLG published *Land value estimates for policy appraisal 2019*. This sets out land values at April 2019 and was prepared by the Valuation Office Agency (VOA). The FoDDC figure is £850,000/ha. This figure <u>assumes nil Affordable Housing</u>. The VOA assumed that each site is 1 hectare in area, without contamination or abnormal development costs, not in an underground mining area, with road frontage, without risk of flooding, with planning permission granted and that no grant funding is available; the site will have a net developable area equal to 80% of the gross area. For those local authorities outside London, the hypothetical scheme is for a development of 35 two storeys, 2/3/4 bed dwellings with a total floor area of 3,150 square metres.

6.11 There are few larger development sites being publicly marketed in the area, so the search has been extended beyond the strict boundaries of the District. There are a number of small development sites being marketed in the area at the time of this study:

Table 6.1 Building Sites for Sale – February 2020

		Area (ha)	Units	Asking Price	£/ha	£/unit	
Fownhope	Herefordshire	1.00	15	£1,000,000	£1,000,000	£66,667	10 market, 5 affordable
Bridstow	Ross-On-Wye	0.85	8	£900,000	£1,058,824	£112,500	Mix of 3 and 4 bed houses
Kentrev Nursery, Llangrove	Ross-On-Wye	0.20	3	£600,000	£3,061,224	£200,000	3 detached
Primrose Hill	Lydney	0.12	1+1	£475,000	£3,958,333	£237,500	House with plot
Naas Lane	Lydney	0.12	6	£445,000	£3,656,532	£74,167	6 x 3 bed
Linton	Ross-On-Wye	0.16	2	£500,000	£3,125,000	£250,000	2 small plots
Pine Tree Way	Viney Hill	0.35	1	£250,000	£710,227	£250,000	Single plot
Mitchel Troy	Monmouth	0.09	1	£199,950	£2,221,667	£199,950	Outline consent
Beachley Road	Tutshill	0.04	1	£195,000	£4,875,000	£195,000	Single plot
Whitecliff	Coleford	0.06	2	£180,000	£2,903,226	£90,000	Pair of semis or 1 detached
Trellech Road	Llandogo	0.13	1	£155,000	£1,165,414	£155,000	Single plot
Redbrook	Monmouth	0.05	4	£154,000	£3,347,826	£38,500	4 Flats
Stag Hill	Yorkley	0.09	1	£135,000	£1,551,724	£135,000	Consent for 4 bed
Coombe Drive	Cinderford		1	£110,000		£110,000	Single detached
Staple Edge View	Cinderford		1	£80,000		£80,000	4 bed plot

Source: Market Survey (February 2020)

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

6.13 Recent transactions based on planning consents over the last few years and price paid information from the Land Registry have been researched and are set out in **Appendix 8.** The data is summarised in the following tables, the amount of Affordable Housing in the scheme is shown, being the key indicator of policy compliance (as required by the PPG).

Table 6.2 Sales of Development Land

Planning ref	Address	Date of Planning	Dwellings	Aff %	s106 £/unit	£/ha	£/unit
P0969/14/OUT (P0328/18/APP)	Land North of Ross Road, Newent	23/01/2015	85	40%	£1,008	£1,174,152	£69,068
P0146/15/FUL	23 Parkend Road	09/06/2015	13	69%	£0	No PPD	£0
P1849/14/OUT	George Inn, Stars Pitch	14/07/2015	31	0%	£0	£716,667	£6,935
P0636/15/OUT	Land At New Road	14/07/2015	9	0%	£0	No PPD	£0
P0247/16/FUL	Chapel Lane, Churcham	24/06/2016	7	100%	£0	£320,000	£11,429
P1494/15/OUT (P1772/18/APP)	Land Off Clanna Road Alvington	06/09/2016	11	36%	£10,560	£160,377	£7,727
P0361/15/OUT (P0924/16/APP)	Land at Highfield Hill Lydney (Land at East Lydney)	14/10/2016	125	14%	£0	No PPD	£0
P0361/15/OUT, P0924/16/APP	Land Between Lydney Bypass and Highfield Road, Lydney,	31/03/2016	750	30%	£6,037		£4,800
P1593/14/FUL	Land East of Drury Lane, Redmarley	03/08/2016	11	36%	£679	£1,131,466	£119,318
P0109/16/FUL	Smithville Place, St Briavels	10/05/2016	9	100%	£0	No PPD	£0
P1530/14/OUT (P1937/17/APP)	Land North Of Gloucester Road	14/01/2016	91	40%	£975	£1,093,591	£74,508
P1911/15/OUT	Gloucester Road, Tutshill ButlerWall Homes	31/05/2016	45	40%	£3,938	£894,231	£51,667
P0496/15/FUL	Castleford House, Castleford Hill,	09/03/2016	40	0%	£0	Incomplete	
P1568/15/FUL	Laburnum Villa, Gloucester Road	12/04/2016	5	0%	£0	No Information	
P0107/16/FUL	Land At Cleeve Mill Lane	12/04/2016	17	41%	£0	£509,005	£19,761
P0073/17/FUL	Site Of The Old Dairy & Cross Stores, Hawthorns Road	19/05/2017	4	100%	£0	No PPD	£0
P1881/15/FUL (P1399/18/FUL)	Land East of Par Four Lane, Lydney	28/09/2017	347	0%	£224	£1,074,167	£33,432
P0825/18/OUT	Land east of Rodley Manor Way, Lydney	06/09/2019	40	40%	£210	£943,396	£37,500

P1284/13/OUT	Land off Driffield Road, Allaston Road and Court Road, Lydney	07/11/2017	200	33%	£1,475	£22,599	£1,600
P1871/15/OUT (P0848/18/APP)	Land off Chartist Way, Staunton	18/07/2017	27	41%	£733	£1,355,932	£59,259
P0070/18/FUL see P0181/19/FUL	Paget Nurseries	02/10/2017	5	0%	£0		
P1729/16/OUT	Mannings Farm, High Street,	08/10/2018	57	40%	£5,413	£210,145	£7,632
P0912/16/OUT (P2002/18/APP)	Former, 59 Tufthorn Avenue, (Sonoco Industrial Packaging)	06/11/2018	65	40%	£4,800	£533,708	£14,615
P1482/14/OUT	Land North of Lower Lane, Berry Hill	11/04/2018	180	40%	£3,975	£18,382	£1,111
P1885/17/OUT	Land at The Meadows, Bromsberrow Heath	08/02/2019	5	0%	£0	£355,769	£37,000
P1232/18/OUT	Yew Tree Cottage, Gloucester Road	16/04/2019	31	39%	£3,065	£909,091	£32,258
P0471/17/FUL	Land Off Longhope School, School Lane/ Church Road	23/09/2019	28	11%	£5,991	No PPD	
P1330/18/OUT	Land North of Southend Nurseries, Newent	05/07/2019	230	40%	£4,339	£29,255	£957
P0181/19/FUL	Paget Nurseries	19/07/2019	9	44%	£556	£787,671	£63,889

Source: FoDDC and Land Registry (February 2020)

6.14 In considering the above it is important to note that the PPG 10-014-20190509 says:

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

6.15 The price paid is the maximum the landowner could achieve. The landowner is unlikely to suggest a buyer may be paying an unrealistic amount. The BLV is not the price paid (or the average of prices paid). These values are on a whole site (gross area) basis and range considerably.

Table 6.3 Summary of PPD				
	All		Policy Compliant	
	£/ha	£/unit	£/ha	£/unit
Minimum	£18,382	£957	£18,382	£957
Average	£628,005	£32,063	£671,360	£38,047
Median	£625,187	£26,010	£787,671	£32,258
Maximum	£1,355,932	£119,318	£1,355,932	£69,068

Source: FoDDC and Land Registry (February 2020)

6.16 In the above figures those sites that achieved an amount of Affordable Housing that is close to the requirement are taken to be policy compliant (where the amount is just under the requirement, this is due to rounding to whole units). In relation to larger sites, and in particular larger greenfield sites, these have their own characteristics and are often subject to significant infrastructure costs and open space requirements which result in lower values.

6.17 Through the 2020 viability consultation it was noted[75] that the above sample size is small so should be treated with caution. This is agreed, it is necessary to consider a range of data sources to inform the assumptions made. Alternatively, a representative of a housebuilder[76] suggested that several of the transactions should be disregarded as they are being developed by housing associations. They went on to suggest a value of £1,000,000/gross ha should be used.

6.18 It is necessary to make an assumption about the value of residential land. In this assessment a value of £700,000/ha is assumed, being between the average and the median for policy compliant schemes.

Previously Developed Land / Industrial Land

6.19 *Land value estimates for policy appraisal* provides a value figure for commercial land as follows:

Table 6.4 Land Values Estimates			
	Industrial Land	Commercial Land: Office Edge of City Centre	Office Out of Town – Business Park
Forest of Dean	£250,000		
Gloucester		£865,000	£900,000
Cheltenham		£1,095,000	£1,000,000

Source: Land value estimates for policy appraisal (MHCLG, August 2020)

[75] Stagecoach

[76] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

6.20 Little weight is given to the above figures as both Cheltenham and Gloucester are distinctly different to the FoDDC area. CoStar (a property market data service) includes details of industrial land. These are summarised in **Appendix 9**. The average is about £425,000/ha (£172,000/acre) and the median is less at £308,000/ha (£125,000/acre).

6.21 In this study, a value of £250,000/ha (£101,000/acre) is assumed.

Agricultural and Paddocks

6.22 *Land value estimates for policy appraisal* provides a value figure for agricultural land in the area of £21,000/ha. The *RICS/RAU Rural Land Market Survey* reports agricultural land values. The most recent report[77] suggests England and Wales values of £21,000/ha (£8,516/acre) for arable land and £16,700/ha (£6,759/acre) for pasture. South West values are a little less than these.

6.23 Several parcels of agricultural land are currently being advertised for sale in the District, and nearby, at the time of this assessment.

Table 6.5 Agricultural Land Asking Prices

		Ha	Asking Price	£/ha	
Newcastle	Monmouth	8.90	£294,000	£33,034	22 acres of grassland
Longbridge	Dymock	13.84	£280,000	£20,231	34.22 acres of meadows
Hinders Lane	Huntley	6.10	£200,000	£32,787	15 acres grassland
Barrel Lane	Ross-On-Wye	10.27	£195,000	£18,987	25.37 acres of grassland
Bulley	Churcham	3.00	£150,000	£50,000	7.3 acres grassland
The Nurdens	Hereford	1.89	£45,000	£23,810	4.6 acres grassland

Source: Market Survey (February 2020)

6.24 A builder[78] requested the above data be split into equestrian / agricultural uses. This information is not available. For agricultural land, a value of £21,000/ha is assumed to apply here.

6.25 Sites on the edge of a town or village may be used for an agricultural or grazing use but have a value over and above that of agricultural land due to their amenity use. They are attractive to neighbouring households for pony paddocks or simply to own to provide some protection and privacy. A higher value of £50,000/ha for sites on the edge of the built-up area.

[77] https://www.rics.org/Global/RICS%20RAU%20Rural%20Land%20Market%20Survey%20H2%202017%20-%20FULL.pdf. https://www.rics.org/globalassets/rics-website/media/knowledge/research/market-surveys/rural-land-market-survey-h2-2018-rics-rau.pdf

[78] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Existing Use Value Assumptions

6.26 In this assessment the following Existing Use Value (EUV) assumptions are used, as updated following the 2020 viability consultation.

Table 6.6 Existing Use Value Land Prices £/ha	
PDL / Industrial Land	£250,000
Greenfield Land	
Agricultural	£21,000
Paddock	£50,000

Source: HDH (January 2021)

Benchmark Land Values

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

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

Table 6.7 Benchmark Land Values Used Elsewhere

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

Source: Planning Advisory Service (collated by URS)

6.29 Care has to be taken drawing on such general figures without understanding the wider context and other assumptions in the studies. The neighbouring authorities have used the following assumptions in this regard.

Herefordshire

6.30 In the *Herefordshire Council – Whole Plan Viability Assessment* (Three Dragons, May 2014) the following approach is taken:

> *2.6 For 'urban' sites, we have therefore assumed an existing/alternative use value of £350,000 to £450,000 per hectare, depending on location. Using an uplift of 30%, a benchmark of £455,000 to £585,000 per hectare. We 'round this up' to £500,000 to £600,000 to add a further cushion and we assume that the lower benchmark applies in lower value areas (e.g. Leominster and Bromyard) and the higher figure in higher value areas (e.g. Hereford).*
>
> *2.7 There is less information on which to base a suitable benchmark for the high priced more rural areas (including Ledbury, Ross and the northern and eastern rural parts of Herefordshire) and an uplift on alternative use values would not fulfil the 'sense check' identified in Viability Testing Local Plans. Information is limited, but feedback from the agents' survey indicates that a benchmark of between £800,000 to £1,000,000 per hectare is a realistic range to use for this study.*
>
> *2.8 For (large-scale) greenfield development we assume 10 - 20 times agricultural value – using £20,000 per hectare as agricultural land value in Herefordshire. Higher multiples will apply to higher value areas and comments at the development industry workshop indicated that landowners would have a requirement in excess of 10 times agricultural values. Subsequent research on large-scale developments indicate that a benchmark of about £300,000 per gross hectare for greenfield sites is realistic in higher value areas e.g. Hereford but a lower benchmark would apply in lower value areas at £250,000 per hectare.*

Malvern Hills

6.31 In the S*outh Worcestershire Development Plan (SWDP) Viability Assessment Review Worcester City Council, Malvern Hills District Council & Wychavon District Council* (Aspinal Verdi, November 2019) the following approach is taken.

Table 5.8 - Benchmark Land Value Assumptions

Typology	Location	Greenfield /Brownfield	EUV -					Uplift Multiplier	BLV -		Policy Adjustment	Non-Policy Compliant Values / Asking Values -	
			(per acre) (gross)	(per ha) (gross)	Net: Gross (%)	(per acre) (net)	(per ha) (net)	x [X] x [Y]%	(per acre) (net developable) (rounded)	(per ha) (net developable) (rounded)	- [X] %	(per acre) (net)	(per ha) (net) (rounded)
Residential Strategic Sites	Low Value Area	Greenfield	£8,000	£19,768	60%	£13,333	£32,947	14.0	£200,000	£494,200	60.0%	£500,000	£1,235,500
Residential Strategic Sites	High Value Area	Greenfield	£9,000	£22,239	60%	£15,000	£37,065	15.7	£250,000	£617,750	58.3%	£600,000	£1,482,600
Residential	Low Value Area	Greenfield	£8,000	£19,768	80%	£10,000	£24,710	21.5	£225,000	£555,975	62.5%	£600,000	£1,482,600
Residential	High Value Area	Greenfield	£9,000	£22,239	80%	£11,250	£27,799	23.4	£275,000	£679,525	60.7%	£700,000	£1,729,700
Residential	Low Value Area	Brownfield	£300,000	£741,300	100%	£300,000	£741,300	8.3%	£325,000	£803,075	n/a	n/a	n/a
Residential	High Value Area	Brownfield	£350,000	£864,850	100%	£350,000	£864,850	14.3%	£400,000	£988,400	n/a	n/a	n/a
The above values are for Plan-making purposes only. This table should be read in conjunction with our Financial Viability Assessment Report and the caveats therein.													
No responsibility is accepted to any other party in respect of the whole or any part of its contents.													

Source: AspinallVerdi

JCS (Cheltenham, Gloucester and Tewksbury)

6.32 At the time of this report the JCS website is in the process of being updated. The *Gloucester City Plan Viability Evidence Base Final Report* (Porter PE, Three Dragons September 2019) post dates the JCS and sets out the following:

Setting benchmark land values

5.69 The Cheltenham, Gloucester and Tewkesbury CIL economic viability assessment tested greenfield site BLV at the average agricultural land value plus a substantial uplift. According to advice published by the Government (DCLG, Land Value estimates for policy appraisal, 2015), agricultural land value in the South West could be considered as £21,000 per hectare before any premium, which can be between 10 to 20 times more depending on location. In determining the BLV for unconsented brownfield land, transactions data provided by DVS and COSTAR – a database of commercial property and land transactions - identifies sites with scope for alternative uses where an industry standard premium of around 25% above achievable reuse price may be possible when seeking to bring forward for alternative residential use, which is in line with the government findings reported above.

5.70 As experienced for this study and similar studies elsewhere, data on land transactions is not substantial in Gloucester. However, a review of land that has sold on the market in Gloucester and previously accepted values within the previously examined CIL evidence and viability appraisals that have been submitted as part of a planning application has been undertaken. Therefore, the tested BLVs draw on the findings for the CIL study and PorterPE/Three Dragons professional judgement from experience about a competitive return (or premium above the existing use value).

5.71 On this basis, the BLVs highlighted in Table 5.17 have been used in the plan viability testing.

Table 5.17 Tested benchmark Land Values, £ per net hectare

Existing land use	*EUV*	*Premium*	*BLV (i.e. EUV+)*
Agricultural/greenfield	*£25,000*	*X 15*	*£375,000*
Brownfield non-residential	*£400,000*	*X 1.25*	*£500,000*

Stroud

6.33 In the *Local Plan Viability Assessment, including CIL Review – Pre-consultation Draft* (HDH, June 2020) the following assumptions was proposed:

- Brownfield/Urban Sites: EUV Plus 20%.
- Greenfield Sites: EUV Plus £350,000/ha.

Monmouthshire

6.34 Whilst Monmouthshire is in Wales, so planning is subject to a different framework, in the *Monmouthshire County Council – Community Infrastructure Levy Viability Assessment* (Three Dragons, March 2016) the following assumptions were used:

> *• £650,000 per gross ha for urban sites. This figure is 60% over the estimated industrial land value (a premium of 30% is normally considered a suitable incentive), has been discussed at the development industry workshop and is in line with the evidence base for the recently adopted Local Development Plan. This benchmark is also supported by the land transaction evidence although it is noted sale prices are either side of this value. This benchmark is above the comparables in lower value Caerphilly and Merthyr Tydfil11 (up to £500,000/ha used in the CIL viability assessments).*
>
> *• £250,000 per gross ha for strategic greenfield sites. This is 15-20 times agricultural values, which is in the higher end of the range expected to incentivise greenfield land owners. In addition we assess the impact of a slightly higher benchmark at £300,000 per hectare.*
>
> *2.5 The benchmarks are applicable across Monmouthshire as there is no clear evidence to vary them by location and the development industry indicated that a single set of benchmarks was appropriate.*

BLV Assumptions

6.35 In the pre-consultation iteration of this Viability Assessment, the following Benchmark Land Value assumptions are used, where the site is considered as a whole site (rather than on a net developable area basis):

Brownfield Sites: EUV Plus 20% - where a value of £100,000/ha is assumed.

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

6.36 In the case of non-residential uses we have taken a similar approach to that taken with residential land except in cases where there is no change of use. Where industrial land is being developed for industrial purposes, we have assumed a BLV of the value of industrial land. Through the 2020 viability consultation the promoter of a strategic site said[79]:

> *We wish to make the observation that the BLV at £120,000 per gross hectare (£49,000 per gross acre) outlined is a potentially low (x6) multiple of prevailing agricultural land value. We would suggest that this could be higher as typically agricultural land values are running nearer*

[79] Pete Stockall, Avision Young, for DIO re Beachley Barracks.

> *£10,000 per acre due to a shortage of supply across the country and so this would convert to a BLV of nearer £60,000 per acre.*

6.37 The HBF[80] commented:

> *The HCA Area Wide Viability Model (Annex 1 Transparent Viability Assumptions) dated August 2010 identified that "benchmarks and evidence from planning appeals tend to be in a range of 10% to 30% above EUV in urban areas. For greenfield land, benchmarks tend to be in a range of 10 to 20 times agricultural value". The proposed BLVs are approximately midway between the ranges identified by HCA. These proposed BLVs may provide insufficient incentive to landowners of greenfield sites to sell. As noted in the Harman Report "prospective sellers are often making a once in a lifetime decision and are rarely distressed or forced sales.*

6.38 A fuller explanation of the derivation of the BLV should be provided[81]. They went on to say:

> *Given the suggested value of consented residential land achieved in the District at 40% affordable housing being in the order of £1m per gross hectare, it is unclear that a BLV of £270k per gross hectare (or` £300k for paddock land) is high enough to secure the release of Greenfield sites for housing delivery. Similarly, evidence presented on Industrial land values suggests that c.£460k per gross hectare is being achieved on average compared to the draft LPEVA £120k per gross hectare BLV.*

6.39 They went on to suggest that taxation should be taken into account (the implication being that the BLV should be further increased). This is not accepted, some landowners will be subject to tax and others not, some are able to 'roll over' their gains. This will depend on the circumstances of each landowner and depend on the timings and specific circumstances of each land sale.

6.40 In this iteration of this assessment the following Benchmark Land Value assumptions are used, where the site is considered as a whole site (rather than on a net developable area basis):

Brownfield Sites: EUV Plus 20% - where a value of £250,000/ha is assumed.

Greenfield Sites: EUV Plus £300,000/ha.

6.41 There was broad consensus that EUV plus 20% was appropriate for brownfield sites. For greenfield sites, the landowner's premium has been increased to £300,000/ha, to give a BLV of about 15 time the EUV, although some felt that 10 times should be a sufficient incentive.

6.42 This premium '*should provide a reasonable incentive for a land owner to bring forward land for development'* while allowing a '*contribution to comply with policy requirements*'. Whilst there are certainly land transactions at higher values than these, we believe that these are appropriate for a study of this type. These figures are similar to those used in the neighbouring districts. As there was not universal agreement on this point (through the 2020 viability consultation) sensitivity testing has been carried out in this regard.

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[80] Sue Green for the HBF.

[81] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

7. Development Costs

7.1 This chapter considers the costs and other assumptions required to produce financial appraisals for the development typologies. These assumptions were presented to stakeholders through the June 2020 consultation and have been subsequently updated.

Development Costs

Construction costs: baseline costs

7.2 The cost assumptions are derived from the Building Cost Information Service (BCIS)[82] data – using the figures re-based for Forest of Dean. The cost figure for 'Estate Housing – Generally' is £1,204/m^2 at the time of this study. The use of the BCIS is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale.

7.3 The appropriate cost is used for the relevant building type, so the figure for flatted development (of the appropriate height) is used for flatted development, the figure used for terraced development is that for terraced housing and so on. Likewise, the appropriate figures are used for non-residential development types and the figure for 'supported housing' is used for Extracare housing

7.4 In August 2015, a report was published that considered the construction costs on smaller sites. *Housing development: the economics of small sites – the effect of project size on the cost of housing construction* (August 2015) was carried out by BCIS, having been commissioned by the Federation of Small Businesses. This study concluded that the construction price for schemes of 1 to 5 units was about 13% higher than for schemes of over 10 units and that the construction price for schemes of 1 to 10 units was about 6% higher than for schemes of over 10 units. These adjustments have been made to the small schemes modelled in this report.

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

Table 7.1 BCIS Costs- £/m² gross internal floor area						
Rebased to Forest of Dean (100; sample 6)						
Description: Rate per m2 gross internal floor area for the building cost including prelims.						
Last updated: 02-Jan-2021						
Building function	£/m² gross internal floor area					
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest
810.1 Estate housing						
Generally (15)	1248	604	1066	1204	1366	4372
Single storey (15)	1401	798	1184	1352	1576	4372
2-storey (15)	1208	604	1050	1177	1319	2617
3-storey (15)	1282	778	1048	1230	1436	2585
4-storey or above (15)	2626	1275	2110	2356	3507	3882
810.11 Estate housing detached (15)	1616	930	1207	1376	1610	4372
810.12 Estate housing semi detached						
Generally (15)	1244	738	1073	1219	1368	2280
Single storey (15)	1382	887	1178	1368	1537	2280
2-storey (15)	1211	738	1071	1190	1328	2084
3-storey (15)	1185	895	944	1161	1282	1809
810.13 Estate housing terraced						
Generally (15)	1282	778	1051	1212	1411	3882
Single storey (15)	1433	956	1220	1355	1651	2047
2-storey (15)	1240	785	1047	1191	1368	2617
3-storey (15)	1285	778	1034	1208	1412	2585
816. Flats (apartments)						
Generally (15)	1467	727	1219	1393	1657	5045
1-2 storey (15)	1393	851	1186	1334	1541	2539
3-5 storey (15)	1444	727	1213	1387	1631	3067
6+ storey (15)	1765	1078	1437	1649	1906	5045

Source: BCIS (January 2021)

7.5 The base assumption in this report is that homes are built to the basic Building Regulation but not to higher environmental standards. Initially, for smaller sites, the median cost is used, and for the sites of 100 units and over, the lower quartile cost is used. Concern was raised[83] [84] by about the use of the lower quartile figures on the larger sites. The HBF commented that the

[83] Sue Green for HBF.

[84] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

lower quartile costs should be used with agreement from the industry. The BCIS median costs are used in this iteration of this report, corresponding with the assumption used in most viability assessments considered at the development management stage.

7.6 As set out in Chapter 2 above, the Government recently announced the outcome of its consultation on 'The Future Homes Standard'[85]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. This is considered in Chapter 8 below.

Construction costs: affordable dwellings

7.7 The procurement route for Affordable Housing is assumed to be through construction by the developer and then disposal to a housing association on completion. In the past, when considering the build cost of Affordable Housing provided through this route, we took the view that it should be possible to make a saving on the market housing cost figure, on the basis that one might expect the Affordable Housing to be built to a slightly different specification than market housing. However, the pressures of increasingly demanding standards for housing association properties have meant that, for conventional schemes of houses at least, it is no longer appropriate to use a reduced build cost; the assumption is of parity.

Other normal development costs

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

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

7.10 A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for the smaller sites and flatted schemes, to 15% for the larger greenfield schemes. Major infrastructure works (including off site works) will be covered under s106 costs or abnormal costs which are considered below.

7.11 Through the 2020 viability consultation the use of 5% for the flatted schemes was questioned[86]. These sites are most likely to be small sites, without extensive external works.

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

[86] Sue Green for HBF.

Additionally, they are likely to be serviced (due to their location). Additionally, it was noted that some sites may incur costs beyond the 5% to 15% range[87]. This is accepted, however the modelling in this assessment is based on normal development costs.

7.12 Through the 2020 viability consultation the promoter of a strategic site[88] commented '*that on-site infrastructure and services do not appear to have been allowed for (even at a lower percentage of base construction cost than one would normally assume given the presence of existing roads, services and utilities infrastructure on the Beachley Barracks site*'. The allowance made for the strategic infrastructure costs is separate (under the s106 heading). On a large greenfield site an allowance of 15.66% (being 15% plus 0.66% for biodiversity net gain) is made. Approximately this equates to about £200/m^2 or about £640,000/net ha. No change has been made in this regard.

7.13 A representative of a housebuilder[89] made a range of comments including that uplifts of 20% are sometimes used as a proxy to allow for services / externals on small to medium sites. It was also suggested that as well as the allowance for access, roads, drainage and services within the site, parking, footpaths, landscaping and other external costs, an additional allowance be made for opening up costs. It is not clear what additional costs to these would be covered by this assumption.

Garden Town Principles

7.14 Through the 2020 Viability consultation it was noted[90] the possible requirements for the Churcham South Strategic Site, if allocated, to be developed under Garden Town principles. The difference between the Garden Town and the conventional approach is in two main parts. The first being the total land requirement and the second being the layout.

7.15 In this assessment the construction costs are based on the BCIS costs. The BCIS costs include the costs of the building but not the costs of services and external works. For this assessment we have had regard to the work carried out by URS (now AECOM) to support the TCPA's *Nothing gained by overcrowding!* paper. In that paper, two 4ha schemes were modelled as per the layouts below (at 2012 prices) to ascertain the estimated site costs. It found that the site costs on the Garden Town scheme, on a per unit basis, are about 65% of the costs on the conventional scheme.

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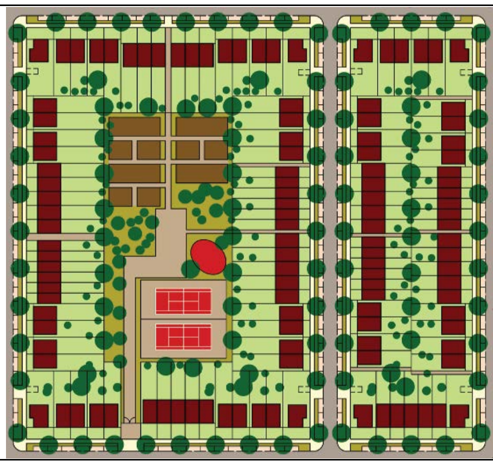
[87] Sue Green for HBF.

[88] Pete Stockall, Avision Young, for DIO re Beachley Barracks.

[89] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[90] Sandra Walker

Figure 7.1 Scheme Layouts

Conventional Layout (A)	Garden City Layout (B)
	

Source: Nothing gained by overcrowding! TCPA 2012

7.16 The reason for this is set out in the report as follows (where Scheme A is the Conventional scheme and Scheme B adopts the Garden City principles):

> *... the real difference between the two approaches becomes apparent when we then take into account the substantially larger plot size of homes in Scheme B. It can be seen that the cost per square metre is more than 40% less for homes in Scheme B, and more than 50% less if one includes a share of the communal open space area. Aside from the adoption of the highway and footways, no additional cost has been included for the long-term management and maintenance of communal areas in either scheme. However, there are significant differences between the two approaches. In Scheme A only 31% of the total area is looked after by the individual property owners or tenants, leaving almost 70% of the area to be maintained by the highway authority or management company. In contrast, in Scheme B the area to be maintained communally is just 39%, and would be reduced to just 24% if the communal gardens were managed directly by the residents.*

7.17 Under a conventional scheme it is generally assumed that the site costs would be about of 15% of the construction (i.e. the BCIS based) costs. The Garden Town principles schemes are assumed to have a site cost of 13%.

Abnormal development costs and brownfield sites

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

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

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

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

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

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

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

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

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

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

7.24 Through the 2020 viability consultation it was noted[91] that the Gedling decision predates the current iteration of the NPPF. This is correct, the updated PPG now says, with regard to abnormal costs:

> *Costs include: ... abnormal costs, including those associated with treatment for contaminated sites or listed buildings, or costs associated with brownfield, phased or complex sites. These costs should be taken into account when defining benchmark land value ...*
>
> *10-012-20180724*
>
> *Benchmark land value should: … reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees ...*
>
> *10-014-20190509*

7.25 It is accepted that some greenfield sites may incur additional costs, however these are likely to be the exception so should be treated as per the PPG.

[91] Sue Green for HBF.

7.26 Through the 2020 viability consultation the promoter of a strategic site[92] noted that an abnormals allowance of £3,900/dwelling would be less than expected. On the Beachley Camp site we have assumed an allowance of 3% of (being between the greenfield and brownfield assumption, reflecting the mixed nature of the site).

7.27 A representative of a housebuilder[93] criticised this approach (i.e. abnormals being absorbed in the land value), but did not suggest an alternative approach. This is the approach specified in the PPG so no change is made. They went on to say that windfall sites may come forward and may be subject to abnormal costs. A range of brownfield typologies are modelled, including ones to reflect possible windfall sites.

7.28 Having considered the comments, it is clear that this is an area where there is not a consensus, with several consultees suggesting taking an approach other than that set out in the PPG. The approach set out in the PPG is followed.

Fees

7.29 For residential and non-residential development, we have assumed professional fees amount to 8% of build costs. 8% is somewhat greater than that used by developers when submitting viability assessments through the development management process. Separate, additional, allowances are made for planning fees, acquisition, sales and finance costs.

7.30 The HBF commented that the Harman Guidance suggests 10% in this regard, with similar a similar point being made by a representative of a housebuilder[94]. Since 2012 there has been considerable inflation in the construction sector (as seen through the BCIS costs) but this has not followed through to the same extent into the professional services. Conversely, an agent for a housebuilder agreed in this regard, subject to additional fees in relation to infrastructure and abnormal costs (we confirm that the 8% is applied to construction, infrastructure, contingencies and abnormal costs).

Contingencies

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

7.32 The allowance is applied to the total build costs, being the BCIS costs, as adjusted and the site costs. The HBF suggested that this should also be applied to the abnormal cost allowance. This is not accepted as it results in double counting.

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[92] Pete Stockall, Avision Young, for DIO re Beachley Camp.

[93] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[94] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

7.33 A representative of a housebuilder[95] suggested 5% should be used on all sites. This is not accepted, on the whole, contingencies are to cover unknown factors which tend to be underground. By their nature brownfield sites are likely to have more unknown factors.

7.34 Following the 2020 viability consultation, the assumption for greenfield sites has been increased to 3%, in line with the figure typically used through the development management process.

S106 Contributions and the costs of infrastructure

7.35 FoDDC has not adopted CIL (the Government is considering reforming the CIL regime as set out in Chapter 2 above). For many years, FoDDC has sought payments from developers to mitigate the impact of the development through improvements to the local infrastructure. The majority of these are for general items rather than site specific infrastructure of the type that can now be sought under the restrictions as out in CIL Regulation 122.

7.36 We have reviewed the s106 payments agreed over the last 70 or so schemes. Of the schemes where s106 payments were sought (on many, no payment was sought), the amount varies, very considerably, up to a maximum of a little over £17,000per unit. The average was £4,050 per unit and the median £3,136/unit. Through the 2020 viability consultation, the reason for the range was questioned[96]. It is understood that this is for a range of reasons, including the scope to request contributions (as per CIL Regulation 122), the specifics of the site and viability grounds.

7.37 In this study it is important that the costs of mitigation are reflected in the analysis[97] [98]. Having reviewed this with the Council, we have used an assumption of £3,150/unit in our base appraisals, but have tested a range of higher assumptions (see Chapter 10 below). Through the 2020 viability consultation it was noted[99] [100] [101] [102] [103] that £3,150/unit is significantly less than the amount sought by Gloucester County Council. At the time of this report, Gloucester County Council is looking to increase the levels of developer contributions towards education provision and to this end published *Local Developer Guide: Infrastructure and Services*

[95] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[96] Rob Niblett for GCC

[97] The importance of testing the costs of infrastructure was confirmed, through the 2020 viability consultation by Highways England and Stagecoach (the bus operator).

[98] The importance of testing the costs of GP surgeries, from the outset, was highlighted through the 2020 viability consultation by Dr Kim Botly.

[99] Black Box Planning.

[100] Stagecoach

[101] Rob Niblett for GCC

[102] Sue Green for the HBF.

[103] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Necessary to Support New Development, UPDATE February 2020 (Pre-consultation draft) for consultation. This includes the following headings:

a. Pre-school Places
b. Primary & Secondary Schools
c. Special Schools
d. Academies and Free Schools
e. Adult Social Care
f. Libraries
g. Archives
h. Health & Public Health
i. Broadband
j. Fire and Rescue
k. Sustainable Drainage
l. Waste and Recycling
m. Transport

7.38 The County Council has set out the following costs for sites of 10 and larger, although these are not agreed with FoDDC.

Index: FYr 2019/20	Pre-school		Primary		Secondary		Post-16	
Per dwellings	Demand (Places)	Cost (£ per place)	Demand (Places)	Cost (£ per place)	Demand (Places)	Cost (£ per place)	Demand (Places)	Cost (£ per place)
100	30	£15,091	41	£15,091	20	£23,092	11	£23,092

Source: GCC (May 2020)

7.39 The comes to just under £17,900/unit. These figures are somewhat different to those put forward, to the consultation, by the Department for Education:

Cost per pupil	**Permanent expansion**	**New school**
Primary	£17,442	£20,715
Secondary	£24,015	£25,181

7.40 As with other types of contributions, the actual level of contributions will vary from site to site, depending on the individual circumstances of that site. A range of developer contributions is tested.

7.41 Through the iterative process of preparing this study further consideration was given to this topic. The Council's firm position is that the correct approach is to use an assumption of £3,150/unit in the base appraisals and to test a range of higher assumptions (see Chapter 10 below). Whilst the County Council's request for higher education payments is noted, it is felt that these, in the Forest of Dean context, are unlikely to be justifiable in many cases under CIL Regulation 122[104] (for example there may be capacity in the existing schools). Having

[104] Payments requested under the s106 regime must be (as per CIL Regulation 122):

- necessary to make the development acceptable in planning terms;

said this, it is accepted that the historic level of payments may be less than future payments and it is appropriate to assume that higher payments will be sought in the future.

7.42 In the case of the Strategic Sites, the Council does not yet have an estimate of the site strategic infrastructure and mitigation measures. A base assumption of £10,000/unit has been used. A range of figures have also been tested. Through the 2020 viability consultation[105] the timing of payments was highlighted, particularly on larger sites. This is agreed, however further details are not available at this stage. As and when further detail is available it may be necessary to revisit the analysis.

7.43 A representative of a housebuilder[106] commented that we (HDH) had used a figure of £25,000/unit in a similar study we have undertaken for Stroud, and that the Harman Guidance suggested £17,000 to £23,000. It is important that the assumption used is based on local evidence – the figure used in Stroud had been derived through the IDP process by ARUP. It is beyond the scope of this report to assess the infrastructure requirements, however the assumption of £10,000/unit is considered a reasonable estimate by the Council. Sensitivity testing has been carried out in this regard, with up to £30,000/unit being tested. It is accepted that it would be preferable to use a detailed site-specific cost, however this is not available. If the actual figure is outside the range tested in may be necessary to revisit the viability analysis.

Financial and Other Appraisal Assumptions

VAT

7.44 It has been assumed throughout, that either VAT does not arise, or that it can be recovered in full[107].

Interest rates

7.45 Initially the appraisals assumed 6%p.a. for total debit balances, and an arrangement fee of 1% of the peak borrowing requirement is also allowed for. No allowance was for any equity provided by the developer. This does not reflect the current working of the market nor the actual business models used by developers. In most cases the smaller (non-plc) developers are required to provide between 30% and 40% of the funds themselves, from their own resources, so as to reduce the risk to which the lender is exposed. The larger plc developers tend to be funded through longer term rolling arrangements across multiple sites.

- directly related to the development; and
- fairly and reasonably related in scale and kind to the development.

[105] Stagecoach

[106] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

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

7.46 The 6% assumption may seem high given the very low base rate figure (0.1% January 2021). Developers that have a strong balance sheet, and good track record, can undoubtedly borrow less expensively than this, but this reflects banks' view of risk for housing developers in the present situation. In the residential appraisals, a simple cashflow is used to calculate interest.

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

7.48 Following the consultation, the interest assumption has been adjusted to 6.5% to include interest and associated fees.

7.49 Through the 2020 viability consultation it was noted[108] that 6% was in line with Treasury assumptions (5% to 7%). In this context the major housebuilders report the following in their 2019 Annual Reports:

a. Persimmon - Base plus 1% to 3.25% and LIBOR plus 0.9%[109].

b. Barratt - Weighted Average (excluding fees) of 2.8%[110].

c. Vistry (Bovis and Linden Homes) - LIBOR plus 165-255bsp. USPP Loan 4.03%[111].

d. Redrow - 2.3%[112]

Developers' return

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

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

108 Sue Green for HBF.

109 Page 150.

110 Page 172.

111 Page 139.

112 Page 120.

where this guarantees an end sale at a known value and reduces risk. Alternative figures may also be appropriate for different development types.

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

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

7.53 It is necessary to consider risk in the context of the coronavirus pandemic. At the time of this report there is no evidence of falls in property values or changes in construction costs. There was however evidence of a slowdown in sales (in large part required by the Government), but these have now recovered. At this stage there is little evidence to draw on.

7.54 As set out at the start of this report, there are uncertainties around the values of property and the costs of construction that are a direct result of the COVID-19 pandemic.

7.55 In this high-level plan wide viability assessment, it is not considered appropriate to deviate from the range set out in the PPG. When considered on a national basis, taking into account most sites are greenfield sites an assumption of 17.5% has been applied to all residential development, other than build to rent where the industry norm of 15% is used. In acknowledgement of the additional risks as a result of COVID-19, sensitivity testing has been carried out in this regard.

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

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

7.58 Through the 2020 viability consultation the HBF and a representative of a housebuilder[113] noted that 17.5% / 6% may come to less than 15% overall. The requirement for 25% of affordable homes to be First Homes was also raised[114] in the context of this new tenure carrying a sales risk that is more like market housing than traditional affordable housing.

7.59 In this regard, like other aspects of the planning system, it is necessary to work within the NPPF and the PPG. We would expect to use a figure near the bottom of the specified 15% to 20% range in the strongest markets (for example close to London) and to use a figure near the top of the range in the weaker markets (for example some areas of the northeast). We would consider Gloucestershire to be in the mid-market, so it is appropriate to use an assumption near the middle of the specified range. In addition, it is accepted that the coronavirus pandemic has introduced uncertainty at the present time. In this iteration this assumption has been changed to 20% for market housing and 6% for affordable housing. This assumption is in line with the assumption generally used through the development management process.

7.60 Bearing in mind the range of comments made, and the current uncertainties, we have included sensitivity testing in this regard. 15% is used for both Build to Rent and non-residential development.

Voids

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

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

Phasing and timetable

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

7.64 On the whole, it is assumed a maximum, per outlet, delivery rate of 50 units per year. On a site with 30% Affordable Housing this equates to 35 market units per year. On the smaller

[113] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[114] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

sites, we have assumed slower rates to reflect the nature of the developer that is likely to be bringing smaller sites forward.

7.65 For the older people's housing schemes, a slower rate of sales has been assumed, with an allowance being made for block management over the sales period (£3,000/unit).

Site Acquisition and Disposal Costs

Site holding costs and receipts

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

7.67 A representative of a housebuilder[115] suggested that a separate allowance should be made in this regard, but did not suggest how this may be calculated. Bearing in mind the nature of this study the approach taken is considered appropriate.

Acquisition costs

7.68 A simplistic approach is taken, it is assumed an allowance 1.5% for acquisition agents' and legal fees. The HBF commented that the Harman Report recommends 1% - 2% for agent fee costs and 1% - 2% for legal fees. Whilst this assumption is below this guidance it is considered appropriate in the current market, and in line with the assumption typically used through the development management process.

7.69 Stamp duty is calculated at the prevailing rates.

Disposal costs

7.70 For market housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts (market and affordable housing).

7.71 In the case of older people's housing, an assumption of 3% for agents and 0.5% for legal fees is used.

[115] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

8. Local Plan Policy Requirements

8.1 The specific purpose of this study is to consider the cumulative impact of the policies in the emerging Local Plan. These policies are still being developed but can be separated into various headings as below. In due course, FoDDC will consider the advice set out in this report and the wider evidence to settle on a set of planning policies.

8.2 The new Local Plan will replace the *Core Strategy Adopted Version 23rd February 2012* and the *Allocations Plan 2006 to 2026 Adopted June 2018*, as well as various Supplementary Planning Documents. Having said this, the new Local Plan will carry many of the existing policy requirements forward (subject to appropriate updating). The analysis in this assessment draws on the *Local Plan 2021-2041 Issues and Options*, (September 2019) and from discussion with FoDDC officers.

8.3 The emerging policy areas are set out below – although it is important to note that, at this stage, these are simply options that may or may not be progressed into the new Local Plan. It is important to note that many of the policies are either general enabling policies or policies that restrict development to particular areas or situations. These do not directly impact on viability. Only those policies that add to the costs of development over and above the normal costs of development are mentioned. These policies are grouped as per the chapters in the Adopted Core Strategy.

8.4 Through the 2020 viability consultation the importance of testing 'green standards' was highlighted[116]. A range of options tested.

Sustainable Development and Design

Core Strategy Policy CSP.1 - Design and environmental protection, Allocations Plan – AP1 Sustainable Development, Allocations Plan – AP4 Design of Development

8.5 These are general policies setting out the high-level principles of development. They do not add to the costs of development.

Core Strategy Policy CSP.2 - Climate Change and Core Policy CSP.3 - Sustainable Energy use within Development Proposals, Allocations Plan – AP7 - Biodiversity

8.6 These policies overlap and contain provisions around water usage and run-off, heating and cooling and biodiversity. They do not specifically require standards over and above current standards, but this is an area of change in national policy.

[116] Sandra Walker

Water Usage

8.7 It is assumed that measures to reduce the use of water, in line with the enhanced building regulations, will be introduced. The costs are modest, likely to be less than £100/dwelling[117].

Sustainable Urban Drainage Systems (SUDS) and Flood Risk

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

8.9 An agent[118] for a representative for a housebuilder questioned this approach, but did not suggest an alternative approach.

Energy Efficiency and The Future Homes Standard

8.10 The policy currently seeks that all '*major developments and other developments involving the construction of one of more dwelling(s) will be expected to provide, as a minimum, sufficient on-site renewable energy to reduce carbon dioxide emissions from energy use by 10%. The proportion will increase to 15% from 2015 and 20% from 2020*'. It is timely to consider higher environmental standards. The Council is not specifically seeking standards that are over and above those set out in National Building Regulations. Building to increased standards would require construction to increased standards and thus higher costs.

8.11 The Government has recently consulted on 'The Future Homes Standard'[119]. This is linked to achieving the 'net zero' greenhouse gas emissions by 2050. The Council is exploring the policy options in this regard. At this stage a policy has not been drafted but is likely to include provisions to encourage (rather than prescribe) all or some of the following:

a. Sustainable design to minimise energy usage, including use of natural means of providing for cooling, heating and lighting;

b. Use of renewable energy technologies;

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

[118] Zoe Stiles, Pioneer for Robert Hitchins.

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

c. Using sustainable construction methods, including utilisation of existing mineral resources on site;

d. Providing generous blue/green infrastructure;

e. Providing, supporting and linking into sustainable transport measures and encouraging significant reduction in car use;

f. Minimising waste, including reusing material derived from excavation and demolition;

g. Reducing water use;

h. Measures to encourage sustainable lifestyles;

i. All new developments will be expected to be climate change resilient- especially in relation to flood risk and heat stress.

8.12 There are a wide range of ways of lowering the greenhouse gas emissions on a scheme, although these do alter depending on the nature of the specific project. These can include simple measures around the orientation of the building, and measures to enable natural ventilation, through to altering the fundamental design and construction. The extent of the costs will depend on the specific changes made and are considered in Chapter 3 of the Government Consultation[120]. The consultation is being carried out on the basis that these would be introduced from 2025, which is likely to be in a future plan period, it is however prudent to consider these here.

> *3.9. Following discussion with our technical working group and assessment of the modelling analysis, two options for the 2020 CO_2 and primary energy targets are proposed for consultation. The options below are presented in terms of CO_2 reduction to aid comparison with current standards. We plan to use either option 1 or option 2 as the basis of the new primary energy and CO_2 targets for new dwellings, with option 2 as the government's preferred option:*
>
> *j. **Option 1 - 'Future Homes Fabric'.** This would be a 20% reduction in CO_2 from new dwellings, compared to the current standards. This performance standard is based on the energy and carbon performance of a home with:*
>
> *i. Very high fabric standards to minimise heat loss from windows, walls, floors and roofs (typically with triple glazing). This would be the same fabric requirement as we currently anticipate for the Future Homes Standard*
>
> *ii. A gas boiler*
>
> *iii. A waste water heat recovery system*
>
> *This would add £2,557 to the build-cost of a new home and would save households £59 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.*
>
> *k. **Option 2 - 'Fabric plus technology'**. This would be a 31% reduction in CO_2 from new dwellings, compared to the current standards. This option is likely to encourage the use of low-carbon heating and/or renewables. The performance standard is based on the energy and carbon performance of a home with:*

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

> i. *an increase in fabric standards (but not as high an increase as in Option 1, likely to have double rather than triple glazing)*
>
> ii. *a gas boiler*
>
> iii. *a waste water heat recovery system.*
>
> iv. *iv. Photovoltaic panels*
>
> *Meeting the same specification would add £4847 to the build-cost of a new home and would save households £257 a year on energy bills. The estimated impact on housebuilding is discussed in the impact assessment.*
>
> *3.10. The option 2 specification would give a CO_2 saving of only 22% for flats due to the standard including solar panels and flats having a smaller roof area per home. The additional cost per flat is also less at £2256.*
>
> *3.11. In practice, we expect that some developers would choose less costly ways of meeting the option 2 standard, such as putting in low-carbon heating now. This would cost less than the full specification, at £3134 for a semi-detached house.*

8.13 In line with a comment[121] [122] made through the 2020 viability consultation these costs have been indexed. Approximately, Option 1 would add about 2.3%[123] to the base cost of construction, and Option 2 would add about 2.8%[124] to the base cost of construction. It was also suggested that Option 1 should be incorporated in the base appraisals to align with the current direction of national policy. In addition to the above, it may (depending on the outcome of the consultation), be necessary for all new houses to be heated off the gas grid.

8.14 In January 2021 (as this report was being completed) the Government announced its preference to pursue Option 2 through a change in Part L of the Building Regulations, thus making it mandatory. Whilst Option 1 is tested, Option 2 is assumed to apply.

8.15 The Council is not currently pursuing a policy that goes beyond the requirements of the Future Homes Standard Option 2, however has requested that a zero carbon option is tested. In this regard we have referred to the *Centre for Sustainable Energy Cost of carbon reduction in new buildings* (Currie & Brown, December 2018) report, which has been referenced by other Councils in the South West. This report suggests a 5-7% uplift to achieve net-zero regulated emissions (both domestic and non-domestic), and a 7-11% uplift to achieve net-zero total emissions (domestic only)[125].

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[121] Sue Green, HBF.

[122] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

[123] £2,557 x 0.75% = £2,576. £2,576/93m^2 = £27.70/m^2. £27.70/m^2 / £1,204 = 2.3%

[124] £3,134 x 0.75% = £3,158. £3158/93m^2 = £33.96/m^2. £33.96/m^2 / £1,204 = 2.8%

[125] In this context **Regulated energy** is energy use that is regulated by Part L of Building Regulations. This includes energy used for space heating, hot water and lighting together with directly associated pumps (for circulating water) and fans (eg for ventilation). **Unregulated energy** is energy use that is not controlled by Part L of Building Regulations. In homes this includes energy use for cooking, white goods and small power (eg, TVs, kettles, toasters, IT, etc). The quantity of unregulated energy in a home is estimated in SAP2012 using information on the building area. In non-domestic buildings unregulated energy also includes that used for vertical transportation (lifts and escalators) and process loads such as industrial activities or server rooms.

8.16 The above relates to residential development. The performance of non-residential development is normally assessed using the BREEAM system[126]. The additional cost of building to BREEAM Very Good standard is negligible as outlined in research[127] by BRE. The additional costs of BREEAM Excellent standard ranges from just under 1% and 5.5%, depending on the nature of the scheme with offices being a little under 2%. It is assumed that new non-residential development will be to BREEAM Excellent and this increases the construction costs by 2% or so.

8.17 It is timely to note that building to higher standards that result in lower running costs does result in higher values[128].

8.18 The Council has asked us to test the cost of a net 10% reduction in energy usage relative to a home built to current Building Regulations above the requirements of current Building Regulations is a relatively modest requirement that can be met though a range of solutions, including additional insulation, or the installation of solar panels. In this study a cost of £1,750/dwelling has been modelled in this regard.

Electric Vehicle Charging

8.19 The Council does not seek EV charging points. In line with comments[129] made though the 2020 viability consultation the effect of requiring the provision of electric car charging points has been tested. A cost of £976/unit[130] has been modelled, although it is accepted that the costs can be more than this where off-site improvements to the electricity network is required.

8.20 We take this opportunity to comment about EV charging points more generally. Whilst the costs of these is taken from the consultation, this is an area where there is not industry standardisation (an Audi cannot use a Tesla point etc), so we would suggest that rather than requiring developers to install charging points, a more pragmatic approach would be to require a 33amp fussed spur to be provided to a convenient point for the householder to install the appropriate unit in due course. The cost of this would be very modest.

Biodiversity

8.21 As drafted, this is a general policy that seeks to protect biodiversity and the natural environment rather than to seek gains. In March 2019, the Government announced that new

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

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

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

[129] Sue Green for HBF.

[130] Paragraph 9 Electric Vehicle Charging in Residential and Non-Residential Buildings (DfT, July 2019).

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

8.22 The Environment Bill has been delayed due to the coronavirus pandemic. Within the current iteration of the Bill, it is anticipated that all consented developments (with a few exceptions), will be mandated to deliver a biodiversity net gain of 10% as against the measured baseline position using the evolving Defra metric[131]. The requirement is that developers ensure habitats for wildlife are enhanced and left in a measurably better state than they were pre-development. They must assess the type of habitat and its condition before submitting plans, and then demonstrate how they are improving biodiversity – such as through the creation of green corridors, planting more trees, or forming local nature spaces.

8.23 Green improvements on site would be preferred (and expected), but in the rare circumstances where they are not possible, developers will need to pay a levy for habitat creation or improvement elsewhere. The costs of this type of intervention are modest and will be achieved through the use of more mixed planting plans, that use more locally appropriate native plants. To a large extent the costs of grass seeds and plantings will be unchanged. More thought and care will however go into the planning of the landscaping. There will be an additional cost of establishing the base line 'pre-development' situation as a survey will need to be carried out.

8.24 The Government's impact assessment[132] suggests an average cost in the region of £20,000 per hectare, (including fees) for residential development and £15,000/ha for non-residential development. In line with a comment[133] made through the 2020 viability consultation these costs have been indexed[134] [135]. This would represent an increase in the site costs of about 5%. We have increased the site cost assumption to reflect this.

8.25 In the event of this policy being met through off site provision, it is assumed that these would be covered under the general heading of developer contributions. Based on the cost suggested in Government's impact assessment of about £65,000/ha for off-site provision, the cost may be in the region of £2,000/unit.

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[131] As highlighted by Natural England through the 2020 viability consultation.

[132] Table 14 and 15 Biodiversity net gain and local nature recovery strategies: impact Assessment. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/839610/net-gain-ia.pdf

[133] Sue Green, HBF.

[134] £18,527 x 8% = £20,009/ha

[135] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

Housing

Core Strategy Policy CSP.5 – Housing

8.26 As well as identifying the distribution of development, this policy sets out the approach to residential development densities, affordable housing and housing mix.

<u>Affordable Housing</u>

8.27 The Council currently seeks 40% Affordable Housing on sites of 5[136] or more units within the Designated Rural Area and on sites of 10 or more elsewhere. As set out later in this report, a range of tenure mixes have been tested (informed by the wider evidence base). In line with the Council's current practice, in the base appraisals it is assumed that Affordable Housing will be provided as 30% affordable home ownership and 70% affordable housing to rent. The requirement for Affordable Housing is expanded on in the *Affordable Housing SPD (February 2020)*.

8.28 In this context it is important to have regard to paragraph 65 of the 2021 NPPF that says:

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

8.29 In this context, the Government launched a further consultation[137] in January 2021. Amongst other things this clarified that that 10% relates to all the homes on a site.

8.30 This requirement has been modelled.

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

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[136] Paragraph 63 of the 2029 NPPF says:

> ***63.*** *Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.*

[137] 29th January 2021. [NPPF draft for consultation (publishing.service.gov.uk)]

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

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

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

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

PPG: 60-002-20180913

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

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

PPG: 60-003-20180913

8.32 In line with this, a 20% private affordable rent at a 20% discount to market rent has been tested.

8.33 As set out in Chapter 2 above, in February 2020 the Government launched a consultation on First Homes. The consultation is exploring a number of options. In broad terms it is suggested that development should include an element of First Homes where these are discounted for first time buyers by at least 30% from market values. At this stage the proportion of First Homes to be delivered has not been proposed. In this assessment a range is tested.

8.34 A range of affordable housing requirements and tenure mixes have been tested.

<u>Housing Mix</u>

8.35 The policy suggests the mix of housing should be informed the Council's prevailing evidence (for example the LHMA). The Council's most recent evidence is the *Gloucestershire Local Housing Needs Assessment 2019 - Report of Findings Draft* (ORS, 11th March 2020).

Table 8.1 Housing Mix					
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	All
Social Rent	309	520	223	120	1,172
Affordable Rent	35	133	95	34	297
AHO	86	323	292	24	725
Planned Affordable	**430**	**976**	**610**	**178**	**2,194**
	19.60%	44.48%	27.80%	8.11%	
Market Housing	**123**	**329**	**3,588**	**877**	**4,917**
	2.50%	6.69%	72.97%	17.84%	

Source: Gloucestershire Local Housing Needs Assessment 2019 - Report of Findings Draft (ORS, 11th March 2020). Figure 85: Overall need for Affordable Housing (including households aspiring to home ownership) and Market Housing by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

8.36 This mix has been used to inform the housing mix, although wider factors, such as the locality of schemes is also considered.

8.37 As well as the above we have considered various other requirements that could be applied to development under a range of headings:

a. <u>Nationally Described Space Standard technical requirements</u>

The Council is seeking Nationally Described Space Standard (NDSS). In March 2015 the Government published *Nationally Described Space Standard – technical requirements*. This says:

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

The following unit sizes are set out[138]:

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

Table 8.2 Nationally Described Space Standards. Minimum gross internal floor areas and storage (m^2)					
number of bedrooms	number of bed spaces	1 storey dwellings	2 storey dwellings	3 storey dwellings	built-in storage
1b	1p	39 (37)*			1
	2p	50	58		1.5
2b	3p	61	70		2
	4p	70	79		
3b	4p	74	84	90	2.5
	5p	86	93	99	
	6p	95	102	108	
4b	5p	90	97	103	3
	6p	99	106	112	
	7p	108	115	121	
	8p	117	124	130	
5b	6p	103	110	116	3.5
	7p	112	119	125	
	8p	121	128	134	
6b	7p	116	123	129	4
	8p	125	132	138	

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

In this study the units are assumed to be in excess of these National Space Standards. Through the 2020 viability consultation the importance of space for home working was highlighted[139]. Currently the Council does not have scope to require standards over and above NDSS so this is not tested specifically. It is important to note however, that developers may design houses to increased standards, allowing for space for homeworking.

A representative of a housebuilder[140] questioned how NDSS may impact on land take and master planning. We understand that the council have taken these into account when considering site capacities that have informed the modelling in this report.

b. <u>Document M: Part M Access to and Use of Buildings</u>

The scope for councils to introduce additional standards are constrained to those within the optional Building Regulations. The additional costs of the further standards (as set out in the draft Approved Document M amendments included at Appendix B4[141]) are

[139] Dr Kim Botly

[140] Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

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

set out below. The key features of the 3 level standard (as summarised in the DCLG publication *Housing Standards Review – Final Implementation Impact Assessment* (DCLG, March 2015)[142]), reflect accessibility as follows:

- Category 1 – Dwellings which provide reasonable accessibility
- Category 2 – Dwellings which provide enhanced accessibility and adaptability
- Category 3 – Dwellings which are accessible and adaptable for occupants who use a wheelchair.

The cost of wheelchair adaptable dwelling based on the Wheelchair Housing Design Guide for a 3 bed house, is taken to be is £10,111 per dwelling[143.144] The cost of Category 2 is taken to be £521[145] (this compares with the £1,097 cost for the Lifetime Homes Standard). In line with a comment[146] [147] made through the 2020 viability consultation these costs have been indexed[148].

The emerging Plan does not require compliance with these additional standards, however we have been asked to assess what the impact would be of requiring these, in particular that all new homes are to be designed to be Accessible and Adaptable M4(2) dwellings and 10% of all new housing to meet Wheelchair Adaptability M4(3).

Self-Build and Custom Build Homes

8.38 Neither the adopted Plan nor the September 2019 Issues and Options Local Plan require these. The Self-build and Custom Housebuilding (Register) Regulations 2016 introduced a duty on all local planning authorities (LPA's), to grant sufficient planning permissions to match the demand on registers within three years of the year in which those people joined the register.

8.39 Consideration has been given a 4% requirement on sites of 25 plots and larger, although this requirement is not incorporated into the base appraisals.

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

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

144 In this regard, the cost tested is for wheelchair adaptable. Wheelchair accessible standard is an additional cost.

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

146 Sue Green, HBF.

147 Zoe Stiles, Pioneer, for Robert Hitchins Ltd.

148 £521 x 15% = £599, £599/93m^2 = £6.45/m^2. £10,111 x 15% = £11,628, £11628/93m^2 = £125/m^2.

The Economy

Core Strategy Policy CSP.7 – Economy

8.40 This is a general policy setting out the high-level principles of development. In itself it does not add to the costs of development.

Developer Contributions

Core Strategy Policy CSP.9 - Recreational and amenity land

8.41 The policy seeks that where '*there is an established need, new development will be expected to make provision, or a contribution towards provision, of open space and other facilities including those required for children's play and youth/adult recreation*'.

8.42 The current requirement is:

Table 8.3 Open Space Requirements

Category	**Area Per Dwelling**
Children's Play Area	$20m^2$
Adult Outdoor Recreational Space	$40m^2$
'Six Acre Standard' Requirement'	$60m^2$

Source: FoDDC

8.43 This has been incorporated into the modelling.

8.44 There is a general presumption that development will mitigate its impact and contribute to strategic infrastructure as required. There are two main mechanisms for doing this, via the s106 (and s278) Regime or through Community Infrastructure Levy (CIL). As set out in Chapter 7 above, the Council has not adopted CIL and for many years, FoDDC has sought payments from developers to mitigate the impact of the development through improvements to the local infrastructure. The majority of these are for general items rather than site specific infrastructure of the type that can now be sought under the restrictions as out in CIL Regulation 122.

8.45 We have reviewed the s106 payments agreed over the last 70 or so schemes. Of the schemes where s106 payments were sought (on many, no payment was sought), the amounts vary, considerably, up to a maximum of a little over £17,000 per unit. The average was £4,050 per unit and the median £3,136 per unit.

8.46 In this study it is important that the costs of mitigation are reflected in the analysis. Having reviewed this with the Council we have used an assumption of £3,150 per unit in our base appraisals, but tested a range of higher assumptions.

8.47 As set out in Chapter 7 above, through the iterative process of preparing this study, further consideration was given to this topic. The Council's firm position is that the correct approach is to use an assumption of £3,150 per unit in the base appraisals and to test a range of higher assumptions (see Chapter 10 below). Whilst the County Council's request for higher education payments is noted, it is felt that these, in the Forest of Dean context, are unlikely to be justifiable in many cases under CIL Regulation 122. Having said this, it is accepted that the historic level of payments may be less than future payments and it is appropriate to assume that higher payments will be sought in the future.

8.48 The Council does not have specific guidance on the level of developer contributions, so a range has been tested.

9. Modelling

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

9.2 The approach is to model a set of development sites that are broadly representative of the type of development that is likely to come forward under the new Local Plan. The Council has provided a long list of potential allocations which have formed the basis of the modelling. As set out in Chapter 3 above, in addition to modelling a range of representative sites, examples of possible Strategic Sites are to be considered individually, although no decision has been made about their allocation at this stage of the plan-making process.

Residential Development

9.3 The Council has run a call-for-sites exercise as part of the on-going preparation of the new Local Plan. This exercise has yielded a range of sites including Strategic Site options that located beyond the existing urban area. All of the sites being promoted will be subject to consultation as part of the Regulation 18 stage. These sites are also being evaluated through the sustainability appraisal process. The different typologies are being tested for their development viability. Following the Regulation 18 consultation, the District Council will identify its preferred options.

9.4 The modelling is in line with the wider policy requirements such as the density assumptions used in the Council's SHLAA. FoDDC takes the following approach to calculate site capacity:

> *Stage 6: Estimating housing potential of each site*
>
> *6.22 The housing potential of each identified site should be guided by the existing plan policy, particularly the approach to housing densities at the local level. The Forest of Dean District Local Plan was adopted in November 2005 and remains the current Plan for the District.*
>
> *6.23 Alternative approaches to estimating potential are to sketch a scheme from scratch, or use relevant existing schemes as the basis for an outline scheme adjusted for individual site characteristics and physical constraints. A further method is to compare the site with a sample scheme, which represents the form of development considered desirable in a particular area.*
>
> *6.24 Housing potential is a significant factor that affects economic viability. The guidance states that Stage 6 and 7 of the Assessment can be carried out in parallel to ensure that the housing potential for each site is guided both by the plan and economic viability.*
>
> *Forest of Dean Strategic Housing Land Availability Assessment: Draft Methodology Scoping Report*

9.5 The policy does not prescribe a specific density. The following assumptions around the net developable area are used.

Table 9.1 Net Developable Area Assumptions	
Units	**Net Developable Area**
Up to 0.4ha	100%
0.4ha to 2.5 ha	90%
2.5ha to 5ha	80%
5ha to 10ha	70%
10ha and above.	60%

Source: FoDDC (February 2020)

9.6 On sites of over 10 units, where the difference between the gross area and the net area calculated using the above formula is less than the open space required under *Core Strategy Policy CSP.9 – Recreational and amenity land*, the area is adjusted. The SHLAA does not use hard and fast rules with regard to site density. Rather this it is informed by neighbourhood in which the site sits. To inform the modelling we have assumed a density of 40units/ha on brownfield sites, 30units/ha on greenfield sites of less than 1ha, and 35units/ha on greenfield sites of 1ha and larger.

9.7 We have analysed the general characteristics of the SHLAA sites that are 0.1ha and larger. These can be summarised as follows.

Table 9.2 Distribution of SHLAA Sites by Use								
	Count		Area Hectares			Capacity Units		
	Sites	%	Total	%	Average	Total	%	Average
Greenfield	371	87.71%	827.31	92.18%	2.23	20,887	90.34%	56
Brownfield	52	12.29%	70.19	7.82%	1.35	2,234	9.66%	43
All	423		897.51		2.12	23,121		55

Source: HDH (May 2020)

9.8 The sites are distributed across the district (some of the sites are more closely associated with sites that are beyond the District's boundaries).

Table 9.3 Distribution of SHLAA Sites by Location								
	Count		Area (ha)			Capacity (units)		
	Sites	%	Total	%	Average	Total	%	Average
Alvington	2	0.47%	3.70	0.41%	1.85	103	0.45%	51
Awre	4	0.95%	4.39	0.49%	1.10	119	0.52%	30
Aylburton	11	2.60%	9.45	1.05%	0.86	272	1.18%	25
Blaisdon	4	0.95%	3.31	0.37%	0.83	90	0.39%	23
Blakeney	1	0.24%	7.10	0.79%	7.10	174	0.75%	174
Bream	5	1.18%	3.13	0.35%	0.63	87	0.38%	17
Bromsberrow	1	0.24%	1.25	0.14%	1.25	34	0.15%	34
Bromsberrow Heath	9	2.13%	42.59	4.75%	4.73	978	4.23%	109
Bromsberrow Heath (alternate)	1	0.24%	58.01	6.46%	58.01	1,218	5.27%	1,218
Churcham	3	0.71%	2.15	0.24%	0.72	74	0.32%	25
Cinderford	10	2.36%	10.96	1.22%	1.10	368	1.59%	37
Coleford	45	10.64%	114.06	12.71%	2.53	2,960	12.80%	66
Coleford (Berry Hill)	2	0.47%	1.15	0.13%	0.57	31	0.13%	16
Coleford (Broadwell)	1	0.24%	2.91	0.32%	2.91	82	0.35%	82
Corse	3	0.71%	3.87	0.43%	1.29	108	0.47%	36
Drybrook	17	4.02%	15.79	1.76%	0.93	454	1.97%	27
Dymock	11	2.60%	36.05	4.02%	3.28	943	4.08%	86
Ellwood	1	0.24%	1.80	0.20%	1.80	49	0.21%	49
English Bicknor	4	0.95%	1.81	0.20%	0.45	49	0.21%	12
Hartpury	18	4.26%	19.76	2.20%	1.10	554	2.40%	31
Huntley	15	3.55%	41.74	4.65%	2.78	1,006	4.35%	67
Littledean	9	2.13%	26.58	2.96%	2.95	741	3.20%	82
Longhope	21	4.96%	20.26	2.26%	0.96	599	2.59%	29
Lydbrook	16	3.78%	33.58	3.74%	2.10	889	3.84%	56
Lydney	16	3.78%	30.09	3.35%	1.88	807	3.49%	50
Minsterworth	1	0.24%	0.89	0.10%	0.89	24	0.10%	24
Mitcheldean	13	3.07%	29.67	3.31%	2.28	809	3.50%	62
Newent	31	7.33%	82.93	9.24%	2.68	2,188	9.46%	71
Newent CP	1	0.24%	15.67	1.75%	15.67	329	1.42%	329
Newland	4	0.95%	5.29	0.59%	1.32	148	0.64%	37
Newnham	8	1.89%	26.51	2.95%	3.31	644	2.78%	80

Newnham-on-Severn	1	0.24%	0.25	0.03%	0.25	10	0.04%	10
Redmarley	8	1.89%	14.64	1.63%	1.83	403	1.74%	50
Ruardean	9	2.13%	12.22	1.36%	1.36	337	1.46%	37
Ruardean Hill	1	0.24%	0.31	0.03%	0.31	9	0.04%	9
Rudford & Highleadon	2	0.47%	6.23	0.69%	3.11	155	0.67%	77
Ruspidge	9	2.13%	18.57	2.07%	2.06	482	2.08%	54
Ruspidge & Soudley	2	0.47%	2.76	0.31%	1.38	75	0.32%	37
Sling	1	0.24%	0.13	0.01%	0.13	4	0.02%	4
St Briavels	6	1.42%	4.34	0.48%	0.72	129	0.56%	21
Staunton	4	0.95%	7.00	0.78%	1.75	194	0.84%	48
Staunton (N)	4	0.95%	6.19	0.69%	1.55	170	0.73%	42
Staunton Coleford	2	0.47%	0.60	0.07%	0.30	17	0.07%	8
Staunton Corse	2	0.47%	8.11	0.90%	4.06	200	0.87%	100
Tibberton	1	0.24%	0.60	0.07%	0.60	16	0.07%	16
Tidenham	16	3.78%	34.72	3.87%	2.17	892	3.86%	56
Tutshill Sedbury	3	0.71%	37.80	4.21%	12.60	820	3.55%	273
Upleadon	9	2.13%	3.10	0.35%	0.34	90	0.39%	10
West Dean	39	9.22%	36.22	4.04%	0.93	1,035	4.47%	27
Westbury	2	0.47%	1.46	0.16%	0.73	40	0.17%	20
Westbury on Severn	7	1.65%	12.02	1.34%	1.72	326	1.41%	47
Whitecroft	1	0.24%	0.95	0.11%	0.95	34	0.15%	34
Woolaston	5	1.18%	28.90	3.22%	5.78	644	2.78%	129
Yorkley	1	0.24%	3.89	0.43%	3.89	109	0.47%	109
All	**423**		**897.51**		**2.12**	**23,121**		**55**

Source: HDH (May 2020)

9.9 The sites are broadly distributed throughout the District.

Table 9.4 Distribution of SHLAA Sites by Size				
	Sites		Units	
	Count	%	Count	%
400+	3	0.71%	2,184	9.45%
100 to 399	65	15.37%	11,012	47.63%
75 to 99	24	5.67%	1,950	8.43%
50 to 74	34	8.04%	2,252	9.74%
40 to 49	39	9.22%	1,745	7.55%
30 to 39	30	7.09%	1,030	4.45%
20 to 29	42	9.93%	1,073	4.64%
15 to 19	29	6.86%	507	2.19%
10 to 14	55	13.00%	691	2.99%
5 to 9	78	18.44%	583	2.52%
0 to 4	24	5.67%	94	0.41%
All	**423**		**23,121**	

Source: HDH (May 2020)

Residential Modelling and Typologies

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

Development assumptions

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

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

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

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

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

9.16 Allowance is made for circulation space within flatted schemes.

Table 9.5 Summary of Typologies

Green 400	Units	400	Large Greenfield. Mix of family housing as per HMA. (60% net - 11.43ha)
	Area	19.05	
1	Units/ha	35.00	
Green 250	Units	250	Large Greenfield. Mix of family housing as per HMA. (70% net, 7.14ha)
	Area	10.20	
2	Units/ha	35.00	
Green 100	Units	100	Large Greenfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (70.42% net, 2.86ha)
	Area	4.06	
3	Units/ha	35.00	
Green 60	Units	60	Greenfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (72.42% net, 1.71ha)
	Area	2.43	
4	Units/ha	35.00	
Green 40	Units	40	Greenfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (70.42% net, 1.4ha)
	Area	1.62	
5	Units/ha	35.00	
Green 20	Units	20	Greenfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (73.53% net, 0.67ha)
	Area	0.91	
6	Units/ha	30.00	
Green 10	Units	10	Greenfield. 100% net developable.
	Area	0.33	
7	Units/ha	30.00	
Green 6	Units	6	Greenfield. 100% net developable.
	Area	0.20	
8	Units/ha	30.00	

Green 3	Units	3	Greenfield. 100% net developable.
	Area	0.10	
9	Units/ha	30.00	
Brown 100	Units	100	Large Brownfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (67.57% net, 2.5ha)
	Area	3.70	
10	Units/ha	40.00	
Brown 60	Units	60	Brownfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (67.57% net, 1.5ha)
	Area	2.22	
11	Units/ha	40.00	
Brown 40	Units	40	Brownfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (67.57% net, 1ha)
	Area	1.48	
12	Units/ha	40.00	
Brown 20	Units	20	Brownfield. Mix of family housing as per HMA. Open Space @ 120m^2/unit (67.57% net, 0.5ha)
	Area	0.74	
13	Units/ha	40.00	
Brown 20 HD	Units	20	Brownfield. Flatted Scheme. Open Space @ 120m^2/unit (58.14% net, 0.33ha)
	Area	0.57	
14	Units/ha	60.00	
Brown 10	Units	10	Brownfield. Mix of family housing as per HMA. Open Space @ 3.22ha/1,000 (75% net, 0.22ha)
	Area	0.22	
15	Units/ha	45.00	
Brown 10 HD	Units	10	Brownfield. Flatted Scheme. Open Space @ 3.22ha/1,000 (73% net, 0.2ha)
	Area	0.20	
16	Units/ha	50.00	
Brown 6	Units	6	Brownfield. 100% net developable.
	Area	0.15	
17	Units/ha	40.00	
Brown 6 HD	Units	6	Flatted scheme. 100% net developable.
	Area	0.11	
18	Units/ha	55.00	
Brown 3	Units	3	Brownfield. 100% net developable.
	Area	0.07	
19	Units/ha	45.00	
PRS 20	Units	20	PRS scheme. Open Space @ 3.22ha/1,000 (70.42% net, 0.57ha)
	Area	0.81	
20	Units/ha	35.00	

PRS 20 HD	Units	20	Flatted PRS scheme. Open Space @ 3.22ha/1,000 (72.25% net, 0.63ha)
	Area	0.87	
21	Units/ha	32.00	
Newent Expansion	Units	500	Potential Strategic Site. Net area calculated at 35units/ha and on basis of 60% net developable.
	Area	23.81	
22	Units/ha	35.00	
New Settlement Ph 1	Units	2,000	Potential Strategic Site. Net area calculated at 35units/ha and on basis of 60% net developable.
	Area	95.24	
23	Units/ha	35.00	
New Settlement Ph 2	Units	2,000	Potential Strategic Site. Net area calculated at 35units/ha and on basis of 60% net developable.
	Area	95.24	
24	Units/ha	35.00	
Beachley Camp	Units	600	Potential Strategic Site. Net area calculated at 35units/ha and on basis of 60% net developable.
	Area	28.57	
25	Units/ha	35.00	

Source: HDH (May 2020)

9.17 The information is summarised further below:

Table 9.6 Summary of Typologies – Areas and Densities							
		Units	Area Ha		Density Units/ha		Density
			Gross	Net	Gross	Net	m^2/ha
1	Green 400	400	19.05	11.43	21.00	35.00	3,270
2	Green 250	250	10.20	7.14	24.50	35.00	3,267
3	Green 100	100	4.06	2.86	24.65	35.00	3,278
4	Green 60	60	2.43	1.71	24.65	35.00	3,274
5	Green 40	40	1.62	1.14	24.65	35.00	3,248
6	Green 20	20	0.91	0.67	22.06	30.00	2,868
7	Green 10	10	0.33	0.33	30.00	30.00	2,742
8	Green 6	6	0.20	0.20	30.00	30.00	3,210
9	Green 3	3	0.10	0.10	30.00	30.00	3,210
10	Brown 100	100	3.70	2.50	27.03	40.00	3,723
11	Brown 60	60	2.22	1.50	27.03	40.00	3,723
12	Brown 40	40	1.48	1.00	27.03	40.00	3,712
13	Brown 20	20	0.74	0.50	27.03	40.00	3,894
14	Brown 20 HD	20	0.57	0.33	34.88	60.00	3,744
15	Brown 10	10	0.22	0.22	45.00	45.00	4,014
16	Brown 10 HD	10	0.20	0.20	50.00	50.00	3,120
17	Brown 6	6	0.15	0.15	40.00	40.00	3,907
18	Brown 6 HD	6	0.11	0.11	55.00	55.00	3,502
19	Brown 3	3	0.07	0.07	45.00	45.00	4,275
20	PRS 20	20	0.81	0.57	24.65	35.00	3,259
21	PRS 20 HD	20	0.87	0.63	23.12	32.00	2,006
22	Newent Expansion	500	23.81	14.29	21.00	35.00	3,269
23	New Settlement Ph 1	2,000	95.24	57.14	21.00	35.00	3,269
24	New Settlement Ph 2	2,000	95.24	57.14	21.00	35.00	3,269
25	Beachley Camp	600	28.57	17.14	21.00	35.00	3,273

Source: HDH (May 2020)

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

Older People's Housing

9.19 A private sheltered/retirement and an extracare scheme have been modelled, each on a 0.5ha site as follows.

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

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

9.20 This modelling was broadly based on *Briefing Note on Viability Prepared for Retirement Housing Group* (Three Dragons, May 2013, Updated February 2016)[149]. This suggests a typical site size of 0.5ha and typical schemes of Sheltered housing having between 50 to 60 units (100-120/ha) and typical schemes of Extracare housing having between 40 and 50 units (80-100/ha). A typical mix of 60:40 1 bed:2 bed, to 40:60 1 bed:2 bed apartments is suggested, as are the following development assumptions:

Table 9.7 RHG Suggested Development Assumptions

	Sheltered	Extra Care	Net Saleable
1 Bed	50	65	20%-30%
2 Bed	75	80	35%-40%

Source: Briefing Note on Viability Prepared for Retirement Housing Group (Three Dragons, May 2013, Updated February 2016)

Employment Uses

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

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

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

[149] https://retirementhousinggroup.com/rhg-publications/

We have made assumptions about the site coverage and density of development on the sites. We have assumed 75% coverage on the office sites in the urban situation We have assumed two-storey construction in the urban situation.

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

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

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

Retail

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

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

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

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

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

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

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

Hotels and Leisure

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

9.27 We have assumed a 60 bedroom product (60 x 19m^2 + 30% circulation space = 1,482m^2) with ample car parking on a 0.4 ha (1 acre) site.

10. Residential Appraisals

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

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

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

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

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

b. **Amber** **Marginal** – where the Residual Value per hectare exceeds the EUV but not the BLV per hectare. These sites should not be considered as viable when measured against the test set out – however, depending on the nature of the site and the owner, they may come forward.[150]

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

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

[150] Through the 2020 viability consultation a housebuilder (Zoe Stiles, Pioneer, for Robert Hitchins Ltd) suggested that this group should be deleted and just the viable and unviable categories presented. This is not accepted. This category is useful in demonstrating the sensitivity of results. They went on to suggest that any result less than viable will not come forward. This is not the case as each land owner will have different priorities at different times. This is demonstrated by the range of historic land values.

10.6 The majority of the analysis in this chapter was undertaken before the Government announced its preference for the Future Homes Standard Option 2 (the 31% saving in CO_2) so includes both Option 1 and Option 2 as options.

Base Appraisals – full policy requirements

10.7 These appraisals are based on the following assumption, and the price areas set out in Chapter 4 above.

10.8 Following the consultation, the residential value areas and assumptions were updated as follows:

South West	The area to the west of Cone Brook (which is just to the east of Woolaston), being the area that connects most strongly to Chepstow, and is influenced by better transport links.
Coleford / Lydney	The area to the west of Cinderford and to the east of the South West area (see above), including the smaller settlements, (including Soudley, and Blakeney, but not Newnham).
Cinderford	Sites within and adjacent to the town of Cinderford only.
Other Areas	The remaining areas of the District.

10.9 These base appraisals have been based on 40% Affordable Housing (sites of 10 units+ and Build to Rent) where the Affordable Housing requirement is as a proportion of units. In the subsequent analysis the Affordable Housing requirement is assessed as a proportion of the Gross Internal Area (GIA) (excluding common areas), in line with the current policy wording.

a.	Affordable Housing	40% on sites of 6 and larger (70%, Affordable Rent, 30% Low Cost Home Ownership)
b.	Design	90% Accessible and Adaptable – Category 2
		10% Wheelchair Accessible
		NDSS
		Water efficiency / Car Charging Points
		Energy CO_2 measures – Option 1
c.	Developer Contributions	s106 – typologies £3,150/unit and Strategic Sites as estimated.

10.10 The base appraisals are included in **Appendix 10**.

Table 10.1a Residential Development, – Residual Values

40% Affordable, s106 – typologies £3,150/unit / Strategic Sites £10,000/unit

South West and Coleford & Lydney

					Units	Existing Use Value		Benchmark Land Value		Residual Value (£)		
						£/ha	£ site	£/ha	£ site	Gross ha	Net ha	Site
Site 5	Green 40	South West	Green	Agricultural	40	21,000	34,080	321,000	520,937	705,022	1,001,131	1,144,150
Site 6	Green 20	South West	Green	Agricultural	20	21,000	19,040	321,000	291,040	793,398	1,079,022	719,348
Site 7	Green 10	South West	Green	Paddock	10	50,000	16,667	350,000	116,667	1,267,761	1,267,761	422,587
Site 8	Green 6	South West	Green	Paddock	6	50,000	10,000	350,000	70,000	1,313,530	1,313,530	262,706
Site 9	Green 3	South West	Green	Paddock	3	50,000	5,000	350,000	35,000	2,229,716	2,229,716	222,972
Site 25	Beachley Camp	Beachley	Mixed	MOD	600	250,000	7,142,857	300,000	8,571,429	266,785	444,642	7,622,438

					Units	Existing Use Value		Benchmark Land Value		Residual Value (£)		
						£/ha	£ site	£/ha	£ site	Gross ha	Net ha	Site
Site 1	Green 400	Coleford, Lydney	Green	Agricultural	400	21,000	400,000	321,000	6,114,286	435,053	725,089	8,286,730
Site 2	Green 250	Coleford, Lydney	Green	Agricultural	250	21,000	214,286	321,000	3,275,510	544,476	777,823	5,555,878
Site 3	Green 100	Coleford, Lydney	Green	Agricultural	100	21,000	85,200	321,000	1,302,343	542,794	770,768	2,202,194
Site 4	Green 60	Coleford, Lydney	Green	Agricultural	60	21,000	51,120	321,000	781,406	543,416	771,650	1,322,829
Site 5	Green 40	Coleford, Lydney	Green	Agricultural	40	21,000	34,080	321,000	520,937	540,975	768,184	877,925
Site 6	Green 20	Coleford, Lydney	Green	Agricultural	20	21,000	19,040	321,000	291,040	642,439	873,718	582,478
Site 7	Green 10	Coleford, Lydney	Green	Paddock	10	50,000	16,667	350,000	116,667	989,317	989,317	329,772
Site 8	Green 6	Coleford, Lydney	Green	Paddock	6	50,000	10,000	350,000	70,000	997,615	997,615	199,523
Site 9	Green 3	Coleford, Lydney	Green	Paddock	3	50,000	5,000	350,000	35,000	1,804,009	1,804,009	180,401
Site 10	Brown 100	Coleford, Lydney	Brown	PDL	100	250,000	925,000	300,000	1,110,000	62,319	92,232	230,581
Site 11	Brown 60	Coleford, Lydney	Brown	PDL	60	250,000	555,000	300,000	666,000	37,307	55,214	82,822
Site 12	Brown 40	Coleford, Lydney	Brown	PDL	40	250,000	370,000	300,000	444,000	44,118	65,295	65,295
Site 13	Brown 20	Coleford, Lydney	Brown	PDL	20	250,000	185,000	300,000	222,000	105,333	155,893	77,946
Site 14	Brown 20 HD	Coleford, Lydney	Brown	PDL	20	250,000	143,333	300,000	172,000	-1,085,429	-1,866,938	-622,313
Site 15	Brown 10	Coleford, Lydney	Brown	PDL	10	250,000	55,556	300,000	66,667	194,682	194,682	43,263
Site 16	Brown 10 HD	Coleford, Lydney	Brown	PDL	10	250,000	50,000	300,000	60,000	-1,352,740	-1,352,740	-270,548
Site 17	Brown 6	Coleford, Lydney	Brown	PDL	6	250,000	37,500	300,000	45,000	1,045,824	1,045,824	156,874
Site 18	Brown 6 HD	Coleford, Lydney	Brown	PDL	6	250,000	27,273	300,000	32,727	-598,621	-598,621	-65,304
Site 19	Brown 3	Coleford, Lydney	Brown	PDL	3	250,000	16,667	300,000	20,000	630,588	630,588	42,039
Site 20	PRS 20	Coleford, Lydney	Brown	PDL	20	250,000	202,857	300,000	243,429	180,230	255,926	146,244
Site 21	PRS 20 HD	Coleford, Lydney	Brown	PDL	20	250,000	216,250	300,000	259,500	-428,406	-592,914	-370,571

Source: HDH (January 2021)

Table 10.1b Residential Development, – Residual Values

40% Affordable, s106 – typologies £3,150/unit, Strategic Sites £10,000/unit

Cinderford

					Units	Existing Use Value		Benchmark Land Value		Residual Value (£)		
						£/ha	£ site	£/ha	£ site	Gross ha	Net ha	Site
Site 1	Green 400	Cinderford	Green	Agricultural	400	21,000	400,000	321,000	6,114,286	308,854	514,757	5,882,933
Site 2	Green 250	Cinderford	Green	Agricultural	250	21,000	214,286	321,000	3,275,510	386,311	551,872	3,941,946
Site 3	Green 100	Cinderford	Green	Agricultural	100	21,000	85,200	321,000	1,302,343	272,189	386,509	1,104,312
Site 4	Green 60	Cinderford	Green	Agricultural	60	21,000	51,120	321,000	781,406	266,505	378,437	648,748
Site 5	Green 40	Cinderford	Green	Agricultural	40	21,000	34,080	321,000	520,937	267,563	379,940	434,217
Site 6	Green 20	Cinderford	Green	Agricultural	20	21,000	19,040	321,000	291,040	390,841	531,544	354,363
Site 7	Green 10	Cinderford	Green	Paddock	10	50,000	16,667	350,000	116,667	709,739	709,739	236,580
Site 8	Green 6	Cinderford	Green	Paddock	6	50,000	10,000	350,000	70,000	678,476	678,476	135,695
Site 9	Green 3	Cinderford	Green	Paddock	3	50,000	5,000	350,000	35,000	1,375,903	1,375,903	137,590
Site 10	Brown 100	Cinderford	Brown	PDL	100	250,000	925,000	300,000	1,110,000	-250,438	-370,649	-926,621
Site 11	Brown 60	Cinderford	Brown	PDL	60	250,000	555,000	300,000	666,000	-282,116	-417,532	-626,298
Site 12	Brown 40	Cinderford	Brown	PDL	40	250,000	370,000	300,000	444,000	-273,561	-404,870	-404,870
Site 13	Brown 20	Cinderford	Brown	PDL	20	250,000	185,000	300,000	222,000	-218,137	-322,842	-161,421
Site 14	Brown 20 HD	Cinderford	Brown	PDL	20	250,000	143,333	300,000	172,000	-1,193,799	-2,053,334	-684,445
Site 15	Brown 10	Cinderford	Brown	PDL	10	250,000	55,556	300,000	66,667	-302,613	-302,613	-67,247
Site 16	Brown 10 HD	Cinderford	Brown	PDL	10	250,000	50,000	300,000	60,000	-1,506,887	-1,506,887	-301,377
Site 17	Brown 6	Cinderford	Brown	PDL	6	250,000	37,500	300,000	45,000	323,234	323,234	48,485
Site 18	Brown 6 HD	Cinderford	Brown	PDL	6	250,000	27,273	300,000	32,727	-849,750	-849,750	-92,700
Site 19	Brown 3	Cinderford	Brown	PDL	3	250,000	16,667	300,000	20,000	-92,060	-92,060	-6,137
Site 20	PRS 20	Cinderford	Brown	PDL	20	250,000	202,857	300,000	243,429	180,230	255,926	146,244
Site 21	PRS 20 HD	Cinderford	Brown	PDL	20	250,000	216,250	300,000	259,500	-428,406	-592,914	-370,571

Source: HDH (January 2021)

Table 10.1c Residential Development, – Residual Values

40% Affordable, s106 – typologies £3,150/unit, Strategic Sites £10,000/unit

Other Areas

					Units	Existing Use Value		Benchmark Land Value		Residual Value (£)		
						£/ha	£ site	£/ha	£ site	Gross ha	Net ha	Site
Site 1	Green 400	Other Areas	Green	Agricultural	400	21,000	400,000	321,000	6,114,286	519,186	865,310	9,889,261
Site 2	Green 250	Other Areas	Green	Agricultural	250	21,000	214,286	321,000	3,275,510	647,919	925,598	6,611,418
Site 3	Green 100	Other Areas	Green	Agricultural	100	21,000	85,200	321,000	1,302,343	651,036	924,471	2,641,347
Site 4	Green 60	Other Areas	Green	Agricultural	60	21,000	51,120	321,000	781,406	654,180	928,936	1,592,461
Site 5	Green 40	Other Areas	Green	Agricultural	40	21,000	34,080	321,000	520,937	650,340	923,482	1,055,408
Site 6	Green 20	Other Areas	Green	Agricultural	20	21,000	19,040	321,000	291,040	743,079	1,010,587	673,725
Site 7	Green 10	Other Areas	Green	Paddock	10	50,000	16,667	350,000	116,667	1,267,761	1,267,761	422,587
Site 8	Green 6	Other Areas	Green	Paddock	6	50,000	10,000	350,000	70,000	1,313,530	1,313,530	262,706
Site 9	Green 3	Other Areas	Green	Paddock	3	50,000	5,000	350,000	35,000	2,229,716	2,229,716	222,972
Site 10	Brown 100	Other Areas	Brown	PDL	100	250,000	925,000	300,000	1,110,000	358,613	530,747	1,326,867
Site 11	Brown 60	Other Areas	Brown	PDL	60	250,000	555,000	300,000	666,000	341,231	505,022	757,533
Site 12	Brown 40	Other Areas	Brown	PDL	40	250,000	370,000	300,000	444,000	348,511	515,796	515,796
Site 13	Brown 20	Other Areas	Brown	PDL	20	250,000	185,000	300,000	222,000	420,755	622,717	311,359
Site 15	Brown 10	Other Areas	Brown	PDL	10	250,000	55,556	300,000	66,667	690,816	690,816	153,515
Site 17	Brown 6	Other Areas	Brown	PDL	6	250,000	37,500	300,000	45,000	1,752,838	1,752,838	262,926
Site 19	Brown 3	Other Areas	Brown	PDL	3	250,000	16,667	300,000	20,000	1,353,235	1,353,235	90,216
Site 22	Newent Expansion	Newent	Green	Agricualtural	500	21,000	500,000	321,000	7,642,857	383,467	639,111	9,130,157
Site 23	New Settlement Ph 1	Churcham S	Green	Agricultural	2,000	21,000	2,000,000	321,000	30,571,429	326,443	544,072	31,089,821
Site 24	New Settlement Ph 2	Churcham S	Green	Agricultural	2,000	21,000	2,000,000	321,000	30,571,429	326,443	544,072	31,089,821

Source: HDH (January 2021)

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

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

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

Table 10.2a Residential Development – Residual Values v BLV

40% Affordable, s106 – typologies £3,150/unit / Strategic Sites £10,000/unit

South West

			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	Green 40	South West	21,000	321,000	705,022
Site 6	Green 20	South West	21,000	321,000	793,398
Site 7	Green 10	South West	50,000	350,000	1,267,761
Site 8	Green 6	South West	50,000	350,000	1,313,530
Site 9	Green 3	South West	50,000	350,000	2,229,716
Site 25	Beachley Camp	Beachley	250,000	300,000	266,785

Source: HDH (January 2021)

Table 10.2b Residential Development – Residual Values v BLV 40% Affordable, s106 – typologies £3,150/unit / Strategic Sites £10,000/unit Coleford & Lydney					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Coleford, Lydney	21,000	321,000	435,053
Site 2	Green 250	Coleford, Lydney	21,000	321,000	544,476
Site 3	Green 100	Coleford, Lydney	21,000	321,000	542,794
Site 4	Green 60	Coleford, Lydney	21,000	321,000	543,416
Site 5	Green 40	Coleford, Lydney	21,000	321,000	540,975
Site 6	Green 20	Coleford, Lydney	21,000	321,000	642,439
Site 7	Green 10	Coleford, Lydney	50,000	350,000	989,317
Site 8	Green 6	Coleford, Lydney	50,000	350,000	997,615
Site 9	Green 3	Coleford, Lydney	50,000	350,000	1,804,009
Site 10	Brown 100	Coleford, Lydney	250,000	300,000	62,319
Site 11	Brown 60	Coleford, Lydney	250,000	300,000	37,307
Site 12	Brown 40	Coleford, Lydney	250,000	300,000	44,118
Site 13	Brown 20	Coleford, Lydney	250,000	300,000	105,333
Site 14	Brown 20 HD	Coleford, Lydney	250,000	300,000	-1,085,429
Site 15	Brown 10	Coleford, Lydney	250,000	300,000	194,682
Site 16	Brown 10 HD	Coleford, Lydney	250,000	300,000	-1,352,740
Site 17	Brown 6	Coleford, Lydney	250,000	300,000	1,045,824
Site 18	Brown 6 HD	Coleford, Lydney	250,000	300,000	-598,621
Site 19	Brown 3	Coleford, Lydney	250,000	300,000	630,588
Site 20	PRS 20	Coleford, Lydney	250,000	300,000	180,230
Site 21	PRS 20 HD	Coleford, Lydney	250,000	300,000	-428,406

Source: HDH (January 2021)

Table 10.2c Residential Development – Residual Values v BLV 40% Affordable, s106 – typologies £3,150/unit / Strategic Sites £10,000/unit Cinderford					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Cinderford	21,000	321,000	308,854
Site 2	Green 250	Cinderford	21,000	321,000	386,311
Site 3	Green 100	Cinderford	21,000	321,000	272,189
Site 4	Green 60	Cinderford	21,000	321,000	266,505
Site 5	Green 40	Cinderford	21,000	321,000	267,563
Site 6	Green 20	Cinderford	21,000	321,000	390,841
Site 7	Green 10	Cinderford	50,000	350,000	709,739
Site 8	Green 6	Cinderford	50,000	350,000	678,476
Site 9	Green 3	Cinderford	50,000	350,000	1,375,903
Site 10	Brown 100	Cinderford	250,000	300,000	-250,438
Site 11	Brown 60	Cinderford	250,000	300,000	-282,116
Site 12	Brown 40	Cinderford	250,000	300,000	-273,561
Site 13	Brown 20	Cinderford	250,000	300,000	-218,137
Site 14	Brown 20 HD	Cinderford	250,000	300,000	-1,193,799
Site 15	Brown 10	Cinderford	250,000	300,000	-302,613
Site 16	Brown 10 HD	Cinderford	250,000	300,000	-1,506,887
Site 17	Brown 6	Cinderford	250,000	300,000	323,234
Site 18	Brown 6 HD	Cinderford	250,000	300,000	-849,750
Site 19	Brown 3	Cinderford	250,000	300,000	-92,060
Site 20	PRS 20	Cinderford	250,000	300,000	180,230
Site 21	PRS 20 HD	Cinderford	250,000	300,000	-428,406

Source: HDH (January 2021)

Table 10.2d Residential Development – Residual Values v BLV 40% Affordable, s106 – typologies £3,150/unit / Strategic Sites £10,000/unit Other Areas					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Other Areas	21,000	321,000	519,186
Site 2	Green 250	Other Areas	21,000	321,000	647,919
Site 3	Green 100	Other Areas	21,000	321,000	651,036
Site 4	Green 60	Other Areas	21,000	321,000	654,180
Site 5	Green 40	Other Areas	21,000	321,000	650,340
Site 6	Green 20	Other Areas	21,000	321,000	743,079
Site 7	Green 10	Other Areas	50,000	350,000	1,267,761
Site 8	Green 6	Other Areas	50,000	350,000	1,313,530
Site 9	Green 3	Other Areas	50,000	350,000	2,229,716
Site 10	Brown 100	Other Areas	250,000	300,000	358,613
Site 11	Brown 60	Other Areas	250,000	300,000	341,231
Site 12	Brown 40	Other Areas	250,000	300,000	348,511
Site 13	Brown 20	Other Areas	250,000	300,000	420,755
Site 15	Brown 10	Other Areas	250,000	300,000	690,816
Site 17	Brown 6	Other Areas	250,000	300,000	1,752,838
Site 19	Brown 3	Other Areas	250,000	300,000	1,353,235
Site 22	Newent Expansion	Newent	21,000	321,000	383,467
Site 23	New Settlement Ph 1	Churcham S	21,000	321,000	326,443
Site 24	New Settlement Ph 2	Churcham S	21,000	321,000	326,443

Source: HDH (January 2021)

10.14 The above appraisals indicate the difference across the areas and in particular between green and brownfield sites. Before considering these, it is necessary to consider the costs of each policy and then the cumulative cost.

Cost of Individual Policies

10.15 Each policy requirement that adds to the cost of development results in a reduction of the Residual Value. This results in the developer being able to pay the landowner less for the land. A set of appraisals has been run with each individual policy requirement. The results are averaged across the price areas.

Table 10.3 Cost of Individual Policies in £/ha			
	Greenfield	Brownfield	All
Water	2,922	3,650	3,338
10% BNG	21,684	28,422	25,534
10% CO_2	52,571	68,922	61,915
FHS Option 1	75,572	99,107	89,020
FHS Option 2	92,002	120,678	108,388
Zero Carbon	230,168	302,493	271,497
50% Pt M2	8,580	10,719	9,802
100% Pt M2	17,136	21,404	19,575
90% Pt M2, 10% Pt M3	48,651	60,784	55,584
EV Charging	27,898	34,852	31,872

Source: HDH (January 2021) BNG = Biodiversity Net Gain. FHS = Future Homes Standard

10.16 The cost of some requirements such as the increased water standard or 50% of the homes to be built to the Accessible and Adaptable Standard (Part M2) is modest, at less than £10,000/ha. The costs of other requirements are very much more. The higher density typologies, which are the brownfield typologies, are subject to a greater impact of each policy than the lower density, greenfield typologies.

10.17 When considering the policies to be included in the new Local Plan, the cumulative cost is the important factor.

Cumulative Cost of Individual Policies

10.18 For illustrative purposes, further sets of appraisals have been run, with different combinations of policies. These results are used as part of the iterative process of refining policy recommendations, in discussion with the Council.

Table 10.4 Cumulative Impact of Policies as £/ha			
	Greenfield	Brownfield	All
Lower Environmental Standards (Future Homes Standard Option 1)			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, FHS1	100,182	131,255	117,938
Water, BNG, FHS1, PtM2-50%	108,765	142,012	127,763
Water, BNG, FHS1, PtM2-100%	117,321	152,737	137,559
Water, BNG, FHS1, PtM2-90%, PtM3-10%	148,862	192,264	173,663
Water, BNG, FHS1, PtM2-90%, PtM3-10%, EV Charge	176,806	227,289	205,653
Mid Environmental Standards (Future Homes Standard Option 2)			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, FHS2	116,611	152,860	137,325
Water, BNG, FHS2, PtM2-50%	125,194	163,618	147,151
Water, BNG, FHS2, PtM2-100%	133,756	174,350	156,952
Water, BNG, FHS2, PtM2-90%, PtM3-10%	165,317	213,899	193,078
Water, BNG, FHS2, PtM2-90%, PtM3-10%, EV Charge	193,261	248,958	225,088
Higher Environmental Standards (Future Homes Standard Option 1 + 10% Merton[151] Rule)			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, FHS2+10% CO_2	169,242	222,073	199,431
Water, BNG, 10% FHS2+CO_2, PtM2-50%	177,838	232,853	209,275
Water, BNG, 10% FHS2+CO_2, PtM2-100%	186,407	243,609	219,094
Water, BNG, 10% FHS2+CO_2, PtM2-90%, PtM3-10%	218,480	283,876	255,849
Water, BNG, 10% FHS2+CO_2, PtM2-90%, PtM3-10%, EV Charge	246,442	319,009	287,909
Zero Carbon			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, Zero CO_2	175,551	327,428	262,338
Water, BNG, Zero CO_2, PtM2-50%	263,434	345,664	310,423
Water, BNG, Zero CO_2, PtM2-100%	272,009	356,457	320,265
Water, BNG, Zero CO_2, PtM2-90%, PtM3-10%	304,099	396,920	357,140
Water, BNG, Zero CO_2, PtM2-90%, PtM3-10%, EV Charge	332,062	432,199	389,283

Source: HDH (January 2021)

10.19 When considered against a BLV assumption of £300,000/ha or so, it is evident that when the full list of the Council's policy aspirations are considered, the impact is significant at about £300,000/ha.

10.20 The above analysis does not consider either affordable housing or developer contributions, both of which are a requirement for a sound Local Plan. These are considered below with two sets of further appraisals being run with higher and lower policy requirements:

a. Higher Policy Requirements.

- Additional Water Standard.
- Future Homes Standard – Option 2 (31% CO_2) – but not the additional 10% CO_2 saving.
- 10% Biodiversity Net Gain.
- 90% of dwelling to Accessible and Adaptable Standard (Part M2), 10% Wheelchair Adaptable Standard (Part M3).

b. Lower Policy Requirements

- Additional Water Standard.
- Future Homes Standard – Option 1 (20% CO_2).
- 10% Biodiversity Net Gain.
- 50% of dwelling to Accessible and Adaptable Standard (Part M2).

Impact of Developer Contributions

10.21 The national approach to developer contributions is under review, as set out in Chapter 2 above. It is however clear that strategic infrastructure and mitigation measures must be funded in order to make development acceptable. Under the current system developer contributions may be secured through the s106/s278 regimes or through CIL. The Council has not adopted CIL (this is considered later in this chapter). Initially the overall scope for developer contributions is considered under both the higher and lower policy requirements. The appraisal results are set out in **Appendix 11** below. Bearing in mind the Government's move to Option 2 of the Future Homes Standard the commentary is limited to the Higher Policy requirements.

10.22 The results show that a £5,000 per unit increase in developer contributions, on average across the typologies, leads to a fall in the Residual Value of about £150,000/ha, although this does vary across the typologies (largely being a factor of the density assumptions). The significance

[151] The Merton Rule is generally taken to be where a proportion (commonly 10%) of the energy is generated on site. The 'rule' was developed by the London Borough of Merton, hence the name.

of this is that for each £5,000 increase in the overall developer contributions the developer can afford to pay the landowner about £150,000/ha less.

10.23 Without affordable housing brownfield development can bear up to £40,000/unit in developer contributions in the South West and in the wider District. In the Coleford and Lydney area the capacity is less at around £15,000/unit. This is a result of the lower values prevailing in this area and the higher costs associated with the development of brownfield sites. Within Cinderford the capacity is very limited as a result of the lowest values prevailing in Cinderford as well as the higher costs associated with brownfield sites.

Standardised Infrastructure Tariff

10.24 The Government has published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The key proposals are:

> <u>Proposal 19</u>*: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> <u>Proposal 21</u>*: The reformed Infrastructure Levy should deliver affordable housing provision.*

10.25 More recently the Government has suggested that a more nuanced approach will be taken forward, maintaining the s106 regime for strategic site and for a levy or tariff to be set locally (or based on local data), although no details have yet been published. A further set of appraisals have been run, based on the Higher Policy requirements, both with and without affordable housing. The developer contributions are calculated as a proportion of the Gross Development Value (GDV). The results are included in **Appendix 12** below.

10.26 The brownfield sites have less capacity to bear an infrastructure tariff than greenfield sites.

Table 10.5 Maximum 'Standardised' Infrastructure Tariff at Varied Affordable Housing – as a Percentage of GDV

		Affordable %			
		0%	**20%**	**30%**	**40%**
South West	Greenfield	15.0%	12.5%	10.0%	8.0%
	Brownfield	-	-	-	-
Coleford & Lydney	Greenfield	10.0%	8.0%	6.0%	4.0%
	Brownfield	4.0%	0.0%	0.0%	0.0%
Cinderford	Greenfield	8.0%	4.0%	2.0%	0.0%
	Brownfield	0.0%	0.0%	0.0%	0.0%
Other Areas	Greenfield	12.5%	10.0%	8.0%	6.0%
	Brownfield	8.0%	6.0%	4.0%	0.0%

Source: HDH (January 2021)

10.27 The above analysis should be given limited weight as the outcome of the Government's consultation is not yet known. Having said this, the appraisals indicate that the greenfield sites in across the District have capacity bear a contribution.

10.28 The brief for this project extends to making an assessment of the capacity of development to bear CIL. As set out in Chapter 2 above, there is a degree of uncertainty as to whether or not CIL will remain an option for funding infrastructure. The above analysis suggests that there is some capacity to introduce CIL in the District, particularly on the greenfield sites, but less scope on the brownfield sites.

Impact of Affordable Housing

10.29 The Council has identified a need for affordable housing. A range of options have been tested, including the overall requirement for affordable housing, the impact of Affordable Home Ownership, the impact of First Homes and the impact of different tenure mixes.

Overall Requirements for Affordable Housing

10.30 **Appendix 13** includes the appraisal results for the Higher Policy and the Lower Policy requirements, but with a s106 cost of £3,150/unit on the typologies and £10,000/unit on the Strategic Sites as used in the base appraisals. This analysis is based on the Council's preferred 70% Affordable Rent, 30% Intermediate Housing tenure mix. Bearing in mind the Government's move to Option 2 of the Future Homes Standard, the commentary is limited to the Higher Policy requirements.

10.31 The results show that a 5% increase in amount of affordable housing, on average across the typologies, leads to a fall in the Residual Value of about £130,000/ha, although this does vary across the typologies (largely being a factor of the density assumptions) and the areas.

Table 10.6 Impact of Varied Affordable Housing

Average Fall in Residual Value (£/ha), Across Typologies, per 5% Increase in Affordable Housing

	Greenfield	Brownfield	All
South West	114,519		114,519
Coleford & Lydney	85,895	71,205	77,501
Cinderford	70,783	56,291	62,502
Other Areas	95,925	101,649	98,429

Source: HDH (January 2021)

10.32 The significance of this is that for each 5% increase in amount of affordable housing, the developer can afford to pay the landowner about £88,000/ha less.

10.33 The tenure of affordable housing also has an impact on the results.

Impact of Varied Tenure Mixes

10.34 **Appendix 14** includes the appraisal results for the Higher Policy requirements, with a s106 cost of £3,150/unit on the typologies and £10,000/unit on the Strategic Sites as used in the base appraisals. Bearing in mind the Government's move to Option 2 of the Future Homes Standard only the Higher Policy requirements are presented.

10.35 The appraisals have been run at 20%, 30% and 40% affordable housing and the results vary depending on the level of affordable housing sought, as well as the area and the nature of the site. Firstly, the consequence of seeking the affordable housing for rent as Social Rent rather than Affordable Rent.

Table 10.7 Impact of Affordable Rent v Social Rent

Average Fall in Residual Value (£/ha), Across Typologies

Affordable %		South West	Coleford & Lydney	Cinderford	Other Areas
20%	Greenfield	96,502	85,078	85,624	84,774
	Brownfield		112,606	114,453	115,853
30%	Greenfield	145,573	128,294	128,569	127,617
	Brownfield		170,131	173,488	174,766
40%	Greenfield	194,997	171,226	172,880	170,821
	Brownfield		229,157	232,796	234,337

Source: HDH (January 2021)

10.36 Where the affordable housing for rent is sought as Social Rent rather than Affordable Rent the Residual Value is less. The above table summarises the appraisal results, in the situation where 70% of the affordable housing is as affordable housing for rent. At 30% affordable housing, the Residual Value is about £150,000/ha less where the affordable housing is for rent is Social Rent rather than Affordable Rent. If the Council were to prefer affordable housing to be provided as Social Rent this would have an adverse impact on viability. Having discussed this with the Council, through the iterative viability process, it is understood that it will continue to seek Affordable Rent rather than Social Rent.

10.37 The mix of affordable housing for rent / shared ownership also impacts on viability. At 30% affordable housing, a 10% increase in the level of Affordable Rent (for example from 70% / 30% mix to 80% / 20% mix) results in a fall in the Residual Value of a little under £20,000/ha.

10.38 When it comes to the decision-making process and determining planning applications, on sites where viability is challenging, it is recommended that consideration is given to adjusting the affordable housing mix as this can have a marked impact on the value of a site.

Impact of 10% Affordable Home Ownership

10.39 As set out in Chapter 2 above, the 2021 NPPF (paragraph 65) sets out a policy for a minimum of 10% Affordable Home Ownership units on larger sites. This has been tested with a further set of appraisals. In these the first 10% of the housing on the site is assumed to be Intermediate Housing sold at 65% of market value. To some extent, the flexibility around tenure spilt has been reduced with the Government's consultation[152] in January 2021. Amongst other things this clarified that the 10% relates to all the homes on a site.

10.40 **Appendix 15** includes the appraisal results for the Higher Policy requirements, with a s106 cost of £3,150/unit on the typologies and £10,000/unit on the Strategic Sites as used in the base appraisals, where the first 10% of the affordable housing is provided as Affordable Home Ownership. Only the Higher Policy requirements are considered.

10.41 It is necessary to appreciate that with a 40% affordable housing requirement, 10% Affordable Home Ownership would be a 75% / 25% mix; with a 30% affordable housing requirement 10% Affordable Home Ownership would be a 66.6% / 33.3% mix; and with a 20% affordable housing requirement 10% Affordable Home Ownership would be a 50% / 50% mix.

10.42 When compared at both 30% and 40% affordable housing, the results with 10% Affordable Home Ownership are broadly similar to those based on the 70% / 30% affordable mix.

Impact of First Homes

10.43 In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021. First Homes are the Government's preferred discounted market tenure and should now account for at least 25% of all affordable housing units delivered by developers through planning obligations.

10.44 A further set of appraisals has been run at 10%, 20%, 30% and 40% affordable housing, where 25% of the affordable housing is as a First Home. The consequence of seeking First Homes to be delivered with a greater discount than the minimum 30% discount is tested. **Appendix 16** includes the appraisal results for the Higher Policy requirements, with a s106 cost of £3,150/unit on the typologies and £10,000/unit on the Strategic Sites as used in the base appraisals. Only the Higher Policy requirements are presented.

[152] 29th January 2021. NPPF draft for consultation (publishing.service.gov.uk)

Table 10.8 Impact of First Homes Average Fall in Residual Value (£/ha), Across Typologies					
Overall Affordable %		South West	Coleford & Cinderford	Cinderford	Other Areas
10%	Greenfield	14,497	11,770	11,030	12,321
	Brownfield		13,518	12,786	15,665
20%	Greenfield	28,993	23,623	22,142	24,637
	Brownfield		27,149	25,715	31,330
30%	Greenfield	43,742	35,574	33,213	37,096
	Brownfield		40,854	38,823	47,405
40%	Greenfield	58,369	47,491	44,572	49,487
	Brownfield		55,082	52,187	63,406

Source: HDH (January 2021)

10.45 The consequence of seeking the First Homes to be sold at a greater discount than 30% is significant. Based on a 30% affordable housing target, each 10% increase in the discount (i.e. from 30% to 40% or 40% to 50%) results in a fall in the Residual Value of a little under £35,000/ha. Based on a 40% affordable housing target, each 10% increase in the discount results in a fall in the Residual Value of about £53,000/ha.

Affordable Housing v Developer Contributions

10.46 The critical balance in the plan-making process is the balance between affordable housing and developer contributions. A further set of appraisals has been run with varied levels of developer contribution at different levels of affordable housing. As set out in Chapter 7 above, based on discussions with the Council, an assumption of £3,150/unit for major development sites, excluding Strategic Sites, and £10,000/unit for the Strategic Sites has been used in this study. This is informed by the typically collected historic payments. Bearing in mind the considerable uncertainly in this regard, a range of costs of up to £30,000/unit is tested.

10.47 At the time of this report the Council does not have site specific estimates of the strategic infrastructure and mitigation costs for the Strategic Sites. More detail regarding contributions from Strategic Sites will emerge from the Council's wider IDP in due course, the Council will then specifically engage with the promoters of the potential Strategic Sites to be included within the Plan.

10.48 **Appendix 17** includes the appraisal results for the Higher Policy requirements, where the first 10% of the affordable housing is provided as Affordable Home Ownership. Bearing in mind the Government's move to Option 2 of the Future Homes Standard, only the Higher Policy requirements are presented.

Table 10.9 Affordable Housing v Developer Contributions
Summary Results

	South West		Coleford & Lydney		Cinderford		Other Areas	
Affordable %	Green-field	Brown-field	Green-field	Brown-field	Green-field	Brown-field	Green-field	Brown-field
0%	£40,000	N/A	£40,000	£10,000	£20,000	£0	£40,000	£25,000
5%	£40,000	N/A	£30,000	£5,000	£15,000	£0	£40,000	£25,000
10%	£40,000	N/A	£30,000	£5,000	£15,000	£0	£35,000	£20,000
15%	£40,000	N/A	£25,000	£0	£10,000	£0	£30,000	£20,000
20%	£40,000	N/A	£25,000	£0	£10,000	£0	£30,000	£15,000
25%	£35,000	N/A	£20,000	£0	£5,000	£0	£25,000	£10,000
30%	£30,000	N/A	£15,000	£0	£5,000	£0	£20,000	£10,000
35%	£25,000	N/A	£15,000	£0	£0	£0	£20,000	£5,000
40%	£20,000	N/A	£10,000	£0	£0	£0	£15,000	£0

Source: HDH (January 2021)

10.49 These results here, they are considered under the Affordable Housing Recommendations below.

Affordable Housing Recommendations

10.50 Whilst this section is headed Affordable Housing Recommendations, it is necessary to bring together all the policy requirements. Having discussed the emerging results with the Council the following factors have been taken into account.

a. It is necessary to take a high-level approach and derive a relatively simple policy framework. It is accepted that values do vary within the price zones used, however there is insufficient robust data to disaggregate the values in a robust way further.

b. That it should be assumed that the following national requirements are introduced and or apply.

- 10% Biodiversity Net Gain is a requirement of the Environment Bill that is currently before Parliament so should be assumed to apply.
- That 10% Affordable Home Ownership will be a requirement in the future.
- That the extra standards under the Future Homes Standard Option 2 (i.e. 31% CO_2 saving) apply.
- The additional standard for water usage is a requirement.

c. The requirements of an aging population mean that a significant level of Accessible and Adaptable housing is required. There is limited current evidence for the requirement for wheelchair adaptable housing.

d. It is necessary to consider both the comments of the consultees and the aspirations of Gloucestershire County Council in relation to developer contributions.

Through the iterative process of preparing this study considerable consideration was given to this topic. The Council's firm position is that the correct approach is to use an assumption of £3,150/unit in the base appraisals and to test a range of higher assumptions. Whilst the County Council's request for higher education payments is noted, it is felt that these are unlikely to be justifiable in many cases. Having said this, it is accepted that the historic level of payments may be less than future payments and it is appropriate to assume that higher payments will be sought in the future. On this basis it would be prudent to plan for a situation where most development is able to bear somewhere in the region of £10,000 per unit in developer contributions.

e. Whilst the Council does deliver affordable housing on most of its development sites, it does not always achieve the current 40% affordable housing target, suggesting that it may be too high.

f. That almost all development (over 90% of SHLAA units) likely to come forward is to be likely to be on greenfield sites.

g. That there is considerable uncertainty about the future of CIL as a mechanism to raise developer contributions and that this is a policy area that the Government is reviewing.

10.51 In making recommendations, and as stated at the start of this report, it is important to note, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened by the cumulative impact of the policies and to recommend policy requirements on this basis. With this in mind, it is recommended that the Council moves to the following Affordable Housing Requirements.

a. Development within and adjacent to Cinderford – 20% affordable housing.

b. Development in all other areas – 35% affordable housing.

c. Tenure mix as per paragraph 65 of the 2021 NPPF, requiring 10% of the housing to be Affordable Home Ownership products.

d. That it is accepted that development on brownfield sites is more challenging, including in the higher value areas, and that developers should be able to submit a viability assessment, in line with 10-007-20190509 and 10-008-20190509 of the PPG, at the development management stage.

10.52 In this basis, almost all the greenfield sites generate a Residual Value that is in excess of the BLV with 35% affordable housing and £10,000/unit in developer contributions. Further, this would not be setting policy requirements at the limits of viability. We would however note that if significantly higher amounts of developer contributions are sought, then it is likely that developers would be able to argue that it would be appropriate to consider viability at the development management stage, as per Paragraph 10-007-20190509 of the PPG[153].

10.53 For the Strategic Sites, an allowance of £10,000 per unit is made for strategic infrastructure costs. At the time of this report the Council has not completed its assessment of the infrastructure requirements, so this is a figure that is used for illustrative purposes. On these sites, viability is constrained. To a large extent these findings are to be expected at this stage of the plan-making process as the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

10.54 In this context we particularly highlight paragraph 10-006 of the PPG:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*
>
> *PPG 10-006-20180724*

Updated Appraisals

10.55 A further set of appraisals have been run based on the above recommendation.

a.	Affordable Housing	on sites of 6 and larger,
		where 10% of the housing is Affordable Home Ownership
		within and adjacent Cinderford 20%
		Elsewhere 35%.
b.	Design	100% Accessible and Adaptable – Category 2
		NDSS
		Water efficiency

[153] Paragraph 10-007-20190509 of the PPG gives the following examples of where it may be appropriate to consider viability at the decision making stage:

> *Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force.*

c. Energy CO_2 measures As per Future Homes Standard – Option 2.

d. Developer Contributions s106 – typologies £10,000/unit and Strategic Sites £10,000/unit.

Table 10.10a Residential Development – Residual Values v BLV

Recommended Policy Requirements

South West

			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	Green 40	South West	21,000	321,000	639,997
Site 6	Green 20	South West	21,000	321,000	739,884
Site 7	Green 10	South West	50,000	350,000	1,211,052
Site 8	Green 6	South West	50,000	350,000	1,270,835
Site 9	Green 3	South West	50,000	350,000	2,047,089
Site 25	Beachley Camp	Beachley	250,000	300,000	331,203

Source: HDH (January 2021)

Table 10.10b Residential Development – Residual Values v BLV

Recommended Policy Requirements

Coleford & Lydney

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Coleford, Lydney	21,000	321,000	381,571
Site 2	Green 250	Coleford, Lydney	21,000	321,000	476,357
Site 3	Green 100	Coleford, Lydney	21,000	321,000	472,499
Site 4	Green 60	Coleford, Lydney	21,000	321,000	471,028
Site 5	Green 40	Coleford, Lydney	21,000	321,000	466,301
Site 6	Green 20	Coleford, Lydney	21,000	321,000	580,196
Site 7	Green 10	Coleford, Lydney	50,000	350,000	916,123
Site 8	Green 6	Coleford, Lydney	50,000	350,000	934,431
Site 9	Green 3	Coleford, Lydney	50,000	350,000	1,621,382
Site 10	Brown 100	Coleford, Lydney	250,000	300,000	-40,105
Site 11	Brown 60	Coleford, Lydney	250,000	300,000	-68,618
Site 12	Brown 40	Coleford, Lydney	250,000	300,000	-63,517
Site 13	Brown 20	Coleford, Lydney	250,000	300,000	718
Site 14	Brown 20 HD	Coleford, Lydney	250,000	300,000	-1,277,360
Site 15	Brown 10	Coleford, Lydney	250,000	300,000	12,884
Site 16	Brown 10 HD	Coleford, Lydney	250,000	300,000	-1,627,191
Site 17	Brown 6	Coleford, Lydney	250,000	300,000	800,193
Site 18	Brown 6 HD	Coleford, Lydney	250,000	300,000	-972,164
Site 19	Brown 3	Coleford, Lydney	250,000	300,000	349,705
Site 20	PRS 20	Coleford, Lydney	250,000	300,000	27,218
Site 21	PRS 20 HD	Coleford, Lydney	250,000	300,000	-586,198

Source: HDH (January 2021)

Table 10.10c Residential Development – Residual Values v BLV Recommended Policy Requirements Cinderford					
			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Cinderford	21,000	321,000	396,773
Site 2	Green 250	Cinderford	21,000	321,000	492,616
Site 3	Green 100	Cinderford	21,000	321,000	370,467
Site 4	Green 60	Cinderford	21,000	321,000	363,671
Site 5	Green 40	Cinderford	21,000	321,000	361,073
Site 6	Green 20	Cinderford	21,000	321,000	491,633
Site 7	Green 10	Cinderford	50,000	350,000	931,356
Site 8	Green 6	Cinderford	50,000	350,000	940,477
Site 9	Green 3	Cinderford	50,000	350,000	1,189,678
Site 10	Brown 100	Cinderford	250,000	300,000	-242,859
Site 11	Brown 60	Cinderford	250,000	300,000	-277,944
Site 12	Brown 40	Cinderford	250,000	300,000	-270,569
Site 13	Brown 20	Cinderford	250,000	300,000	-206,411
Site 14	Brown 20 HD	Cinderford	250,000	300,000	-1,260,436
Site 15	Brown 10	Cinderford	250,000	300,000	-283,045
Site 16	Brown 10 HD	Cinderford	250,000	300,000	-1,603,134
Site 17	Brown 6	Cinderford	250,000	300,000	76,700
Site 18	Brown 6 HD	Cinderford	250,000	300,000	-1,223,294
Site 19	Brown 3	Cinderford	250,000	300,000	-374,719
Site 20	PRS 20	Cinderford	250,000	300,000	27,218
Site 21	PRS 20 HD	Cinderford	250,000	300,000	-586,198

Source: HDH (January 2021)

Table 10.10d Residential Development – Residual Values v BLV
Recommended Policy Requirements
Other Areas

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Other Areas	21,000	321,000	470,675
Site 2	Green 250	Other Areas	21,000	321,000	588,401
Site 3	Green 100	Other Areas	21,000	321,000	587,095
Site 4	Green 60	Other Areas	21,000	321,000	588,353
Site 5	Green 40	Other Areas	21,000	321,000	582,098
Site 6	Green 20	Other Areas	21,000	321,000	686,654
Site 7	Green 10	Other Areas	50,000	350,000	1,211,052
Site 8	Green 6	Other Areas	50,000	350,000	1,270,835
Site 9	Green 3	Other Areas	50,000	350,000	2,047,089
Site 10	Brown 100	Other Areas	250,000	300,000	278,103
Site 11	Brown 60	Other Areas	250,000	300,000	258,074
Site 12	Brown 40	Other Areas	250,000	300,000	263,565
Site 13	Brown 20	Other Areas	250,000	300,000	339,118
Site 22	Newent Expansion	Newent	21,000	321,000	448,641
Site 23	New Settlement Ph 1	Churcham S	21,000	321,000	382,002
Site 24	New Settlement Ph 2	Churcham S	21,000	321,000	382,002

Source: HDH (January 2021)

10.56 On this basis almost all development is shown as viable so the Council can be confident that the emerging plan will be deliverable.

10.57 In the Coleford / Lydney area (which includes the smaller settlements, (including Soudley, and Blakeney, but not Newnham) and Sites within and adjacent to the town of Cinderford only most of the brownfield sites are shown as unviable, with the Residual Value being below the BLV. This is largely due to the higher costs associated with brownfield sites in these lower value areas. Consideration was given to setting a lower affordable housing target, however we understand that little development is anticipated on such sites so such an approach would not be proportionate. It is recommended that the Council accept viability appraisals on such sites at the development management stage.

Self and Custom Build

10.58 The Council does not require a specific amount of self-build plots. For illustrative purposes we have considered a 4% requirement on sites of 25 units and larger. It is assumed that this policy would be implemented on a 'whole plot' basis, so sites over 25 units would be required to provide 1 plot, sites over 50 units would be required to provide 2 plots and so on.

10.59 If a developer is to sell a plot as a serviced self-build plot, they would not receive the profit from building the unit, they would however receive the price for the plot. If they were to provide the plot as a custom-build plot (i.e. where the developer designs and builds to the buyer's design and specifications) they would receive a payment for the land, the costs of construction and the price paid would incorporate the developer's return. The impact on viability is therefore the balance between the profit foregone and the receipt for the serviced plot. The developer's return per plot is generally in the £40,000 to £60,000/plot range.

10.60 As set out in Chapter 6 above, there are a few development sites being publicly marketed in the area at the time of this update. Having made enquiries with local agents, the general consensus is that larger plots are likely to fetch in excess £100,000 or so in the current market, although the price for larger plots, with land for gardens and appropriate for larger family homes are likely to achieve a price that is very much more.

10.61 The modelling in this viability update is based on at least 30 units per net ha with allowance for open space. On this basis, a self-build plot is likely to be about 0.03ha or so. A conservative plot price of £100,000 would lead to a land value of over £3,000,000/ha. This is substantially above the BLV and allows plenty of scope for the services to be laid on to the plot or plots. It is also well above the developer's return that would be forgone from developing the unit.

10.62 Based on the above analysis it is unlikely that a requirement for self-build plots will adversely impact on viability.

Sensitivity Testing

10.63 In the earlier parts of this Chapter numerous scenarios have been assessed to test different possible policy requirements. In this section we also consider the impact of the cost and value change and the impact if different Benchmark Land Values, as there was not a consensus in this regard through the consultation process.

Changes in Costs and Values

10.64 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 9.8% over the next 3 years[154]. We have tested a range of scenarios with varied increases in build costs.

10.65 As set out in Chapter 4, we are in a current period of uncertainty in the property market. It is not the purpose of this report to predict the future of the market. We have tested several price change scenarios. In this analysis, we have assumed all other matters in the base appraisals

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[154] BCIS General Build Cost Index February 2021 = 369.6, February 2014 = 406.1 (updated 25th February 2021)

remain unchanged. It is important to note that in the tables (that are set out in **Appendix 18**), only the costs of construction and the value of the market housing are altered.

10.66 The analysis demonstrates that a relatively small increase in build costs will adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

Review

10.67 The direction of the market, as set out in Chapter 4 above, is improving, and there is an improved sentiment that the economy and property markets are improving. There is however some level of uncertainty. Bearing in mind the Council's wish to develop housing, and the requirements to fund infrastructure, it is recommended that the Council keeps viability under review; should the economics of development change significantly it should consider undertaking a limited review of the Plan to adjust the affordable housing requirements or levels of developer contribution.

10.68 In this regard it is timely to highlight paragraph 10-009-20180724 of the PPG.

> *<u>How should viability be reviewed during the lifetime of a project?</u>*
>
> *Plans should set out circumstances where review mechanisms may be appropriate, as well as clear process and terms of engagement regarding how and when viability will be reassessed over the lifetime of the development to ensure policy compliance and optimal public benefits through economic cycles.*
>
> *Where contributions are reduced below the requirements set out in policies to provide flexibility in the early stages of a development, there should be a clear agreement of how policy compliance can be achieved over time. As the potential risk to developers is already accounted for in the assumptions for developer return in viability assessment, realisation of risk does not in itself necessitate further viability assessment or trigger a review mechanism. Review mechanisms are not a tool to protect a return to the developer, but to strengthen local authorities' ability to seek compliance with relevant policies over the lifetime of the project.*
>
> *PPG 10-009-20180724*

10.69 It is recommended that, on sites where the policy requirements are flexed, the Council includes review mechanisms.

Benchmark Land Value Assumptions

10.70 As set out towards the end of Chapter 6, there was not universal agreement as to the approach to be taken with regard to the BLV.

10.71 In the pre-consultation iteration of this Viability Assessment, the following Benchmark Land Value assumptions were used for residential Development:

Brownfield Sites:	EUV Plus 20% - where a value of £100,000/ha is assumed.
Greenfield Sites:	EUV Plus £250,000/ha.

10.72 In this iteration of this assessment, the following Benchmark Land Value assumptions are used, where the site is considered as a whole site (rather than on a net developable area basis):

Brownfield Sites: EUV Plus 20% - where a value of £250,000/ha is assumed.

Greenfield Sites: EUV Plus £300,000/ha.

10.73 There was broad consensus that EUV plus 20% was appropriate for brownfield sites. For greenfield sites, the landowner's premium has been increased to £300,000/ha, to give a BLV of about 15 time the EUV.

10.74 This premium '*should provide a reasonable incentive for a landowner to bring forward land for development'* while allowing a *'contribution to comply with policy requirements'*. Whilst there are certainly land transactions at higher values than these, we believe that these are appropriate for a study of this type. These figures are similar to those used in the neighbouring districts. As there was not universal agreement on this point (through the 2020 viability consultation) sensitivity testing has been carried out in this regard.

Table 10.11a Alternative Benchmark Land Value Assumptions

			Base	Alternative BLV										
			EUV +	£200,000	£300,000	£400,000	£500,000	£600,000	£700,000	£800,000	£900,000	£1,000,000	£1,250,000	£1,500,000
Site 5	Green 40	South West	639,997	639,997	639,997	639,997	639,997	639,997	639,997	639,997	639,997	639,997	639,997	639,997
Site 6	Green 20	South West	739,884	739,884	739,884	739,884	739,884	739,884	739,884	739,884	739,884	739,884	739,884	739,884
Site 7	Green 10	South West	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052
Site 8	Green 6	South West	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835
Site 9	Green 3	South West	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089
Site 25	Beachley Camp	Beachley	331,203	331,203	331,203	331,203	331,203	331,203	331,203	331,203	331,203	331,203	331,203	331,203

			Base	Alternative BLV										
			EUV +	£200,000	£300,000	£400,000	£500,000	£600,000	£700,000	£800,000	£900,000	£1,000,000	£1,250,000	£1,500,000
Site 1	Green 400	Coleford, Lydney	381,571	381,571	381,571	381,571	381,571	381,571	381,571	381,571	381,571	381,571	381,571	381,571
Site 2	Green 250	Coleford, Lydney	476,357	476,357	476,357	476,357	476,357	476,357	476,357	476,357	476,357	476,357	476,357	476,357
Site 3	Green 100	Coleford, Lydney	472,499	472,499	472,499	472,499	472,499	472,499	472,499	472,499	472,499	472,499	472,499	472,499
Site 4	Green 60	Coleford, Lydney	471,028	471,028	471,028	471,028	471,028	471,028	471,028	471,028	471,028	471,028	471,028	471,028
Site 5	Green 40	Coleford, Lydney	466,301	466,301	466,301	466,301	466,301	466,301	466,301	466,301	466,301	466,301	466,301	466,301
Site 6	Green 20	Coleford, Lydney	580,196	580,196	580,196	580,196	580,196	580,196	580,196	580,196	580,196	580,196	580,196	580,196
Site 7	Green 10	Coleford, Lydney	916,123	916,123	916,123	916,123	916,123	916,123	916,123	916,123	916,123	916,123	916,123	916,123
Site 8	Green 6	Coleford, Lydney	934,431	934,431	934,431	934,431	934,431	934,431	934,431	934,431	934,431	934,431	934,431	934,431
Site 9	Green 3	Coleford, Lydney	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382	1,621,382
Site 10	Brown 100	Coleford, Lydney	-40,105	-40,105	-40,105	-40,105	-40,105	-40,105	-40,105	-40,105	-40,105	-40,105	-40,105	-40,105
Site 11	Brown 60	Coleford, Lydney	-68,618	-68,618	-68,618	-68,618	-68,618	-68,618	-68,618	-68,618	-68,618	-68,618	-68,618	-68,618
Site 12	Brown 40	Coleford, Lydney	-63,517	-63,517	-63,517	-63,517	-63,517	-63,517	-63,517	-63,517	-63,517	-63,517	-63,517	-63,517
Site 13	Brown 20	Coleford, Lydney	718	718	718	718	718	718	718	718	718	718	718	718
Site 14	Brown 20 HD	Coleford, Lydney	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360	-1,277,360
Site 15	Brown 10	Coleford, Lydney	12,884	12,884	12,884	12,884	12,884	12,884	12,884	12,884	12,884	12,884	12,884	12,884
Site 16	Brown 10 HD	Coleford, Lydney	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191	-1,627,191
Site 17	Brown 6	Coleford, Lydney	800,193	800,193	800,193	800,193	800,193	800,193	800,193	800,193	800,193	800,193	800,193	800,193
Site 18	Brown 6 HD	Coleford, Lydney	-972,164	-972,164	-972,164	-972,164	-972,164	-972,164	-972,164	-972,164	-972,164	-972,164	-972,164	-972,164
Site 19	Brown 3	Coleford, Lydney	349,705	349,705	349,705	349,705	349,705	349,705	349,705	349,705	349,705	349,705	349,705	349,705
Site 20	PRS 20	Coleford, Lydney	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218
Site 21	PRS 20 HD	Coleford, Lydney	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198

Source: HDH (January 2021)

Table 10.11b Alternative Benchmark Land Value Assumptions

			Base	Alternative BLV										
			EUV +	£200,000	£300,000	£400,000	£500,000	£600,000	£700,000	£800,000	£900,000	£1,000,000	£1,250,000	£1,500,000
Site 1	Green 400	Cinderford	396,773	396,773	396,773	396,773	396,773	396,773	396,773	396,773	396,773	396,773	396,773	396,773
Site 2	Green 250	Cinderford	492,616	492,616	492,616	492,616	492,616	492,616	492,616	492,616	492,616	492,616	492,616	492,616
Site 3	Green 100	Cinderford	370,467	370,467	370,467	370,467	370,467	370,467	370,467	370,467	370,467	370,467	370,467	370,467
Site 4	Green 60	Cinderford	363,671	363,671	363,671	363,671	363,671	363,671	363,671	363,671	363,671	363,671	363,671	363,671
Site 5	Green 40	Cinderford	361,073	361,073	361,073	361,073	361,073	361,073	361,073	361,073	361,073	361,073	361,073	361,073
Site 6	Green 20	Cinderford	491,633	491,633	491,633	491,633	491,633	491,633	491,633	491,633	491,633	491,633	491,633	491,633
Site 7	Green 10	Cinderford	931,356	931,356	931,356	931,356	931,356	931,356	931,356	931,356	931,356	931,356	931,356	931,356
Site 8	Green 6	Cinderford	940,477	940,477	940,477	940,477	940,477	940,477	940,477	940,477	940,477	940,477	940,477	940,477
Site 9	Green 3	Cinderford	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678	1,189,678
Site 10	Brown 100	Cinderford	-242,859	-242,859	-242,859	-242,859	-242,859	-242,859	-242,859	-242,859	-242,859	-242,859	-242,859	-242,859
Site 11	Brown 60	Cinderford	-277,944	-277,944	-277,944	-277,944	-277,944	-277,944	-277,944	-277,944	-277,944	-277,944	-277,944	-277,944
Site 12	Brown 40	Cinderford	-270,569	-270,569	-270,569	-270,569	-270,569	-270,569	-270,569	-270,569	-270,569	-270,569	-270,569	-270,569
Site 13	Brown 20	Cinderford	-206,411	-206,411	-206,411	-206,411	-206,411	-206,411	-206,411	-206,411	-206,411	-206,411	-206,411	-206,411
Site 14	Brown 20 HD	Cinderford	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436	-1,260,436
Site 15	Brown 10	Cinderford	-283,045	-283,045	-283,045	-283,045	-283,045	-283,045	-283,045	-283,045	-283,045	-283,045	-283,045	-283,045
Site 16	Brown 10 HD	Cinderford	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134	-1,603,134
Site 17	Brown 6	Cinderford	76,700	76,700	76,700	76,700	76,700	76,700	76,700	76,700	76,700	76,700	76,700	76,700
Site 18	Brown 6 HD	Cinderford	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294	-1,223,294
Site 19	Brown 3	Cinderford	-374,719	-374,719	-374,719	-374,719	-374,719	-374,719	-374,719	-374,719	-374,719	-374,719	-374,719	-374,719
Site 20	PRS 20	Cinderford	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218	27,218
Site 21	PRS 20 HD	Cinderford	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198	-586,198

			Base	Alternative BLV										
			EUV +	£200,000	£300,000	£400,000	£500,000	£600,000	£700,000	£800,000	£900,000	£1,000,000	£1,250,000	£1,500,000
Site 1	Green 400	Other Areas	470,675	470,675	470,675	470,675	470,675	470,675	470,675	470,675	470,675	470,675	470,675	470,675
Site 2	Green 250	Other Areas	588,401	588,401	588,401	588,401	588,401	588,401	588,401	588,401	588,401	588,401	588,401	588,401
Site 3	Green 100	Other Areas	587,095	587,095	587,095	587,095	587,095	587,095	587,095	587,095	587,095	587,095	587,095	587,095
Site 4	Green 60	Other Areas	588,353	588,353	588,353	588,353	588,353	588,353	588,353	588,353	588,353	588,353	588,353	588,353
Site 5	Green 40	Other Areas	582,098	582,098	582,098	582,098	582,098	582,098	582,098	582,098	582,098	582,098	582,098	582,098
Site 6	Green 20	Other Areas	686,654	686,654	686,654	686,654	686,654	686,654	686,654	686,654	686,654	686,654	686,654	686,654
Site 7	Green 10	Other Areas	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052	1,211,052
Site 8	Green 6	Other Areas	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835	1,270,835
Site 9	Green 3	Other Areas	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089	2,047,089
Site 10	Brown 100	Other Areas	278,103	278,103	278,103	278,103	278,103	278,103	278,103	278,103	278,103	278,103	278,103	278,103
Site 11	Brown 60	Other Areas	258,074	258,074	258,074	258,074	258,074	258,074	258,074	258,074	258,074	258,074	258,074	258,074
Site 12	Brown 40	Other Areas	263,565	263,565	263,565	263,565	263,565	263,565	263,565	263,565	263,565	263,565	263,565	263,565
Site 13	Brown 20	Other Areas	339,118	339,118	339,118	339,118	339,118	339,118	339,118	339,118	339,118	339,118	339,118	339,118
Site 22	Newent Expansion	Newant	448,641	448,641	448,641	448,641	448,641	448,641	448,641	448,641	448,641	448,641	448,641	448,641
Site 23	New Settlement Ph 1	Churcham S	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002
Site 24	New Settlement Ph 2	Churcham S	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002	382,002

Source: HDH (January 2021)

10.75 This sensitivity testing shoes that less sites are viable at higher BLV assumptions. This is to be expected. It is also clear that, across most sites, that there is a significant cushion between the Residual Value and the BLV. This should give the Council confidence that policy requirements that are recommended are not at the margins of viability.

Community Infrastructure Levy

10.76 This study includes consideration of CIL. As set out earlier in this report, whilst this report was being undertaken, Government consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. Pillar Three of the White Paper sets out options around the requirements for infrastructure and how these may be funded. The key proposal are:

> *<u>Proposal 19</u>: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> *<u>Proposal 21</u>: The reformed Infrastructure Levy should deliver affordable housing provision*

10.77 As set out earlier in this report, more recently the Government has suggested that a more nuanced approach will be taken forward, maintaining the s106 regime for strategic site and for a levy or tariff to be set locally (or based on local data), although no details have yet. We have considered the capacity for CIL, under the current (January 2021) CIL Regulations and guidance, but we would suggest that the Council is cautious about proceeding with CIL when it may only have a limited lifespan. See the section headed Standardised Infrastructure Tariff above.

10.78 The analysis earlier in this report assumes s106 contributions of £10,000/unit on the sites represented by the typologies and in the Strategic Sites. These assumptions are carried forward into the consideration of CIL below. If a different approach to s106 contributions is made, then it would be necessary to revisit the following analysis. This is particularly relevant to the Strategic Sites, where the Council does not yet have an estimate of the site strategic infrastructure and mitigation measures. A base assumption of £10,000/unit has been used. As and when further detail is available, it may be necessary to revisit the analysis.

Capacity for CIL

10.79 In Chapter 3 above, we set out the principle of Additional Profit. Additional Profit is the amount of profit over and above the normal profit / developer's return made by the developers having purchased the land, developed the site, and sold the units (including provision of any affordable housing that is required).

10.80 The following tables show the additional profit. This is the amount over and above the Benchmark Land Value, having provided the recommended policy requirements set out in the previous section of this report.

Table 10.12a Additional Profit South West - 35% Affordable Housing				
			£ site	£/m²
Site 5	Green 40	South West	636,618	235
Site 6	Green 20	South West	445,839	322
Site 7	Green 10	South West	333,246	476
Site 8	Green 6	South West	212,949	451
Site 9	Green 3	South West	219,755	685
Site 25	Beachley Camp	Beachley	1,665,780	40

Source: HDH (January 2021)

Table 10.12b Additional Profit Coleford & Lydney - 35% Affordable Housing				
			£ site	£/m²
Site 1	Green 400	Coleford, Lydney	1,722,469	63
Site 2	Green 250	Coleford, Lydney	1,980,539	115
Site 3	Green 100	Coleford, Lydney	837,834	122
Site 4	Green 60	Coleford, Lydney	496,865	120
Site 5	Green 40	Coleford, Lydney	317,516	117
Site 6	Green 20	Coleford, Lydney	279,282	202
Site 7	Green 10	Coleford, Lydney	220,947	315
Site 8	Green 6	Coleford, Lydney	139,450	296
Site 9	Green 3	Coleford, Lydney	171,723	535
Site 10	Brown 100	Coleford, Lydney	-1,270,827	-185
Site 11	Brown 60	Coleford, Lydney	-808,802	-196
Site 12	Brown 40	Coleford, Lydney	-529,218	-195
Site 13	Brown 20	Coleford, Lydney	-213,691	-154
Site 14	Brown 20 HD	Coleford, Lydney	-945,282	-1,148
Site 15	Brown 10	Coleford, Lydney	-66,008	-106
Site 16	Brown 10 HD	Coleford, Lydney	-403,282	-980
Site 17	Brown 6	Coleford, Lydney	144,221	225
Site 18	Brown 6 HD	Coleford, Lydney	-105,029	-269
Site 19	Brown 3	Coleford, Lydney	32,489	114
Site 20	PRS 20	Coleford, Lydney	-198,486	-129
Site 21	PRS 20 HD	Coleford, Lydney	-770,979	-763

Source: HDH (January 2021)

Table 10.12c Additional Profit Cinderford - 20% Affordable Housing				
			£ site	£/m^2
Site 1	Green 400	Cinderford	3,571,574	105
Site 2	Green 250	Cinderford	3,141,546	149
Site 3	Green 100	Cinderford	717,979	85
Site 4	Green 60	Cinderford	424,420	83
Site 5	Green 40	Cinderford	269,066	81
Site 6	Green 20	Cinderford	267,841	157
Site 7	Green 10	Cinderford	265,969	308
Site 8	Green 6	Cinderford	165,805	285
Site 9	Green 3	Cinderford	124,051	386
Site 10	Brown 100	Cinderford	-1,748,922	-207
Site 11	Brown 60	Cinderford	-1,095,748	-216
Site 12	Brown 40	Cinderford	-714,434	-214
Site 13	Brown 20	Cinderford	-306,391	-180
Site 14	Brown 20 HD	Cinderford	-877,877	-866
Site 15	Brown 10	Cinderford	-99,173	-129
Site 16	Brown 10 HD	Cinderford	-369,573	-729
Site 17	Brown 6	Cinderford	24,141	38
Site 18	Brown 6 HD	Cinderford	-134,367	-345
Site 19	Brown 3	Cinderford	-20,817	-73
Site 20	PRS 20	Cinderford	-198,486	-129
Site 21	PRS 20 HD	Cinderford	-770,979	-763

Source: HDH (January 2021)

Table 10.12d Additional Profit Other Areas - 35% Affordable Housing				
			£ site	£/m²
Site 1	Green 400	Other Areas	4,002,957	145
Site 2	Green 250	Other Areas	3,401,399	198
Site 3	Green 100	Other Areas	1,389,414	202
Site 4	Green 60	Other Areas	828,244	200
Site 5	Green 40	Other Areas	533,845	197
Site 6	Green 20	Other Areas	390,320	282
Site 7	Green 10	Other Areas	333,246	476
Site 8	Green 6	Other Areas	212,949	451
Site 9	Green 3	Other Areas	219,755	685
Site 10	Brown 100	Other Areas	47,371	7
Site 11	Brown 60	Other Areas	-14,691	-4
Site 12	Brown 40	Other Areas	-2,181	-1
Site 13	Brown 20	Other Areas	56,366	41
Site 22	Newent Expansion	Newent	4,569,455	133
Site 23	New Settlement Ph 1	Churcham S	12,271,558	89
Site 24	New Settlement Ph 2	Churcham S	12,271,558	89

Source: HDH (January 2021)

10.81 The additional profit varies considerably. When the additional profit is considered across the area, it can be seen that there is capacity to bear CIL on the greenfield sites.

The Effect of CIL

10.82 CIL Regulation 14 (as amended) sets out the core principle for setting CIL:

Setting rates

(1) In setting rates (including differential rates) in a charging schedule, a charging authority must strike an appropriate balance between—

(a) the desirability of funding from CIL (in whole or in part) the actual and expected estimated total cost of infrastructure required to support the development of its area, taking into account other actual and expected sources of funding; and

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

(2) In setting rates …

10.83 Viability testing in the context of CIL is to assess the '*effects*' on development. Ultimately the test that will be applied to CIL is as set out the examination section of the PPG:

documents containing appropriate available evidence … evidence has been provided that shows the proposed rate or rates would not threaten delivery of the relevant Plan as a whole

Reference ID: 25-038-20140612

10.84 A set of appraisals has been run incorporating CIL at a range of levels. In the above analysis the Residual Value is compared to the BLV as set out in the viability chapter (Chapter 10) of the PPG. Paragraph 25-020-20190901 of the CIL chapter of the updated PPG (Chapter 25) suggests that it is appropriate, when setting CIL, to consider a 'buffer'.

A charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism. It would be appropriate to ensure that a 'buffer' or margin is included, so that the levy rate is able to support development when economic circumstances adjust. In all cases, the charging authority should be able to explain its approach clearly.

10.85 The amount of the buffer has been debated through the CIL Examination process and 30% has been widely used. The results from the table above are represented below, however with the BLV being increased by 30%.

Table 10.13a Residual Values v BLV Plus 30% – Varied Levels of CIL

			EUV	BLV	Residual Value																	
		CIL			£0	£10	£20	£30	£40	£50	£60	£70	£80	£90	£100	£120	£140	£160	£180	£200	£225	£250
Site 5	Green 40	South West	21,000	417,300	639,997	623,352	606,706	590,060	573,414	556,768	540,123	523,477	506,831	490,185	473,539	440,248	406,956	373,664	340,373	307,081	265,467	223,852
Site 6	Green 20	South West	21,000	417,300	739,884	724,634	709,384	694,134	678,885	663,635	648,385	633,135	617,886	602,636	587,386	556,887	526,387	495,888	465,388	434,889	396,764	358,640
Site 7	Green 10	South West	50,000	455,000	1,211,052	1,190,076	1,169,099	1,148,123	1,127,146	1,106,170	1,085,194	1,064,217	1,043,241	1,022,264	1,001,288	959,335	917,382	875,429	833,477	791,524	738,766	684,805
Site 8	Green 6	South West	50,000	455,000	1,270,835	1,247,211	1,222,984	1,198,757	1,174,529	1,150,302	1,126,074	1,101,847	1,077,620	1,053,392	1,029,165	980,710	932,255	883,800	835,345	786,891	725,855	664,093
Site 9	Green 3	South West	50,000	455,000	2,047,089	2,014,129	1,981,169	1,948,208	1,915,248	1,882,287	1,849,327	1,816,367	1,783,406	1,750,446	1,717,486	1,651,565	1,585,644	1,519,723	1,452,892	1,385,673	1,301,648	1,217,624
Site 25	Beachley Camp	Beachley	250,000	390,000	331,203	317,377	303,550	289,724	275,897	262,071	248,244	234,418	220,591	206,764	192,938	165,285	137,632	109,979	82,326	54,672	20,106	-15,535

			EUV	BLV	Residual Value																	
					£0	£10	£20	£30	£40	£50	£60	£70	£80	£90	£100	£120	£140	£160	£180	£200	£225	£250
Site 1	Green 400	Coleford, Lydne	21,000	417,300	381,571	367,751	353,931	340,111	326,291	312,470	298,650	284,830	271,010	257,189	243,369	215,729	188,088	160,448	132,808	105,167	70,617	36,066
Site 2	Green 250	Coleford, Lydne	21,000	417,300	476,357	460,253	444,149	428,045	411,941	395,836	379,732	363,628	347,524	331,420	315,316	283,107	250,899	218,691	186,483	154,274	114,014	73,754
Site 3	Green 100	Coleford, Lydne	21,000	417,300	472,499	455,609	438,718	421,828	404,937	388,047	371,157	354,266	337,376	320,485	303,595	269,814	236,033	202,252	168,472	134,691	92,465	49,909
Site 4	Green 60	Coleford, Lydne	21,000	417,300	471,028	454,015	437,002	419,989	402,976	385,963	368,950	351,937	334,924	317,911	300,898	266,872	232,846	198,820	164,794	130,768	87,816	43,705
Site 5	Green 40	Coleford, Lydne	21,000	417,300	466,301	449,655	433,009	416,363	399,717	383,072	366,426	349,780	333,134	316,488	299,842	266,551	233,259	199,968	166,676	132,785	89,916	46,252
Site 6	Green 20	Coleford, Lydne	21,000	417,300	580,196	564,946	549,696	534,447	519,197	503,947	488,697	473,448	458,198	442,948	427,698	397,199	366,699	336,200	305,700	275,185	235,956	196,727
Site 7	Green 10	Coleford, Lydne	50,000	455,000	916,123	895,146	874,170	853,193	832,217	811,241	790,264	769,288	748,263	726,678	705,094	661,925	618,756	575,587	532,418	489,249	434,999	379,974
Site 8	Green 6	Coleford, Lydne	50,000	455,000	934,431	910,203	885,976	861,748	837,521	813,294	789,066	764,839	740,426	715,722	691,017	641,607	592,198	542,788	493,378	443,969	382,207	320,445
Site 9	Green 3	Coleford, Lydne	50,000	455,000	1,621,382	1,588,422	1,555,461	1,522,501	1,489,334	1,455,725	1,422,115	1,388,505	1,354,895	1,321,285	1,287,675	1,220,456	1,153,236	1,086,016	1,018,797	951,577	867,552	783,528
Site 10	Brown 100	Coleford, Lydne	250,000	390,000	-40,105	-59,538	-78,971	-98,404	-117,837	-137,270	-156,703	-176,137	-195,686	-215,423	-235,160	-274,634	-314,108	-353,583	-393,057	-432,531	-481,873	-531,216
Site 11	Brown 60	Coleford, Lydne	250,000	390,000	-68,618	-88,049	-107,480	-126,911	-146,342	-165,773	-185,205	-204,856	-224,591	-244,326	-264,061	-303,531	-343,001	-382,471	-421,941	-461,411	-510,748	-560,085
Site 12	Brown 40	Coleford, Lydne	250,000	390,000	-63,517	-82,669	-101,820	-120,972	-140,124	-159,275	-178,427	-197,703	-217,154	-236,605	-256,056	-294,959	-333,861	-372,764	-411,666	-450,568	-499,196	-547,824
Site 13	Brown 20	Coleford, Lydne	250,000	390,000	718	-18,898	-38,513	-58,129	-77,745	-97,361	-116,976	-136,592	-156,208	-175,824	-195,465	-235,310	-275,155	-315,000	-354,845	-394,690	-444,497	-494,303
Site 14	Brown 20 HD	Coleford, Lydne	250,000	390,000	-1,277,360	-1,292,640	-1,307,920	-1,323,201	-1,338,481	-1,353,761	-1,369,041	-1,384,321	-1,399,601	-1,414,881	-1,430,161	-1,460,721	-1,491,282	-1,521,842	-1,552,402	-1,582,962	-1,621,163	-1,659,363
Site 15	Brown 10	Coleford, Lydne	250,000	390,000	12,884	-16,516	-45,917	-75,318	-104,719	-134,119	-163,520	-192,921	-222,322	-251,722	-281,123	-340,531	-400,252	-459,973	-519,694	-579,415	-654,066	-728,718
Site 16	Brown 10 HD	Coleford, Lydne	250,000	390,000	-1,627,191	-1,649,093	-1,670,994	-1,692,896	-1,714,797	-1,736,699	-1,758,600	-1,780,502	-1,802,403	-1,824,305	-1,846,206	-1,890,009	-1,933,812	-1,977,615	-2,021,418	-2,065,221	-2,119,975	-2,174,728
Site 17	Brown 6	Coleford, Lydne	250,000	390,000	800,193	755,380	710,567	665,754	620,940	576,127	531,314	486,501	441,688	396,875	352,062	262,436	172,809	83,183	-6,443	-96,069	-208,102	-320,135
Site 18	Brown 6 HD	Coleford, Lydne	250,000	390,000	-972,164	-1,010,204	-1,048,243	-1,086,283	-1,124,322	-1,162,361	-1,200,401	-1,238,440	-1,276,480	-1,314,519	-1,352,559	-1,428,637	-1,504,716	-1,580,795	-1,656,874	-1,732,953	-1,828,051	-1,923,150
Site 19	Brown 3	Coleford, Lydne	250,000	390,000	349,705	304,944	260,183	215,423	170,662	125,901	81,140	36,380	-8,381	-53,142	-97,903	-187,424	-276,946	-366,805	-457,726	-548,648	-662,300	-775,952
Site 20	PRS 20	Coleford, Lydne	250,000	390,000	27,218	7,398	-12,421	-32,241	-52,061	-71,881	-91,701	-111,521	-131,341	-151,161	-171,103	-211,363	-251,623	-291,882	-332,142	-372,402	-422,727	-473,051
Site 21	PRS 20 HD	Coleford, Lydne	250,000	390,000	-586,198	-598,623	-611,047	-623,471	-635,895	-648,319	-660,743	-673,167	-685,591	-698,015	-710,439	-735,287	-760,135	-784,983	-809,831	-834,679	-865,739	-896,800

Source: HDH (January 2021)

Table 10.13b Residual Values v BLV Plus 30% – Varied Levels of CIL

			EUV	BLV	Residual Value																	
		CIL			£0	£10	£20	£30	£40	£50	£60	£70	£80	£90	£100	£120	£140	£160	£180	£200	£225	£250
Site 1	Green 400	Cinderford	21,000	417,300	396,773	379,763	362,754	345,744	328,735	311,725	294,716	277,707	260,697	243,688	226,678	192,659	158,640	124,621	90,602	56,583	14,060	-30,409
Site 2	Green 250	Cinderford	21,000	417,300	492,616	472,795	452,975	433,154	413,334	393,513	373,693	353,873	334,052	314,232	294,411	254,770	215,129	175,488	135,847	96,206	46,655	-4,053
Site 3	Green 100	Cinderford	21,000	417,300	370,467	349,679	328,891	308,103	287,314	266,526	245,738	224,950	204,162	183,373	162,585	121,009	79,432	37,167	-6,453	-50,078	-104,609	-159,139
Site 4	Green 60	Cinderford	21,000	417,300	363,671	342,732	321,793	300,853	279,914	258,975	238,036	217,097	196,158	175,219	154,280	112,402	69,591	25,807	-18,134	-62,075	-117,001	-171,928
Site 5	Green 40	Cinderford	21,000	417,300	361,073	340,586	320,099	299,612	279,125	258,637	238,150	217,663	197,176	176,689	156,202	114,102	71,536	28,544	-14,449	-57,442	-111,183	-164,924
Site 6	Green 20	Cinderford	21,000	417,300	491,633	472,864	454,095	435,326	416,557	397,788	379,019	360,250	341,482	322,713	303,944	266,135	227,509	188,884	149,959	110,571	61,338	12,104
Site 7	Green 10	Cinderford	50,000	455,000	931,356	905,539	879,722	853,905	828,087	802,270	776,453	750,636	724,089	697,524	670,958	617,827	564,696	511,566	458,435	404,423	336,701	268,979
Site 8	Green 6	Cinderford	50,000	455,000	940,477	910,659	880,840	851,022	821,204	791,385	761,567	731,389	700,983	670,577	640,171	579,359	518,548	457,736	396,924	336,112	260,097	184,083
Site 9	Green 3	Cinderford	50,000	455,000	1,189,678	1,156,068	1,122,458	1,088,848	1,055,239	1,021,629	988,019	954,409	920,799	887,189	853,580	786,360	719,140	651,921	584,701	517,481	433,457	349,432
Site 10	Brown 100	Cinderford	250,000	390,000	-242,859	-267,166	-291,472	-315,778	-340,084	-364,390	-388,696	-413,002	-437,308	-461,614	-485,921	-534,533	-583,145	-631,757	-680,369	-728,982	-789,747	-850,512
Site 11	Brown 60	Cinderford	250,000	390,000	-277,944	-302,247	-326,551	-350,855	-375,158	-399,462	-423,765	-448,069	-472,372	-496,676	-520,979	-569,587	-618,194	-666,801	-715,408	-764,015	-824,774	-885,533
Site 12	Brown 40	Cinderford	250,000	390,000	-270,569	-294,523	-318,477	-342,431	-366,385	-390,339	-414,294	-438,248	-462,202	-486,156	-510,110	-558,018	-605,927	-653,835	-701,743	-749,651	-809,537	-869,422
Site 13	Brown 20	Cinderford	250,000	390,000	-206,411	-230,945	-255,480	-280,014	-304,549	-329,083	-353,618	-378,152	-402,687	-427,222	-451,756	-500,825	-549,894	-598,963	-648,032	-697,101	-758,438	-819,774
Site 14	Brown 20 HD	Cinderford	250,000	390,000	-1,260,436	-1,279,242	-1,298,048	-1,316,855	-1,335,661	-1,354,467	-1,373,273	-1,392,080	-1,410,886	-1,429,692	-1,448,499	-1,486,111	-1,523,724	-1,561,336	-1,598,949	-1,636,561	-1,683,577	-1,730,593
Site 15	Brown 10	Cinderford	250,000	390,000	-283,045	-319,579	-356,330	-393,082	-429,833	-466,584	-503,336	-540,087	-576,839	-613,590	-650,342	-723,884	-797,431	-870,977	-944,524	-1,018,070	-1,110,003	-1,201,936
Site 16	Brown 10 HD	Cinderford	250,000	390,000	-1,603,134	-1,630,090	-1,657,046	-1,684,001	-1,710,957	-1,737,913	-1,764,868	-1,791,824	-1,818,780	-1,845,735	-1,872,691	-1,926,602	-1,980,514	-2,034,425	-2,088,336	-2,142,248	-2,209,637	-2,277,026
Site 17	Brown 6	Cinderford	250,000	390,000	76,700	31,887	-12,926	-57,739	-102,552	-147,366	-192,179	-236,992	-281,805	-326,817	-372,331	-463,359	-554,387	-645,415	-736,442	-827,470	-941,255	-1,055,040
Site 18	Brown 6 HD	Cinderford	250,000	390,000	-1,223,294	-1,261,333	-1,299,372	-1,337,412	-1,375,451	-1,413,491	-1,451,530	-1,489,569	-1,527,609	-1,565,648	-1,603,688	-1,679,766	-1,755,845	-1,831,924	-1,908,003	-1,984,082	-2,079,180	-2,174,279
Site 19	Brown 3	Cinderford	250,000	390,000	-374,719	-420,207	-465,694	-511,182	-556,670	-602,157	-647,645	-693,133	-738,620	-784,108	-829,596	-920,571	-1,011,546	-1,102,522	-1,193,497	-1,284,473	-1,398,192	-1,511,911
Site 20	PRS 20	Cinderford	250,000	390,000	27,218	7,398	-12,421	-32,241	-52,061	-71,881	-91,701	-111,521	-131,341	-151,161	-171,103	-211,363	-251,623	-291,882	-332,142	-372,402	-422,727	-473,051
Site 21	PRS 20 HD	Cinderford	250,000	390,000	-586,198	-598,623	-611,047	-623,471	-635,895	-648,319	-660,743	-673,167	-685,591	-698,015	-710,439	-735,287	-760,135	-784,983	-809,831	-834,679	-865,739	-896,800

			EUV	BLV	Residual Value																	
		CIL			£0	£10	£20	£30	£40	£50	£60	£70	£80	£90	£100	£120	£140	£160	£180	£200	£225	£250
Site 1	Green 400	Other Areas	21,000	417,300	470,675	456,855	443,035	429,214	415,394	401,574	387,754	373,934	360,113	346,293	332,473	304,832	277,192	249,552	221,911	194,271	159,720	125,170
Site 2	Green 250	Other Areas	21,000	417,300	588,401	572,297	556,193	540,089	523,985	507,880	491,776	475,672	459,568	443,464	427,360	395,151	362,943	330,735	298,527	266,318	226,058	185,798
Site 3	Green 100	Other Areas	21,000	417,300	587,095	570,204	553,314	536,424	519,533	502,643	485,752	468,862	451,971	435,081	418,191	384,410	350,629	316,848	283,067	249,287	207,060	164,834
Site 4	Green 60	Other Areas	21,000	417,300	588,353	571,340	554,328	537,315	520,302	503,289	486,276	469,263	452,250	435,237	418,224	384,198	350,172	316,146	282,120	248,094	205,561	163,029
Site 5	Green 40	Other Areas	21,000	417,300	582,098	565,453	548,807	532,161	515,515	498,869	482,224	465,578	448,932	432,286	415,640	382,349	349,057	315,765	282,474	249,182	207,568	165,953
Site 6	Green 20	Other Areas	21,000	417,300	686,654	671,405	656,155	640,905	625,655	610,406	595,156	579,906	564,656	549,407	534,157	503,657	473,158	442,658	412,159	381,659	343,535	305,411
Site 7	Green 10	Other Areas	50,000	455,000	1,211,052	1,190,076	1,169,099	1,148,123	1,127,146	1,106,170	1,085,194	1,064,217	1,043,241	1,022,264	1,001,288	959,335	917,382	875,429	833,477	791,524	738,766	684,805
Site 8	Green 6	Other Areas	50,000	455,000	1,270,835	1,247,211	1,222,984	1,198,757	1,174,529	1,150,302	1,126,074	1,101,847	1,077,620	1,053,392	1,029,165	980,710	932,255	883,800	835,345	786,891	725,855	664,093
Site 9	Green 3	Other Areas	50,000	455,000	2,047,089	2,014,129	1,981,169	1,948,208	1,915,248	1,882,287	1,849,327	1,816,367	1,783,406	1,750,446	1,717,486	1,651,565	1,585,644	1,519,723	1,452,892	1,385,673	1,301,648	1,217,624
Site 10	Brown 100	Other Areas	250,000	390,000	278,103	259,582	241,061	222,540	204,019	185,499	166,978	148,457	129,936	111,416	92,895	55,514	16,943	-21,924	-60,790	-99,656	-148,239	-196,822
Site 11	Brown 60	Other Areas	250,000	390,000	258,074	239,555	221,036	202,517	183,998	165,480	146,961	128,442	109,845	90,790	71,734	32,954	-5,908	-44,770	-83,632	-122,495	-171,072	-219,901
Site 12	Brown 40	Other Areas	250,000	390,000	263,565	245,312	227,060	208,807	190,555	172,302	153,619	134,837	116,055	97,194	78,042	39,738	1,435	-36,868	-75,172	-113,475	-161,354	-209,336
Site 13	Brown 20	Other Areas	250,000	390,000	339,118	319,918	300,682	281,445	262,208	242,972	223,735	204,498	184,918	165,302	145,686	106,455	67,224	27,992	-11,239	-50,471	-99,510	-148,550
Site 15	Brown 10	Other Areas	250,000	390,000	536,777	507,377	477,976	448,575	419,174	389,774	360,373	330,972	301,571	272,171	242,770	183,968	125,167	66,365	7,564	-51,238	-124,740	-198,242
Site 17	Brown 6	Other Areas	250,000	390,000	1,513,566	1,469,619	1,425,672	1,381,725	1,337,778	1,293,830	1,249,883	1,205,936	1,161,989	1,118,042	1,074,095	985,928	896,302	806,676	717,050	627,423	515,391	403,358
Site 19	Brown 3	Other Areas	250,000	390,000	1,072,353	1,027,592	982,831	938,070	893,310	848,549	803,788	759,027	714,267	669,506	624,745	535,224	445,702	356,180	266,659	177,137	65,236	-46,666
Site 22	Newent Expansion	Newant	21,000	417,300	448,641	434,825	421,010	407,194	393,378	379,562	365,747	351,931	338,115	324,300	310,484	282,852	255,221	227,589	199,958	172,326	137,787	103,248
Site 23	New Settlement Ph 1	Churcham S	21,000	417,300	382,002	368,187	354,372	340,557	326,742	312,928	299,113	285,298	271,483	257,668	243,853	216,223	188,594	160,964	133,334	105,705	71,167	36,630
Site 24	New Settlement Ph 2	Churcham S	21,000	417,300	382,002	368,187	354,372	340,557	326,742	312,928	299,113	285,298	271,483	257,668	243,853	216,223	188,594	160,964	133,334	105,705	71,167	36,630

Source: HDH (January 2021)

10.86 The Residual Value is the maximum price a developer can pay a landowner, taking into account all the policy costs and an allowance for developer's return. Across the typologies a £10/m^2 increase in CIL results in a fall in the Residual Value as follows.

Table 10.14 Reduction in Residual Value per ha as a Result of an Additional £10/m^2 CIL

Area	Affordable %	Greenfield	Brownfield	All
South West	35%	£22,012		£22,012
Coleford & Lydney	35%	£19,419	£25,399	£22,836
Cinderford	20%	£23,153	£28,350	£26,122
Other Areas	35%	£19,321	£23,503	£21,522

Source: HDH (January 2021)

10.87 The principal reason for the variance across the areas is due to the amount of affordable housing. CIL is not charged on affordable housing, so areas with a lower affordable housing requirement will see a greater variance in the Residual Value as a consequence of varying CIL. Typically, an increase in CIL of £10/m^2, results in a developer being able to pay about £23,000/ha less for land.

10.88 This analysis indicates that development could bear the following maximum rates of CIL:

- The Strategic Sites do not have capacity to bear CIL.
- Whilst very little development is anticipated in the South West (the area to the west of Cone Brook, being the area that connects most strongly to Chepstow, and is influenced by better transport links) development in this area may be able to bear contributions of up to £200/m^2 or so.
- Greenfield sites across the area to the west of Cinderford and to the east of the South West area, including the smaller settlements, (including Soudley, and Blakeney, but not Newnham), have the capacity to bear up to £30/m^2 or so.
- Greenfield sites across the wider District, excluding the areas mentioned above and Cinderford and the Southwest, have the capacity to bear up to £100/m^2 or so.
- Greenfield adjacent to Cinderford do not have capacity to bear CIL.
- Brownfield sites, in all areas, do not have capacity to bear CIL.

CIL as a proportion of Land Value and Gross Development Value

10.89 To further inform the CIL rate setting process, we have calculated CIL as a proportion of the Residual Value and the Gross Development Value.

10.90 CIL as the proportion of the Residual Value, in approximate terms, represents the percentage fall in land value that a landowner may receive. As set out in the Local Plan Viability Study, it is inevitable that CIL will depress land prices. This is recognised in the RICS Guidance and was considered at the Greater Norwich CIL examination[155]. In Greater Norwich it was suggested that landowners may accept a 25% fall in land prices following the introduction of CIL saying:

> *22. Thirdly the work done by the Councils to demonstrate what funds are likely to be available for CIL (Appendix 1 of the Note following Day 1) relies on the full 25% of the benchmark land value being available for the CIL "pot". While this may sometimes be the case it is unlikely that it will always apply. Even if some landowners may be prepared to accept less than 75% of the benchmark value, the 25% figure should be treated as a maximum and not an average. Using 25% to try to establish what the theoretical maximum amount in a CIL "pot" may be is reasonable, but when thinking about setting a CIL charge in the real world it would be prudent to treat it as a maximum that will only apply on some occasions in some circumstances.*

10.91 It is important to note that a wide-ranging debate took place at that CIL Examination and on the specific local circumstances. It would however be prudent to set CIL at a rate that does not result in a fall in land prices of greater than 25% or so. The tables in **Appendix 19** show CIL, at a range of rates, as a percentage of the Residual Value.

10.92 This analysis supports the previous findings but suggests a maximum rate on greenfield sites of £90/m^2 in the South West, £50/m^2 in the Coleford & Lydney Area, and £60/m^2 elsewhere.

10.93 Plan-wide viability testing is not an exact science. The process is based on high level modelling and assumptions and development costs and assumptions. The process adopted by many developers is similar, hence the use of contingency sums, the competitive return assumptions and the generally cautious approach. In the tables in **Appendix 20** we have set out CIL, at a range of rates, as a proportion of the Gross Development Value.

10.94 This analysis shows that CIL at £160/m^2 would be less than 5% of the Gross Development Value on almost all sites.

Residential Rates of CIL

10.95 When it comes to setting CIL, differential rates may be set:

> <u>*Can differential rates be set?*</u>
>
> *The regulations allow charging authorities to apply differential rates in a flexible way, to help ensure the viability of development is not put at risk. Charging authorities should consider how they could use differential rates to optimise the funding they can receive through the levy. Differences in rates need to be justified by reference to the viability of development. Differential rates should not be used as a means to deliver policy objectives.*
>
> *Differential rates may be appropriate in relation to*
>
> - *geographical zones within the charging authority's boundary;*
> - *types of development; and/or*
> - *scales of development.*

[155] Greater Norwich Development Partnership – for Broadland District Council, Norwich City Council and South Norfolk Council. by Keith Holland BA (Hons) Dip TP, MRTPI ARICS Date: 4 December 2012

A charging authority that plans to set differential rates should seek to avoid undue complexity. Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development. Charging authorities may wish to consider how any differential rates appropriately reflect the viability of the size, type and tenure of housing needed for different groups in the community, including accessible and adaptable housing, as set out in the National Planning Policy Framework. Charging authorities should consider the views of developers at an early stage.

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. The same principle should apply where the evidence shows similarly low viability for particular types and/or scales of development.

In all cases, differential rates must not be set in such a way that they constitute a notifiable State aid under European Commission regulations (see State aid section for further information). One element of State aid is the conferring of a selective advantage to any 'undertaking'. A charging authority which chooses to differentiate between classes of development, or by reference to different areas, should do so only where there is consistent viability evidence to justify this approach. It is the responsibility of each charging authority to ensure that their charging schedules are State aid compliant.

PPG Paragraph: 022 Reference ID: 25-022-20190901

10.96 In recommending rates of CIL we have, in particular, taken the following factors into account:

a. In line with the PPG, the Council's desire to 'keep things simple'.

b. Under the CIL Regulations (and Guidance) it is not possible set a CIL rate by the current use of the land (for example to have a greenfield rate and a brownfield rate).

c. Based on the information available at the time of this report, it is not considered proportionate to set a separate rate of CIL for brownfield sites (or urban areas), as brownfield sites are not being relied on the deliver the Plan as a whole. It is anticipated that these will come forward, but are likely to be for 100% affordable housing , or so be subject to public sector assistance. This type of site are not a significant component on the emerging Local Plan. The recommendations made below are on this basis.

d. That if the strategic infrastructure and mitigation requirements for the Strategic Sites are less than the £10,000/unit assumption used here, then it will be necessary to revisit this advice.

Table 10.15 Recommended Rates of CIL - £/m²

Residential Development

South West	£90/m²
Coleford & Lydney	£30/m²
Cinderford Area	£0/m²
Other Areas	£60/m²
Within the built-up areas of the main settlements	£0/m²
Strategic Sites	£0/m²

Source: HDH (January 2021)

10.97 At this stage we would suggest that the Council is cautious about proceeding with CIL, but reconsiders this as and when the Government's plans in this regard have been clarified.

Older People's Housing

10.98 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for two 60 unit schemes with a range of affordable housing requirements. The results of these are summarised as follows. The full appraisals are set out in **Appendix 21** below:

Table 10.16 Sheltered Housing, Appraisal Results (£/ha)

		Affordable %	EUV	BLV	Residual Value
Site 1	Green	0%	50,000	350,000	216,777
Site 2	Green	5%	50,000	350,000	-149,151
Site 3	Green	10%	50,000	350,000	-474,120
Site 4	Green	15%	50,000	350,000	-846,024
Site 5	Green	20%	50,000	350,000	-1,181,771
Site 6	Green	25%	50,000	350,000	-1,559,557
Site 7	Green	30%	50,000	350,000	-1,895,304
Site 8	Green	35%	50,000	350,000	-2,275,683
Site 9	Green	40%	50,000	350,000	-2,617,107
Site 10	Brown	0%	250,000	300,000	-881,624
Site 11	Brown	5%	250,000	300,000	-1,266,923
Site 12	Brown	10%	250,000	300,000	-1,595,157
Site 13	Brown	15%	250,000	300,000	-1,980,456
Site 14	Brown	20%	250,000	300,000	-2,309,662
Site 15	Brown	25%	250,000	300,000	-2,700,985
Site 16	Brown	30%	250,000	300,000	-3,034,790
Site 17	Brown	35%	250,000	300,000	-3,426,113
Site 18	Brown	40%	250,000	300,000	-3,759,918

Source: HDH (February 2021)

Table 10.17 Extracare Housing, Appraisal Results (£/ha)					
		Affordable %	EUV	BLV	Residual Value
Site 1	Green	0%	50,000	350,000	-47,860
Site 2	Green	5%	50,000	350,000	-490,091
Site 3	Green	10%	50,000	350,000	-936,879
Site 4	Green	15%	50,000	350,000	-1,426,222
Site 5	Green	20%	50,000	350,000	-1,882,942
Site 6	Green	25%	50,000	350,000	-2,339,662
Site 7	Green	30%	50,000	350,000	-2,800,014
Site 8	Green	35%	50,000	350,000	-3,264,156
Site 9	Green	40%	50,000	350,000	-3,761,450
Site 10	Brown	0%	250,000	300,000	-1,412,226
Site 11	Brown	5%	250,000	300,000	-1,868,946
Site 12	Brown	10%	250,000	300,000	-2,325,667
Site 13	Brown	15%	250,000	300,000	-2,815,961
Site 14	Brown	20%	250,000	300,000	-3,280,102
Site 15	Brown	25%	250,000	300,000	-3,744,244
Site 16	Brown	30%	250,000	300,000	-4,208,386
Site 17	Brown	35%	250,000	300,000	-4,672,528
Site 18	Brown	40%	250,000	300,000	-5,172,967

Source: HDH (February 2021)

10.99 In the case of both Sheltered and Extracare housing, the appraisals produce a Residual Value that is less than the BLV, even without Affordable Housing on greenfield sites.

10.100 When considering the above, it is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not necessary to develop a specific Affordable Housing policy for Sheltered and Extracare Housing.

10.101 As these types of development do not have the capacity to bear affordable housing, they are not considered further for CIL.

11. Non-Residential Appraisals

11.1 Based on the assumptions set out previously, we have run a set of development financial appraisals for the non-residential development types. The detailed appraisal results are set out in **Appendix 22** and summarised in the table below.

11.2 As with the residential appraisals, we have used the Residual Valuation approach. We have run appraisals to assess the value of the site after taking into account the costs of development, the likely income from sales and/or rents, and an appropriate amount of developers' profit. The payment would represent the sum paid in a single tranche on the acquisition of a site. In order for the proposed development to be described as viable, it is necessary for this value to exceed the value from an alternative use. To assess viability, we have used the same methodology with regard to the Benchmark Land Value (EUV 'plus').

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

Employment uses

11.4 Firstly, the main employment uses are considered.

Table 11.1 Appraisal Results showing Approximate Residual Value

Employment Uses

Greenfield					
		Offices - Central	Offices - Park	Larger Industrial	Smaller Industrial
CIL	£/m²	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-2,309,505**	**-1,931,433**	**-897,803**	**-301,806**
Existing Use Value	£/ha	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	350,000	350,000	350,000	350,000
Residual Value	£/ha	-27,714,062	-4,828,583	-897,803	-3,018,055
Brownfield					
		Offices - Central	Offices - Park	Larger Industrial	Smaller Industrial
CIL	£/m2	**0**	**0**	**0**	**0**
RESIDUAL VALUE	**Site**	**-2,553,557**	**-2,155,368**	**-1,090,124**	**-331,973**
Existing Use Value	£/ha	250,000	250,000	250,000	250,000
Viability Threshold	£/ha	300,000	300,000	300,000	300,000
Residual Value	£/ha	-30,642,689	-5,388,420	-1,090,124	-3,319,731

Source: (February 2021)

11.5 To a large extent the above results are reflective of the current market in the District and more widely. Office development and industrial are both shown as being unviable, however this is not just an issue here, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward (and it is coming forward,), it tends to be from existing businesses for operational reasons.

11.6 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. The limited development that is coming forward in the area is largely user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.

11.7 It is clear that the delivery of the employment uses is limited. We would urge caution in relation to setting policy requirements for employment uses that would impact on viability.

Retail and Hotel Development

11.8 Secondly, appraisals have been prepared for the retail and hotel uses.

Table 11.2a Retail and Hotels Appraisal Results - Greenfield

		Prime Retail	Secondary Retail	Supermarket	Smaller Supermarket
CIL	£/m^2	**0.00**	**0.00**	**0.00**	**0.00**
RESIDUAL VALUE	**Site**	**28,463**	**-137,207**	**4,510,931**	**1,337,198**
Existing Use Value	£/ha	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	350,000	350,000	350,000	350,000
Residual Value	£/ha	1,138,511	-5,488,294	3,383,198	4,457,327

		Retail Warehouse	Hotel
CIL	£/m2	**0.00**	**0.00**
RESIDUAL VALUE	**Site**	**4,894,519**	**1,056,115**
Existing Use Value	£/ha	50,000	50,000
Viability Threshold	£/ha	350,000	350,000
Residual Value	£/ha	6,118,149	2,850,514

Source: HDH (February 2021)

Table 11.2b Retail and Hotels Appraisal Results - Brownfield					
		Prime Retail	Secondary Retail	Supermarket	Smaller Supermarket
CIL	£/m²	**0.00**	**0.00**	**0.00**	**0.00**
RESIDUAL VALUE	**Site**	**13,403**	**-152,267**	**4,151,735**	**1,229,155**
Existing Use Value	£/ha	250,000	250,000	250,000	250,000
Viability Threshold	£/ha	300,000	300,000	300,000	300,000
Residual Value	£/ha	536,109	-6,090,696	3,113,801	4,097,184
		Retail Warehouse	Hotel		
CIL	£/m²	**0.00**	**0.00**		
RESIDUAL VALUE	**Site**	**4,681,871**	**893,900**		
Existing Use Value	£/ha	250,000	250,000		
Viability Threshold	£/ha	300,000	300,000		
Residual Value	£/ha	5,852,338	2,412,686		

Source: HDH (February 2021)

11.9 Prime retail (which is very limited in the District) and the larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin, however, as would be expected, the smaller format secondary retail is not. We would suggest that these results are treated with some caution as the retail sector is in a period of change. This change is due to longer term changes in shopping habits with the accelerated move to online shopping due stimulated by the COVID-19 pandemic.

11.10 Hotel development is shown as viable.

Community Infrastructure Levy

11.11 As employment uses are not shown as viable, they are not considered for CIL. The same applies to secondary retail use. Using the same methodology as set out for Residential Development the analysis has been extended to consider the effect of CIL. A further set of appraisals have been run with a range of levels of CIL.

11.12 In Chapter 3 above we set out the principle of Additional Profit. Additional Profit is the amount of profit over and above the normal profit made by the developers having purchased the land, developed the site and sold the units (including provision of any Affordable Housing that is required). The following tables show the additional profit. This is the amount over and above the Benchmark Land Value, having provided the full policy requirements set out in the emerging Plan.

11.13 In this analysis the BLV has been increased by 30% to provide an additional cushion as set out in Chapter 10 above.

11.14 To further inform the CIL rate setting process, CIL has been calculated as a proportion of the Residual Value and the Gross Development Value.

Table 11.3a Non-Residential CIL Analysis - Greenfield

Prime Retail

CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
RESIDUAL VALUE	Site	28,463	26,398	24,333	22,268	20,203	18,138	16,073	14,008	11,943	9,878	7,813	5,748	3,683	1,618	-447	-2,512	-4,577	-6,642	-8,707	-10,772	-12,837
Existing Use Value	£/ha	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000
Residual Value	£/ha	1,138,511	1,055,911	973,311	890,711	808,111	725,511	642,911	560,311	477,711	395,111	312,511	229,911	147,311	64,711	-17,889	-100,489	-183,089	-265,689	-348,289	-430,889	-513,489
Additional Profit		19,713	17,648	15,583	13,518	11,453	9,388	7,323	5,258	3,193	1,128	-937	-3,002	-5,067	-7,132	-9,197	-11,262	-13,327	-15,392	-17,457	-19,522	-21,587
		99	88	78	68	57	47	37	26	16	6	-5	-15	-25	-36	-46	-56	-67	-77	-87	-98	-108
CIL as %	dual Value	0.0%	7.6%	16.4%	26.9%	39.6%	55.1%	74.7%	99.9%	134.0%	182.2%	256.0%	382.8%	651.7%	1607.1%	-6260.8%	-1194.2%	-699.1%	-511.9%	-413.4%	-352.8%	-311.6%
	GDV	0.0%	0.5%	0.9%	1.4%	1.9%	2.3%	2.8%	3.3%	3.7%	4.2%	4.7%	5.1%	5.6%	6.1%	6.5%	7.0%	7.5%	7.9%	8.4%	8.9%	9.3%

Supermarket

CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
RESIDUAL VALUE	Site	4,510,931	4,469,631	4,428,331	4,387,031	4,345,731	4,304,431	4,263,131	4,221,831	4,180,531	4,139,231	4,097,931	4,056,631	4,015,331	3,974,031	3,932,731	3,891,431	3,850,131	3,808,831	3,767,531	3,726,231	3,684,931
Existing Use Value	£/ha	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000
Residual Value	£/ha	3,383,198	3,352,223	3,321,248	3,290,273	3,259,298	3,228,323	3,197,348	3,166,373	3,135,398	3,104,423	3,073,448	3,042,473	3,011,498	2,980,523	2,949,548	2,918,573	2,887,598	2,856,623	2,825,648	2,794,673	2,763,698
Additional Profit		4,044,265	4,002,965	3,961,665	3,920,365	3,879,065	3,837,765	3,796,465	3,755,165	3,713,865	3,672,565	3,631,265	3,589,965	3,548,665	3,507,365	3,466,065	3,424,765	3,383,465	3,342,165	3,300,865	3,259,565	3,218,265
		1,011	1,001	990	980	970	959	949	939	928	918	908	897	887	877	867	856	846	836	825	815	805
CIL as %	dual Value	0.0%	0.9%	1.8%	2.7%	3.7%	4.6%	5.6%	6.6%	7.7%	8.7%	9.8%	10.8%	12.0%	13.1%	14.2%	15.4%	16.6%	17.9%	19.1%	20.4%	21.7%
	GDV	0.0%	0.3%	0.5%	0.8%	1.1%	1.4%	1.6%	1.9%	2.2%	2.4%	2.7%	3.0%	3.2%	3.5%	3.8%	4.1%	4.3%	4.6%	4.9%	5.1%	5.4%

Smaller Supermarket

CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
RESIDUAL VALUE	Site	1,337,198	1,324,808	1,312,418	1,300,028	1,287,638	1,275,248	1,262,858	1,250,468	1,238,078	1,225,688	1,213,298	1,200,908	1,188,518	1,176,128	1,163,738	1,151,348	1,138,958	1,126,568	1,114,178	1,101,788	1,089,398
Existing Use Value	£/ha	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000
Residual Value	£/ha	4,457,327	4,416,027	4,374,727	4,333,427	4,292,127	4,250,827	4,209,527	4,168,227	4,126,927	4,085,627	4,044,327	4,003,027	3,961,727	3,920,427	3,879,127	3,837,827	3,796,527	3,755,227	3,713,927	3,672,627	3,631,327
Additional Profit		1,232,198	1,219,808	1,207,418	1,195,028	1,182,638	1,170,248	1,157,858	1,145,468	1,133,078	1,120,688	1,108,298	1,095,908	1,083,518	1,071,128	1,058,738	1,046,348	1,033,958	1,021,568	1,009,178	996,788	984,398
		1,027	1,017	1,006	996	986	975	965	955	944	934	924	913	903	893	882	872	862	851	841	831	820
CIL as %	dual Value	0.0%	0.9%	1.8%	2.8%	3.7%	4.7%	5.7%	6.7%	7.8%	8.8%	9.9%	11.0%	12.1%	13.3%	14.4%	15.6%	16.9%	18.1%	19.4%	20.7%	22.0%
	GDV	0.0%	0.3%	0.5%	0.8%	1.1%	1.4%	1.6%	1.9%	2.2%	2.4%	2.7%	3.0%	3.2%	3.5%	3.8%	4.1%	4.3%	4.6%	4.9%	5.1%	5.4%

Retail Warehouse

CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
RESIDUAL VALUE	Site	4,894,519	4,853,219	4,811,919	4,770,619	4,729,319	4,688,019	4,646,719	4,605,419	4,564,119	4,522,819	4,481,519	4,440,219	4,398,919	4,357,619	4,316,319	4,275,019	4,233,719	4,192,419	4,151,119	4,109,819	4,068,519
Existing Use Value	£/ha	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000
Residual Value	£/ha	6,118,149	6,066,524	6,014,899	5,963,274	5,911,649	5,860,024	5,808,399	5,756,774	5,705,149	5,653,524	5,601,899	5,550,274	5,498,649	5,447,024	5,395,399	5,343,774	5,292,149	5,240,524	5,188,899	5,137,274	5,085,649
Additional Profit		4,614,519	4,573,219	4,531,919	4,490,619	4,449,319	4,408,019	4,366,719	4,325,419	4,284,119	4,242,819	4,201,519	4,160,219	4,118,919	4,077,619	4,036,319	3,995,019	3,953,719	3,912,419	3,871,119	3,829,819	3,788,519
		1,154	1,143	1,133	1,123	1,112	1,102	1,092	1,081	1,071	1,061	1,050	1,040	1,030	1,019	1,009	999	988	978	968	957	947
CIL as %	dual Value	0.0%	0.8%	1.7%	2.5%	3.4%	4.3%	5.2%	6.1%	7.0%	8.0%	8.9%	9.9%	10.9%	11.9%	13.0%	14.0%	15.1%	16.2%	17.3%	18.5%	19.7%
	GDV	0.0%	0.3%	0.7%	1.0%	1.4%	1.7%	2.1%	2.4%	2.8%	3.1%	3.5%	3.8%	4.2%	4.5%	4.8%	5.2%	5.5%	5.9%	6.2%	6.6%	6.9%

Hotel

CIL	£/m2	0	10	20	30	40	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
RESIDUAL VALUE	Site	1,056,115	1,040,814	1,025,512	1,010,211	994,909	979,607	964,306	949,004	933,702	918,401	903,099	887,797	872,496	857,194	841,892	826,591	811,289	795,987	780,686	765,384	750,082
Existing Use Value	£/ha	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Viability Threshold	£/ha	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000	455,000
Residual Value	£/ha	2,850,514	2,809,214	2,767,914	2,726,614	2,685,314	2,644,014	2,602,714	2,561,414	2,520,114	2,478,814	2,437,514	2,396,214	2,354,914	2,313,614	2,272,314	2,231,014	2,189,714	2,148,414	2,107,114	2,065,814	2,024,514
Additional Profit		926,440	911,139	895,837	880,536	865,234	849,932	834,631	819,329	804,027	788,726	773,424	758,122	742,821	727,519	712,217	696,916	681,614	666,312	651,011	635,709	620,407
		625	615	604	594	584	574	563	553	543	532	522	512	501	491	481	470	460	450	439	429	419
CIL as %	dual Value	0.0%	1.4%	2.9%	4.4%	6.0%	7.6%	9.2%	10.9%	12.7%	14.5%	16.4%	18.4%	20.4%	22.5%	24.6%	26.9%	29.2%	31.7%	34.2%	36.8%	39.5%
	GDV	0.0%	0.3%	0.5%	0.8%	1.1%	1.4%	1.6%	1.9%	2.2%	2.4%	2.7%	3.0%	3.3%	3.5%	3.8%	4.1%	4.3%	4.6%	4.9%	5.2%	5.4%

Source: (February 2021)

Table 11.3b Non-Residential CIL Analysis - Brownfield

Prime Retail

CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**	**110**	**120**	**130**	**140**	**150**	**160**	**170**	**180**	**190**	**200**
RESIDUAL VALUE	**Site**	**13,403**	**11,338**	**9,273**	**7,208**	**5,143**	**3,078**	**1,013**	**-1,052**	**-3,117**	**-5,182**	**-7,247**	**-9,312**	**-11,377**	**-13,442**	**-15,507**	**-17,572**	**-19,637**	**-21,702**	**-23,767**	**-25,832**	**-27,897**
Existing Use Value	£/ha	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Benchmark Land Va	£/ha	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
Residual Value	£/ha	536,109	453,509	370,909	288,309	205,709	123,109	40,509	-42,091	-124,691	-207,291	-289,891	-372,491	-455,091	-537,691	-620,291	-702,891	-785,491	-868,091	-950,691	-1,033,291	-1,115,891
Additional Profit		5,903	3,838	1,773	-292	-2,357	-4,422	-6,487	-8,552	-10,617	-12,682	-14,747	-16,812	-18,877	-20,942	-23,007	-25,072	-27,137	-29,202	-31,267	-33,332	-35,397
		30	19	9	-1	-12	-22	-32	-43	-53	-63	-74	-84	-94	-105	-115	-125	-136	-146	-156	-167	-177
CIL as %	dual Value	0.0%	17.6%	43.1%	83.2%	155.6%	324.9%	1184.9%	-1330.5%	-513.3%	-347.3%	-276.0%	-236.2%	-210.9%	-193.4%	-180.6%	-170.7%	-163.0%	-156.7%	-151.5%	-147.1%	-143.4%
	GDV	0.0%	0.5%	0.9%	1.4%	1.9%	2.3%	2.8%	3.3%	3.7%	4.2%	4.7%	5.1%	5.6%	6.1%	6.5%	7.0%	7.5%	7.9%	8.4%	8.9%	9.3%

Supermarket

CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**	**110**	**120**	**130**	**140**	**150**	**160**	**170**	**180**	**190**	**200**
RESIDUAL VALUE	**Site**	**4,151,735**	**4,110,435**	**4,069,135**	**4,027,835**	**3,986,535**	**3,945,235**	**3,903,935**	**3,862,635**	**3,821,335**	**3,780,035**	**3,738,735**	**3,697,435**	**3,656,135**	**3,614,835**	**3,573,535**	**3,532,235**	**3,490,935**	**3,449,635**	**3,408,335**	**3,367,035**	**3,325,735**
Existing Use Value	£/ha	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Benchmark Land Va	£/ha	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
Residual Value	£/ha	3,113,801	3,082,826	3,051,851	3,020,876	2,989,901	2,958,926	2,927,951	2,896,976	2,866,001	2,835,026	2,804,051	2,773,076	2,742,101	2,711,126	2,680,151	2,649,176	2,618,201	2,587,226	2,556,251	2,525,276	2,494,301
Additional Profit		3,751,735	3,710,435	3,669,135	3,627,835	3,586,535	3,545,235	3,503,935	3,462,635	3,421,335	3,380,035	3,338,735	3,297,435	3,256,135	3,214,835	3,173,535	3,132,235	3,090,935	3,049,635	3,008,335	2,967,035	2,925,735
		938	928	917	907	897	886	876	866	855	845	835	824	814	804	793	783	773	762	752	742	731
CIL as %	dual Value	0.0%	1.0%	2.0%	3.0%	4.0%	5.1%	6.1%	7.2%	8.4%	9.5%	10.7%	11.9%	13.1%	14.4%	15.7%	17.0%	18.3%	19.7%	21.1%	22.6%	24.1%
	GDV	0.0%	0.3%	0.5%	0.8%	1.1%	1.4%	1.6%	1.9%	2.2%	2.4%	2.7%	3.0%	3.2%	3.5%	3.8%	4.1%	4.3%	4.6%	4.9%	5.1%	5.4%

Smaller Supermarket

CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**	**110**	**120**	**130**	**140**	**150**	**160**	**170**	**180**	**190**	**200**
RESIDUAL VALUE	**Site**	**1,229,155**	**1,216,765**	**1,204,375**	**1,191,985**	**1,179,595**	**1,167,205**	**1,154,815**	**1,142,425**	**1,130,035**	**1,117,645**	**1,105,255**	**1,092,865**	**1,080,475**	**1,068,085**	**1,055,695**	**1,043,305**	**1,030,915**	**1,018,525**	**1,006,135**	**993,745**	**981,355**
Existing Use Value	£/ha	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Benchmark Land Va	£/ha	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
Residual Value	£/ha	4,097,184	4,055,884	4,014,584	3,973,284	3,931,984	3,890,684	3,849,384	3,808,084	3,766,784	3,725,484	3,684,184	3,642,884	3,601,584	3,560,284	3,518,984	3,477,684	3,436,384	3,395,084	3,353,784	3,312,484	3,271,184
Additional Profit		1,139,155	1,126,765	1,114,375	1,101,985	1,089,595	1,077,205	1,064,815	1,052,425	1,040,035	1,027,645	1,015,255	1,002,865	990,475	978,085	965,695	953,305	940,915	928,525	916,135	903,745	891,355
		949	939	929	918	908	898	887	877	867	856	846	836	825	815	805	794	784	774	763	753	743
CIL as %	dual Value	0.0%	1.0%	2.0%	3.0%	4.1%	5.1%	6.2%	7.4%	8.5%	9.7%	10.9%	12.1%	13.3%	14.6%	15.9%	17.3%	18.6%	20.0%	21.5%	22.9%	24.5%
	GDV	0.0%	0.3%	0.5%	0.8%	1.1%	1.4%	1.6%	1.9%	2.2%	2.4%	2.7%	3.0%	3.2%	3.5%	3.8%	4.1%	4.3%	4.6%	4.9%	5.1%	5.4%

Retail Warehouse

CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**	**110**	**120**	**130**	**140**	**150**	**160**	**170**	**180**	**190**	**200**
RESIDUAL VALUE	**Site**	**4,681,871**	**4,640,571**	**4,599,271**	**4,557,971**	**4,516,671**	**4,475,371**	**4,434,071**	**4,392,771**	**4,351,471**	**4,310,171**	**4,268,871**	**4,227,571**	**4,186,271**	**4,144,971**	**4,103,671**	**4,062,371**	**4,021,071**	**3,979,771**	**3,938,471**	**3,897,171**	**3,855,871**
Existing Use Value	£/ha	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Benchmark Land Va	£/ha	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
Residual Value	£/ha	5,852,338	5,800,713	5,749,088	5,697,463	5,645,838	5,594,213	5,542,588	5,490,963	5,439,338	5,387,713	5,336,088	5,284,463	5,232,838	5,181,213	5,129,588	5,077,963	5,026,338	4,974,713	4,923,088	4,871,463	4,819,838
Additional Profit		4,441,871	4,400,571	4,359,271	4,317,971	4,276,671	4,235,371	4,194,071	4,152,771	4,111,471	4,070,171	4,028,871	3,987,571	3,946,271	3,904,971	3,863,671	3,822,371	3,781,071	3,739,771	3,698,471	3,657,171	3,615,871
		1,110	1,100	1,090	1,079	1,069	1,059	1,049	1,038	1,028	1,018	1,007	997	987	976	966	956	945	935	925	914	904
CIL as %	dual Value	0.0%	0.9%	1.7%	2.6%	3.5%	4.5%	5.4%	6.4%	7.4%	8.4%	9.4%	10.4%	11.5%	12.5%	13.6%	14.8%	15.9%	17.1%	18.3%	19.5%	20.7%
	GDV	0.0%	0.3%	0.7%	1.0%	1.4%	1.7%	2.1%	2.4%	2.8%	3.1%	3.5%	3.8%	4.2%	4.5%	4.8%	5.2%	5.5%	5.9%	6.2%	6.6%	6.9%

Hotel

CIL	£/m2	**0**	**10**	**20**	**30**	**40**	**50**	**60**	**70**	**80**	**90**	**100**	**110**	**120**	**130**	**140**	**150**	**160**	**170**	**180**	**190**	**200**
RESIDUAL VALUE	**Site**	**893,900**	**878,599**	**863,297**	**847,995**	**832,694**	**817,392**	**802,090**	**786,789**	**771,487**	**756,185**	**740,884**	**725,582**	**710,280**	**694,979**	**679,677**	**664,375**	**649,074**	**633,772**	**618,471**	**603,169**	**587,867**
Existing Use Value	£/ha	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Benchmark Land Va	£/ha	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
Residual Value	£/ha	2,412,686	2,371,386	2,330,086	2,288,786	2,247,486	2,206,186	2,164,886	2,123,586	2,082,286	2,040,986	1,999,686	1,958,386	1,917,086	1,875,786	1,834,486	1,793,186	1,751,886	1,710,586	1,669,286	1,627,986	1,586,686
Additional Profit		782,750	767,449	752,147	736,845	721,544	706,242	690,940	675,639	660,337	645,035	629,734	614,432	599,130	583,829	568,527	553,225	537,924	522,622	507,321	492,019	476,717
		528	518	508	497	487	477	466	456	446	435	425	415	404	394	384	373	363	353	342	332	322
CIL as %	dual Value	0.0%	1.7%	3.4%	5.2%	7.1%	9.1%	11.1%	13.2%	15.4%	17.6%	20.0%	22.5%	25.0%	27.7%	30.5%	33.5%	36.5%	39.8%	43.1%	46.7%	50.4%
	GDV	0.0%	0.3%	0.5%	0.8%	1.1%	1.4%	1.6%	1.9%	2.2%	2.4%	2.7%	3.0%	3.3%	3.5%	3.8%	4.1%	4.3%	4.6%	4.9%	5.2%	5.4%

Source: (February 2021)

11.15 The above analysis suggests the following maximum rates of CIL:

a. Prime Shop Based Retail £10/m^2

b. Supermarkets £180/m^2

c. Retail Warehouses £140/m^2

d. Hotel £110/m^2

11.16 At this stage we would suggest that the Council is cautious about proceeding with CIL, but reconsiders this as and when the Government's plans in this regard have been clarified.

12. Findings and Recommendations

12.1 This final chapter provides a non-technical summary of the overall assessment that can be read on a standalone basis. Having said this, a viability assessment is, by its very nature, a technical document that is prepared to address the very specific requirements of national planning policy so it is recommended the report is read in full. As this is a summary chapter, some of the content of earlier chapters is repeated.

12.2 This report is the *Forest of Dean District Council Local Plan Economic Viability Assessment (including CIL)* (HDH, April 2021). It sets out the methodology used, the key assumptions adopted, and the results. It has been prepared to assist the Council with the assessment of the viability of the emerging Local Plan. The 2021 National Planning Policy Framework (2021 NPPF), the updated Planning Practice Guidance (PPG) and the Harman Viability Guidance require stakeholder engagement – particularly with members of the development industry. Consultation has taken place and, whilst there was not universal agreement, a broad consensus was achieved.

12.3 Forest of Dean District Council (FoDDC / the Council) is in the process of producing a new Local Plan that will set out the future spatial strategy for the District, and will include sites for allocation. This Viability Assessment has been commissioned to inform the further development of the emerging Local Plan. HDH Planning & Development Ltd has been appointed to advise the Council in connection with several matters:

a. Review of the affordable housing policy (including tenure split).

b. Whole plan viability testing, to consider all other standards and policy requirements (including building standards over and above those required by Building Regulations).

c. To consider developer contributions and whether or not there is capacity to introduce CIL, having taken into account other policy requirements and s106 contributions.

12.4 This report was substantially completed in April 2021, being based on values and costs collected before then. The completion of the project was delayed whist several calcifications were sought.

Compliance

12.5 HDH Planning & Development Ltd is a firm regulated by the Royal Institution of Chartered Surveyors (RICS). As such it is necessary to have regard to RICS Professional Standards and Guidance. It is confirmed that this study has been carried out in line with *Financial viability in planning: conduct and reporting RICS professional statement, England (1st Edition, May 2019)*.

12.6 As this report was being completed in late March 2021, the RICS published a new Guidance Note, *Assessing Viability in planning under the National Planning Policy Framework 2019 for England, 1st Edition* (RICS, March 2021). This is effective from the 1st July 2021 so does not apply to this report. This new Guidance Note cancels *Financial Viability in planning (1st* *edition), RICS guidance note 2012*. We confirm that this report is generally in accordance with this further guidance (in as far as it relates to plan-wide viability assessments).

COVID 19

12.7 This project is being completed during the coronavirus pandemic. COVID-19 was reported in China, in December 2019 and was declared a pandemic in March 2020. There are real material uncertainties around the values of property and the costs of construction that are a direct result of the pandemic. It is not the purpose of this assessment to predict what the impact may be and how long the effect will be. This assessment is conducted at January 2021 costs and values.

Viability Testing under the NPPF and Updated PPG

12.8 The effectiveness of plans was important under the 2012 NPPF, but a greater emphasis is put on deliverability in the 2021 NPPF. The overall requirement is that *'policy requirements should be informed by evidence of infrastructure and Affordable Housing need, and a proportionate assessment of viability that takes into account all relevant policies, and local and national standards, including the cost implications of the Community Infrastructure Levy (CIL) and section 106 .'*

12.9 In July 2021 the NPPF was updated. The changes are not material to this report, but may impact on the wider plan making process.

12.10 This study is based on typologies that are representative of the sites to be allocated in the new Local Plan. Several potential Strategic Sites are also tested.

12.11 The updated PPG sets out that viability should be tested using the Existing Use Value Plus (EUV+) approach:

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

12.12 The Benchmark Land Value (BLV) is the amount the Residual Value must exceed for the development to be considered viable.

Viability Guidance

12.13 There is no specific technical guidance on how to test viability in the 2021 NPPF or the updated PPG, although the updated PPG includes guidance in a number of specific areas. There are several sources of guidance and appeal decisions that support the methodology HDH has developed. This study follows the Harman Guidance. In line with the PPG, this study follows the EUV Plus (EUV+) methodology, that is to compare the Residual Value generated by the viability appraisals, with the EUV plus an appropriate uplift to incentivise a landowner to sell. The amount of the uplift over and above the EUV is central to the assessment of viability. It must be set at a level to provide a return to the landowner. To inform the judgement as to whether the uplift is set at the appropriate level, reference is made to the market value of the land both with and without the benefit of planning.

12.14 The availability and cost of land are matters at the core of viability for any property development. The format of the typical valuation is:

Gross Development Value
(The combined value of the complete development)
LESS
Cost of creating the asset, including a profit margin
(Construction + fees + finance charges)
=
RESIDUAL VALUE

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

12.16 The 2021 NPPF, the PPG, the CIL Regulations and CIL Guidance are clear that the assessment of viability should, wherever possible, be based on existing available evidence rather than new evidence. The evidence that is available from FoDDC has been reviewed. This includes that which has been prepared earlier in the plan-making process, and that which the Council holds, in the form of development appraisals that have been submitted by developers in connection with specific developments – most often to support negotiations around the provision of affordable housing or s106 contributions.

12.17 Consultation formed part of the preparation of this study. A consultation process was undertaken during the summer of 2020. Residential and non-residential developers (including housing associations), landowners and planning professionals were invited.

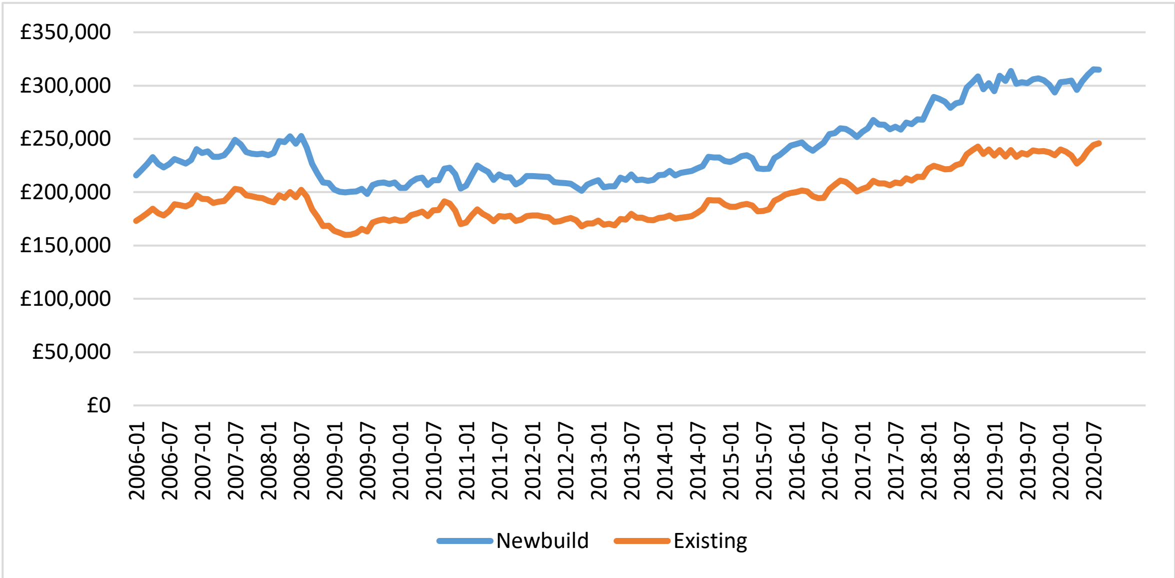
Residential Market

12.18 An assessment of the housing market was undertaken. The study is concerned not just with the prices but the differences across different areas.

12.19 When ranked across England and Wales, the average house price for FoDDC is 179th (out of 336) at about £254,738. To set this in context, the Council at the middle of the rank (168 – Cornwall), has an average price of £273,164. FoDDC's median price is a little lower than the mean at £228,000.

12.20 The housing market peaked late in 2007 and then fell considerably in the 2007/2008 recession during what became known as the 'Credit Crunch'. Average house prices across England and Wales have recovered to their 2007 pre-recession peak, this is strongly influenced by London. Prices in the FoDDC area are now 28% above their 2007 peak, which is somewhat less than in England and Wales where the increase is 35% and Gloucestershire where the increase is 35%. In part, the increase seen across England and Wales is driven by London, where the increase is 66%. A characteristic of the data is that the values of newbuild homes have increased faster than that for existing homes. The Land Registry shows that the average price paid for newbuild homes (£315,041) is about 28% higher than the average price paid for existing homes (£245,896).

Figure 12.1 Change in House Prices. Existing v Newbuild – FoDDC



Land Registry (January 2021) Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

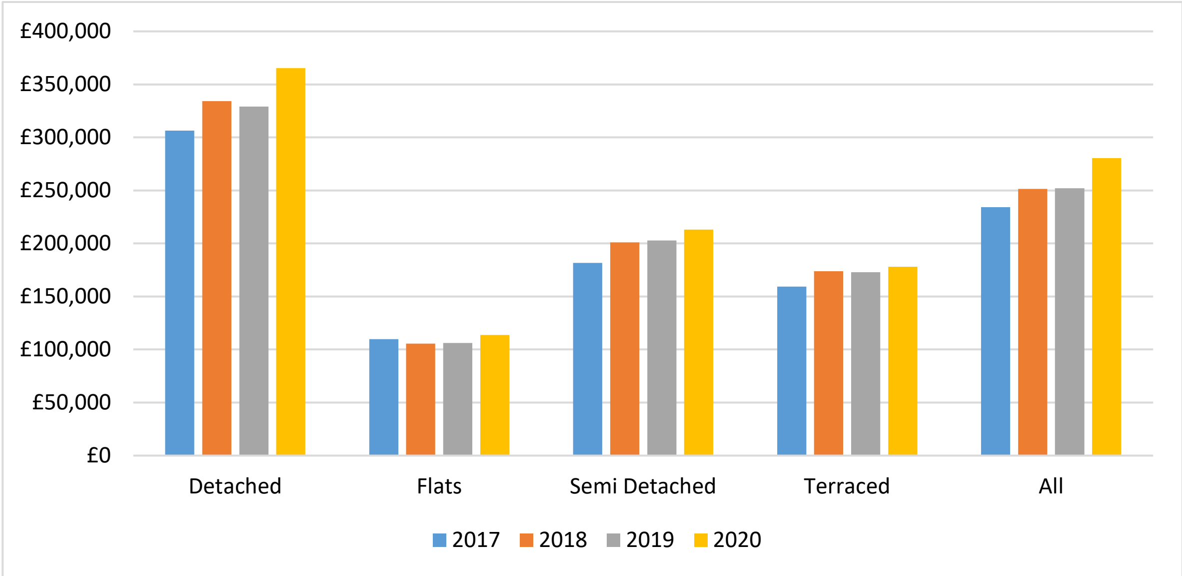
12.21 This report is being completed after the United Kingdom has left the European Union. It is not possible to predict the impact of leaving the EU, beyond the fact that the UK and the UK economy is in a period of uncertainty.

12.22 A further uncertainty is around the coronavirus pandemic. This project is being completed during the coronavirus pandemic. There are uncertainties around the values of property that are a result of the COVID-19 pandemic. A range of views as to the impact on house prices have been expressed that cover nearly the whole spectrum of possibilities – as it stands House prices have increased over the pandemic. This report is carried out at current costs and values. Sensitivity testing has been carried out.

The Local Market

12.23 A survey of asking prices across the FoDDC area was carried out. Through using online tools such as rightmove.co.uk and zoopla.co.uk median asking prices were estimated. The Land Registry publishes data of all homes sold. Across the FoDDC area 4,824 home sales are recorded since the start of 2017. These transactions (as recorded by the Land Registry) are summarised as follows.

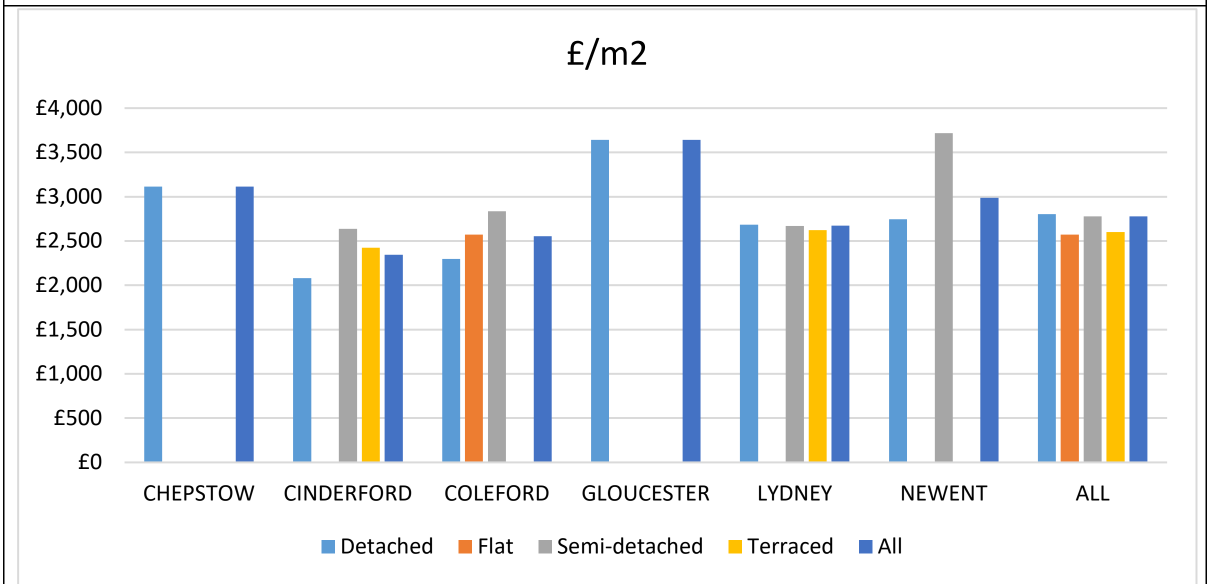
Figure 12.2 Land Registry Price Paid Data



Source: Land Registry (January 2021) Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0

12.24 The 313 newbuild home sales have been further analysed. Each dwelling sold requires an Energy Performance Certificate (EPC). The EPC contains the floor area (the Gross Internal Area – GIA). The price paid data from the Land Registry has been married with the floor area from the EPC Register.

Figure 12.3 Average Price Paid – Newbuild 2018 to 2020



Source: Land Registry and EPC Register (January 2021) Contains HM Land Registry data © Crown copyright 2021. This data is licensed under the Open Government Licence v3.0.

12.25 Bringing together the evidence, the following price assumptions are used, where the following areas are used:

South West The area to the west of Cone Brook (which is just to the east of Woolaston), being the area that connects most strongly to Chepstow, and is influenced by better transport links.

Coleford / Lydney The area to the west of Cinderford and to the east of the South West area (see above), including the smaller settlements, (including Soudley, and Blakeney, but not Newnham).

Cinderford Sites within and adjacent to the town of Cinderford only.

Other Areas The remaining areas of the District.

Table 12.1 Post-consultation Residential Price Assumptions (£/m²)

	South West	Coleford / Lydney	Cinderford	Other Areas
Brownfield	3,000	2,750	2,500	3,000
Urban Flatted Schemes	3,000	2,600	2,500	2,750
Large Greenfield Sites	3,000	2,900	2,750	3,000
Medium Greenfield Sites	3,150	3,000	2,750	3,100
Small Greenfield Sites	3,400	3,200	3,000	3,400

Source: HDH (January 2021)

Build to Rent

12.26 Build to Rent schemes are a growing development format. The value of housing that is restricted to being Private Rented Sector (PRS) housing is different to that of unrestricted market housing. The value of the units in the PRS (where their use is restricted to PRS and they cannot be used in other tenures) is, in large part, the worth of the income that the completed let unit will produce.

12.27 We have undertaken a survey of market rents across the District and having considered a range of sources a gross yield of 5% has been assumed. It is also assumed that such development will be flatted and in or close to the town centres. We have assumed a value for private rent, across the District, of £2,385/m².

Affordable Housing

12.28 In this study, it is assumed that affordable housing is constructed by the site developer and then sold to a Registered Provider (RP). The following values are used across the area:

a. Social Rent £1,220/m².

b. Affordable Rent £1,615/m².

c. Intermediate Products for Sale 65% of Open Market Value.

Non-Residential Market

12.29 The following assumptions have been used:

Table 12.2 Commercial Values £/m² 2020					
	Rent £/m²	Yield	Rent free period		Assumption
Offices	£130	7.00%	1.0	£1,736	£1,800
Industrial	£65	7.00%	1.0	£868	£1,000
Retail (Prime Centre)	£160	7.00%	1.0	£2,136	£2,140
Retail (elsewhere)	£110	10.00%	1.0	£1,000	£1,200
Supermarket	£215	5.50%	1.0	£3,705	£3,700
Retail warehouse	£195	6.00%	2.0	£2,892	£2,890
Hotel (per room)	£5,000	5.50%	0.0	£3,681	£3,680

Source: HDH (May 2020)

Land Values

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

Table 12.3 Existing Use Value Land Prices £/ha	
PDL	£250,000
Agricultural	£21,000
Paddock	£50,000

Source: HDH (January 2021)

12.31 The updated PPG makes specific reference to Benchmark Land Values (BLV) so it is necessary to address this. The following Benchmark Land Value assumptions are used:

a. Brownfield Sites: EUV Plus 20%.

b. Greenfield Sites: EUV Plus £300,000/ha.

Development Costs

12.32 These are the costs and other assumptions required to produce the financial appraisals.

Construction costs: baseline costs

12.33 The cost assumptions are derived from the Building Cost Information Service (BCIS) data – using the figures re-based for Forest of Dean. The cost figure for 'Estate Housing – Generally' is £1,204/m² at the time of this study. The use of the BCIS is suggested in the PPG (paragraph 10-012-20180724), however, it is necessary to appreciate that the volume housebuilders are likely to be able to achieve significant saving due to their economies of scale. The appropriate cost is used for the relevant building type, so the figure for flatted development (of the appropriate height) is used for flatted development, the figure used for terraced development is that for terraced housing and so on. Likewise, the appropriate figures are used for non-residential development types.

Other normal development costs

12.34 In addition to the BCIS £/m^2 build cost figures described above, allowance needs to be made for a range of site costs (roads, drainage and services within the site, parking, footpaths, landscaping and other external costs). A scale of allowances has been developed for the residential sites, ranging from 5% of build costs for flatted schemes, to 15% for the larger greenfield schemes.

Abnormal development costs and brownfield sites

12.35 An additional allowance is made for abnormal costs associated with brownfield sites of 5% of the BCIS costs. Abnormal costs will be reflected in land value. Those sites that are less expensive to develop will command a premium price over and above those that have exceptional or abnormal costs.

Fees

12.36 For residential development we have assumed professional fees amount to 8% of build costs, for non-residential development we have assumed professional fees amount to 8% of build costs.

Contingencies

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

S106 Contributions and the costs of infrastructure

12.38 Initially, based on discussions with the Council, an assumption of £3,150/unit for major development sites, excluding Strategic Sites has been used. This is informed by the typically collected historic payments. At the time of this report, the Council does not have site specific estimates of the strategic infrastructure and mitigation costs for the Strategic Sites. An assumption of £10,000/unit is used. Bearing in mind the considerable uncertainly in this regard, a range of costs is tested.

12.39 Through the iterative process of preparing this study further consideration was given to this topic. The Council's firm position is that the correct approach is to use an assumption of £3,150/unit in the base appraisals and to test a range of higher assumptions. Whilst the County Council's request for higher education payments is noted, it is felt that these, in the Forest of Dean context, are unlikely to be justifiable in many cases under CIL Regulation 122 ((for example there may be capacity in the existing schools). Having said this, it is accepted that the historic level of payments may be less than future payments and it is appropriate to assume that higher payments will be sought in the future.

Financial and Other Appraisal Assumptions

12.40 Our appraisals assume interest of 6.5% p.a. for total debit balances, we have made no allowance for any equity provided by the developer.

Developers' return

12.41 This is a high-level study where it is necessary and proportionate to take a relatively simplistic approach, so, rather than apply a differential return (i.e. site-by-site or split), it is appropriate to make some broad assumptions. The updated PPG says '*For the purpose of plan making an assumption of 15-20% of gross development value (GDV) may be considered a suitable return to developers in order to establish the viability of plan policies*'. An assumption of 20% for market housing and 6% for affordable housing is used. This assumption is in line with the assumption generally used through the development management process.

Site Acquisition and Disposal Costs

12.42 An allowance 1.5% for acquisition agents' and legal fees. Stamp duty is calculated at the prevailing rates. For market and for affordable housing, sales and promotion and legal fees are assumed to amount to 3.5% of receipts.

Local Plan Policy Requirements

12.43 The specific purpose of this study is to consider the cumulative impact of the policies in the emerging Local Plan.

12.44 The new Local Plan will replace the *Core Strategy Adopted Version 23rd February 2012* and the *Allocations Plan 2006 to 2026 Adopted June 2018*, as well as various Supplementary Planning Documents. Having said this, the new Local Plan will carry many of the existing policy requirements forward (subject to appropriate updating). The analysis in this assessment draws on the *Local Plan 2021-2041 Issues and Options*, (September 2019) and from discussion with FoDDC officers.

Modelling

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

12.46 The emerging Plan also includes several potential Strategic Sites. These are modelled individually.

Residential Development

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

12.48 Several sets of appraisals have been run, including with varied levels of affordable housing and developer contributions. These base appraisals are based on the following assumptions.

a.	Affordable Housing	40% on sites of 6 and larger (70%, Affordable Rent, 30% Low Cost Home Ownership)
b.	Design	90% Accessible and Adaptable – Category 2
		10% Wheelchair Accessible
		NDSS
		Water efficiency / Car Charging Points
		Energy CO_2 measures – Option 1
c.	Developer Contributions	s106 – typologies £3,150/unit and Strategic Sites as estimated.

12.49 The results vary across the modelled sites, although this is largely due to the different assumptions around the nature of each typology. The higher density sites generally have higher Residual Values, and the additional costs associated with brownfield sites result in lower Residual Values. The Residual Value is not an indication of viability by itself, being the maximum price a developer may bid for a parcel of land, and still make an adequate return.

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

Table 12.4a Residential Development – Residual Values v BLV

40% Affordable, s106 – typologies £3,150/unit / Strategic Sites as estimated £10,000/unit

South West

			Existing Use Value	Benchmark Land Value	Residual Value
Site 5	Green 40	South West	21,000	321,000	705,022
Site 6	Green 20	South West	21,000	321,000	793,398
Site 7	Green 10	South West	50,000	350,000	1,267,761
Site 8	Green 6	South West	50,000	350,000	1,313,530
Site 9	Green 3	South West	50,000	350,000	2,229,716
Site 25	Beachley Camp	Beachley	250,000	300,000	266,785

Source: HDH (January 2021)

Table 12.4b Residential Development – Residual Values v BLV

40% Affordable, s106 – typologies £3,150/unit / Strategic Sites as estimated £10,000/unit

Coleford & Lydney

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Coleford, Lydney	21,000	321,000	435,053
Site 2	Green 250	Coleford, Lydney	21,000	321,000	544,476
Site 3	Green 100	Coleford, Lydney	21,000	321,000	542,794
Site 4	Green 60	Coleford, Lydney	21,000	321,000	543,416
Site 5	Green 40	Coleford, Lydney	21,000	321,000	540,975
Site 6	Green 20	Coleford, Lydney	21,000	321,000	642,439
Site 7	Green 10	Coleford, Lydney	50,000	350,000	989,317
Site 8	Green 6	Coleford, Lydney	50,000	350,000	997,615
Site 9	Green 3	Coleford, Lydney	50,000	350,000	1,804,009
Site 10	Brown 100	Coleford, Lydney	250,000	300,000	62,319
Site 11	Brown 60	Coleford, Lydney	250,000	300,000	37,307
Site 12	Brown 40	Coleford, Lydney	250,000	300,000	44,118
Site 13	Brown 20	Coleford, Lydney	250,000	300,000	105,333
Site 14	Brown 20 HD	Coleford, Lydney	250,000	300,000	-1,085,429
Site 15	Brown 10	Coleford, Lydney	250,000	300,000	194,682
Site 16	Brown 10 HD	Coleford, Lydney	250,000	300,000	-1,352,740
Site 17	Brown 6	Coleford, Lydney	250,000	300,000	1,045,824
Site 18	Brown 6 HD	Coleford, Lydney	250,000	300,000	-598,621
Site 19	Brown 3	Coleford, Lydney	250,000	300,000	630,588
Site 20	PRS 20	Coleford, Lydney	250,000	300,000	180,230
Site 21	PRS 20 HD	Coleford, Lydney	250,000	300,000	-428,406

Source: HDH (January 2021)

Table 12.4c Residential Development – Residual Values v BLV

40% Affordable, s106 – typologies £3,150/unit / Strategic Sites as estimated £10,000/unit

Cinderford

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Cinderford	21,000	321,000	308,854
Site 2	Green 250	Cinderford	21,000	321,000	386,311
Site 3	Green 100	Cinderford	21,000	321,000	272,189
Site 4	Green 60	Cinderford	21,000	321,000	266,505
Site 5	Green 40	Cinderford	21,000	321,000	267,563
Site 6	Green 20	Cinderford	21,000	321,000	390,841
Site 7	Green 10	Cinderford	50,000	350,000	709,739
Site 8	Green 6	Cinderford	50,000	350,000	678,476
Site 9	Green 3	Cinderford	50,000	350,000	1,375,903
Site 10	Brown 100	Cinderford	250,000	300,000	-250,438
Site 11	Brown 60	Cinderford	250,000	300,000	-282,116
Site 12	Brown 40	Cinderford	250,000	300,000	-273,561
Site 13	Brown 20	Cinderford	250,000	300,000	-218,137
Site 14	Brown 20 HD	Cinderford	250,000	300,000	-1,193,799
Site 15	Brown 10	Cinderford	250,000	300,000	-302,613
Site 16	Brown 10 HD	Cinderford	250,000	300,000	-1,506,887
Site 17	Brown 6	Cinderford	250,000	300,000	323,234
Site 18	Brown 6 HD	Cinderford	250,000	300,000	-849,750
Site 19	Brown 3	Cinderford	250,000	300,000	-92,060
Site 20	PRS 20	Cinderford	250,000	300,000	180,230
Site 21	PRS 20 HD	Cinderford	250,000	300,000	-428,406

Source: HDH (January 2021)

Table 12.4d Residential Development – Residual Values v BLV
40% Affordable, s106 – typologies £3,150/unit / Strategic Sites as estimated £10,000/unit
Other Areas

			Existing Use Value	Benchmark Land Value	Residual Value
Site 1	Green 400	Other Areas	21,000	321,000	519,186
Site 2	Green 250	Other Areas	21,000	321,000	647,919
Site 3	Green 100	Other Areas	21,000	321,000	651,036
Site 4	Green 60	Other Areas	21,000	321,000	654,180
Site 5	Green 40	Other Areas	21,000	321,000	650,340
Site 6	Green 20	Other Areas	21,000	321,000	743,079
Site 7	Green 10	Other Areas	50,000	350,000	1,267,761
Site 8	Green 6	Other Areas	50,000	350,000	1,313,530
Site 9	Green 3	Other Areas	50,000	350,000	2,229,716
Site 10	Brown 100	Other Areas	250,000	300,000	358,613
Site 11	Brown 60	Other Areas	250,000	300,000	341,231
Site 12	Brown 40	Other Areas	250,000	300,000	348,511
Site 13	Brown 20	Other Areas	250,000	300,000	420,755
Site 15	Brown 10	Other Areas	250,000	300,000	690,816
Site 17	Brown 6	Other Areas	250,000	300,000	1,752,838
Site 19	Brown 3	Other Areas	250,000	300,000	1,353,235
Site 22	Newent Expansion	Newent	21,000	321,000	383,467
Site 23	New Settlement Ph 1	Churcham S	21,000	321,000	326,443
Site 24	New Settlement Ph 2	Churcham S	21,000	321,000	326,443

Source: HDH (January 2021)

12.51 The above appraisals indicate the difference across the areas and in particular between green and brownfield sites. Before considering these, it is necessary to consider the costs of each policy and then the cumulative cost.

The Cost of Policies

12.52 Each policy requirement that adds to the cost of development results in a reduction of the Residual Value. This results in the developer being able to pay the landowner less for the land. A set of appraisals has been run with each individual policy requirement. The cost of some requirements such as the increased water standard or 50% of the homes to be built to the Accessible and Adaptable Standard (Part M2) is modest, at less than £10,000/ha. The costs of other requirements are very much more. The higher density typologies, which are the brownfield typologies, are subject to a greater impact of each policy than the lower density, greenfield typologies.

12.53 For illustrative purposes, further sets of appraisals have been run, with different combinations of policies. These results are used as part of the iterative process of refining policy recommendations, in discussion with the Council.

Table 12.5 Cumulative Impact of Policies as £/ha			
	Greenfield	Brownfield	All
Lower Environmental Standards (Future Homes Standard Option 1)			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, FHS1	100,182	131,255	117,938
Water, BNG, FHS1, PtM2-50%	108,765	142,012	127,763
Water, BNG, FHS1, PtM2-100%	117,321	152,737	137,559
Water, BNG, FHS1, PtM2-90%, PtM3-10%	148,862	192,264	173,663
Water, BNG, FHS1, PtM2-90%, PtM3-10%, EV Charge	176,806	227,289	205,653
Mid Environmental Standards (Future Homes Standard Option 2)			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, FHS2	116,611	152,860	137,325
Water, BNG, FHS2, PtM2-50%	125,194	163,618	147,151
Water, BNG, FHS2, PtM2-100%	133,756	174,350	156,952
Water, BNG, FHS2, PtM2-90%, PtM3-10%	165,317	213,899	193,078
Water, BNG, FHS2, PtM2-90%, PtM3-10%, EV Charge	193,261	248,958	225,088
Higher Environmental Standards (Future Homes Standard Option 1 + 10% Merton[156] Rule)			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, FHS2+10% CO_2	169,242	222,073	199,431
Water, BNG, 10% FHS2+CO_2, PtM2-50%	177,838	232,853	209,275
Water, BNG, 10% FHS2+CO_2, PtM2-100%	186,407	243,609	219,094
Water, BNG, 10% FHS2+CO_2, PtM2-90%, PtM3-10%	218,480	283,876	255,849
Water, BNG, 10% FHS2+CO_2, PtM2-90%, PtM3-10%, EV Charge	246,442	319,009	287,909
Zero Carbon			
Water	2,922	3,650	3,338
Water, BNG	24,607	32,074	28,874
Water, BNG, Zero CO_2	175,551	327,428	262,338
Water, BNG, Zero CO_2, PtM2-50%	263,434	345,664	310,423
Water, BNG, Zero CO_2, PtM2-100%	272,009	356,457	320,265
Water, BNG, Zero CO_2, PtM2-90%, PtM3-10%	304,099	396,920	357,140
Water, BNG, Zero CO_2, PtM2-90%, PtM3-10%, EV Charge	332,062	432,199	389,283

Source: HDH (January 2021)

12.54 When considered against a BLV assumption of £300,000/ha or so, it is evident that when the full list of the Council's policy aspirations are considered, the impact is significant at about £300,000/ha.

Impact of Developer Contributions

12.55 The national approach to developer contributions is under review at the time of this report, as set out in Chapter 2 above. It is however clear that strategic infrastructure and mitigation measures must be funded in order to make development acceptable. Under the current system developer contributions may be secured through the s106/s278 regimes or through CIL. The Council has not adopted CIL. Bearing in mind the Government's move to Option 2 of the Future Homes Standard this is assumed to apply.

12.56 The results show that a £5,000 per unit increase in developer contributions, on average across the typologies, leads to a fall in the Residual Value of about £150,000/ha, although this does vary across the typologies (largely being a factor of the density assumptions). The significance of this is that for each £5,000 increase in the overall developer contributions the developer can afford to pay the landowner about £150,000/ha less.

12.57 Without affordable housing brownfield development can bear up to £40,000/unit in developer contributions in the South West and in the wider District. In the Coleford and Lydney area the capacity is less at around £15,000/unit. This is a result of the lower values prevailing in this area and the higher costs associated with the development of brownfield sites. Within Cinderford the capacity is very limited as a result of the lowest values prevailing in Cinderford as well as the higher costs associated with brownfield sites.

Standardised Infrastructure Tariff

12.58 The Government has published *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. The key proposals are:

> *<u>Proposal 19</u>: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> *<u>Proposal 21</u>: The reformed Infrastructure Levy should deliver affordable housing provision.*

12.59 More recently the Government has suggested that a more nuanced approach will be taken forward, maintaining the s106 regime for strategic site and for a levy or tariff to be set locally (or based on local data), although no details have yet been published. A further set of appraisals have been run, with developer contributions are calculated as a proportion of the Gross Development Value (GDV). Whilst the analysis should be given limited weight as the outcome of the Government's consultation is not yet known, the appraisals indicate that the greenfield sites in the District have capacity bear a contribution.

[156] The Merton Rule is generally taken to be where a proportion (commonly 10%) of the energy is generated on site. The 'rule' was developed by the London Borough of Merton, hence the name.

Impact of Affordable Housing

12.60 The Council has a need for affordable housing. A range of options have been tested, including the overall requirement for affordable housing, the impact of Affordable Home Ownership, the impact of First Homes and the impact of different tenure mixes.

12.61 The results show that a 5% increase in amount of affordable housing, on average across the typologies, leads to a fall in the Residual Value of about £130,000/ha, although this does vary across the typologies (largely being a factor of the density assumptions) and the areas.

12.62 The tenure of affordable housing also has an impact on the results. The appraisals have been run at 20%, 30% and 40% affordable housing and the results vary depending on the level of affordable housing sought, as well as the area and the nature of the site.

12.63 Where the affordable housing for rent is sought as Social Rent rather than Affordable Rent the Residual Value is less. The above table summarises the appraisal results, in the situation where 70% of the affordable housing is as affordable housing for rent. At 30% affordable housing, the Residual Value is about £130,000/ha less where the affordable housing is for rent is Social Rent rather than Affordable Rent. If the Council were to prefer affordable housing to be provided as Social Rent this would have an adverse impact on viability. Having discussed this with the Council, through the iterative viability process, it is understood that it will continue to seek Affordable Rent rather than Social Rent.

12.64 The mix of affordable housing for rent / shared ownership also impacts on viability. At 30% affordable housing, a 10% increase in the level of Affordable Rent ((for example from 70% / 30% mix to 80% / 20% mix) results in a fall in the Residual Value of a little under £20,000/ha.

12.65 When it comes to the decision-making process and determining planning applications, on sites where viability is challenging, it is recommended that consideration is given to adjusting the affordable housing mix as this can have a marked impact on the value of a site.

12.66 The 2021 NPPF (paragraph 65) sets out a policy for a minimum of 10% Affordable Home Ownership units on larger sites. This has been tested with a further set of appraisals. In these the first 10% of the housing on the site is assumed to be Intermediate Housing sold at 65% of market value. When compared at both 30% and 40% affordable housing, the results with 10% Affordable Home Ownership are broadly similar to those based on the preferred 70% / 30% affordable mix.

12.67 In February 2020, the Government launched a consultation on First Homes. The outcome of this was announced in May 2021. First Homes are the Government's preferred discounted market tenure and should now account for at least 25% of all affordable housing units delivered by developers. A further set of appraisals has been run at 10%, 20%, 30% and 40% affordable housing, where 25% of the affordable housing is as a First Home. The consequence of seeking First Homes to be delivered with a greater discount than the minimum 30% discount is tested.

12.68 The consequence of seeking the First Homes to be sold at a greater discount than 30% is significant. Based on a 30% affordable housing target, each 10% increase in the discount (i.e. from 30% to 40% or 40% to 50%) results in a fall in the Residual Value of a little under £35,000/ha. Based on a 40% affordable housing target, each 10% increase in the discount results in a fall in the Residual Value of about £53,000/ha.

Affordable Housing v Developer Contributions

12.69 The critical balance in the plan-making process is the balance between affordable housing and developer contributions. A further set of appraisals has been run with varied levels of developer contribution at different levels of affordable housing.

12.70 Based on discussions with the Council, an assumption of £3,150/unit for major development sites, excluding Strategic Sites, and £10,000/unit for the Strategic Sites has been used in this study. This is informed by the typically collected historic payments. Bearing in mind the considerable uncertainly in this regard, a range of costs of up to £30,000/unit is tested.

12.71 At the time of this report the Council does not have site specific estimates of the strategic infrastructure and mitigation costs for the Strategic Sites. More detail regarding contributions from Strategic Sites will emerge from the Council's wider IDP in due course, the Council will then specifically engage with the promoters of the potential Strategic Sites to be

Table 12.6 Affordable Housing v Developer Contributions

Summary Results

	South West		Coleford & Lydney		Cinderford		Other Areas	
Affordable %	Green-field	Brown-field	Green-field	Brown-field	Green-field	Brown-field	Green-field	Brown-field
0%	£40,000	N/A	£40,000	£10,000	£20,000	£0	£40,000	£25,000
5%	£40,000	N/A	£30,000	£5,000	£15,000	£0	£40,000	£25,000
10%	£40,000	N/A	£30,000	£5,000	£15,000	£0	£35,000	£20,000
15%	£40,000	N/A	£25,000	£0	£10,000	£0	£30,000	£20,000
20%	£40,000	N/A	£25,000	£0	£10,000	£0	£30,000	£15,000
25%	£35,000	N/A	£20,000	£0	£5,000	£0	£25,000	£10,000
30%	£30,000	N/A	£15,000	£0	£5,000	£0	£20,000	£10,000
35%	£25,000	N/A	£15,000	£0	£0	£0	£20,000	£5,000
40%	£20,000	N/A	£10,000	£0	£0	£0	£15,000	£0

Source: HDH (January 2021)

12.72 These results are considered under the Housing Recommendations below.

Housing Recommendations

12.73 It is necessary to bring together all the policy requirements. Having discussed the emerging results with the Council the following factors have been taken into account.

a. It is necessary to take a high-level approach and derive a relatively simple policy framework. It is accepted that values do vary within the price zones used, however there is insufficient robust data to disaggregate the values in a robust way further.

b. That it should be assumed that the following national requirements are introduced and or apply.

- 10% Biodiversity Net Gain is a requirement of the Environment Bill that is currently before Parliament so should be assumed to apply.
- That 10% Affordable Home Ownership will be a requirement in the future.
- That the extra standards under the Future Homes Standard Option 2 (i.e. 31% CO_2 saving) apply.
- The additional standard for water usage is a requirement.

c. The requirements of an aging population mean that a significant level of Accessible and Adaptable housing is required. There is limited current evidence for the requirement for wheelchair adaptable housing.

d. It is necessary to consider both the comments of the consultees and the aspirations of Gloucestershire County Council in relation to developer contributions.

Through the iterative process of preparing this study considerable consideration was given to this topic. The Council's firm position is that the correct approach is to use an assumption of £3,150/unit in the base appraisals and to test a range of higher assumptions. Whilst the County Council's request for higher education payments is noted, it is felt that these are unlikely to be justifiable in many cases. Having said this, it is accepted that the historic level of payments may be less than future payments and it is appropriate to assume that higher payments will be sought in the future. On this basis it would be prudent to plan for a situation where most development is able to bear somewhere in the region of £10,000 per unit in developer contributions.

e. Whilst the Council does deliver affordable housing on most of its development sites, it does not always achieve the current 40% affordable housing target, suggesting that it may be too high.

f. That almost all development (over 90% of SHLAA units) that is likely to come forward is to be likely to be on greenfield sites.

g. That there is considerable uncertainty about the future of CIL as a mechanism to raise developer contributions and that this is an policy area that the Government is reviewing.

12.74 In making recommendations, and as stated at the start of this report, it is important to note, that not all sites will be viable, even without any policy requirements (or CIL). It is inevitable that the Council's requirements will render some sites unviable. The question for this report is not whether some development site or other would be rendered unviable, it is whether the delivery of the overall Plan is likely to be threatened by the cumulative impact of the policies and to recommend policy requirements on this basis. With this in mind, it is recommended that the Council moves to the following Affordable Housing Requirements.

a. Development within and adjacent to Cinderford – 20% affordable housing.

b. Development in all other areas – 35% affordable housing.

c. Mix as per paragraph 65 of the 2021 NPPF, requiring 10% of the housing to be Affordable Home Ownership products.

d. That it is accepted that development on brownfield sites is more challenging, including in the higher value areas, and that developers should be able to submit a viability assessment, in line with 10-007-20190509 and 10-008-20190509 of the PPG, at the development management stage.

12.75 In this basis, almost all the greenfield sites generate a Residual Value that is in excess of the BLV with 35% affordable housing and £10,000/unit in developer contributions. Further, this would not be setting policy requirements at the limits of viability. We would however note that if significantly higher amounts of developer contributions are sought, then it is likely that developers would be able to argue that it would be appropriate to consider viability at the development management stage, as per Paragraph 10-007-20190509 of the PPG.

12.76 For the Strategic Sites, an allowance of £10,000 per unit is made for strategic infrastructure costs. At the time of this report the Council has not completed its assessment of the infrastructure requirements, so this is a figure that is used for illustrative purposes. On these sites, viability is constrained. To a large extent these findings are to be expected at this stage of the plan-making process as the delivery of any large site is challenging, so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

12.77 In this context we particularly highlight paragraph 10-006 of the PPG:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*
>
> *PPG 10-006-20180724*

Sensitivity Testing

12.78 Numerous scenarios have been assessed to test different possible policy requirements. In this section we also consider the impact of the cost and value change.

12.79 Whatever policies are adopted, the Plan should not be unduly sensitive to future changes in prices and costs. In this report, the analysis is based on the build costs produced by BCIS. As well as producing estimates of build costs, BCIS also produces various indices and forecasts to track and predict how build costs may change over time. The BCIS forecasts an increase in prices of 9.8% over the next 3 years. We have tested a range of scenarios with varied increases in build costs.

12.80 The analysis demonstrates that a relatively small increase in build costs may adversely impact on viability, although this is unlikely to be sufficient to impact on the deliverability of the Plan. Conversely a modest increase in value could have a significant impact in improving viability.

Self and Custom Build

12.81 The Council does not require a specific amount of self-build plots. For illustrative purposes we have considered a 4% requirement on sites of 25 units and larger.

12.82 If a developer is to sell a plot as a serviced self-build plot, they would not receive the profit from building the unit, they would however receive the price for the plot. If they were to provide the plot as a custom-build plot (i.e. where the developer designs and builds to the buyer's design and specifications) they would receive a payment for the land, the costs of construction and the price paid would incorporate the developer's return. The impact on viability is therefore the balance between the profit foregone and the receipt for the serviced plot.

12.83 It is unlikely that a requirement for self-build plots will adversely impact on viability.

Community Infrastructure Levy

12.84 This study includes consideration of CIL. Whilst this report was being undertaken, Government consulted on *White Paper: Planning for the Future* (MHCLG, August 2020) and various supporting documents. Pillar Three of the White Paper sets out options around the requirements for infrastructure and how these may be funded. The key proposal are:

> <u>Proposal 19</u>*: The Community Infrastructure Levy should be reformed to be charged as a fixed proportion of the development value above a threshold, with a mandatory nationally- set rate or rates and the current system of planning obligations abolished.*
>
> <u>Proposal 21</u>*: The reformed Infrastructure Levy should deliver affordable housing provision*

12.85 We have considered the capacity for CIL, under the current (January 2021) CIL Regulations and guidance, but we would suggest that the Council is cautious about proceeding with CIL when it may only have a limited lifespan. See the section headed Standardised Infrastructure Tariff above.

12.86 The policy recommendations set out above are made in the context of developer contributions and in particular the aspirations of Gloucestershire County Council for substantial increases in the contributions towards education.

12.87 The analysis earlier in this report assumes s106 contributions of 10,000/unit on the sites represented by the typologies and in the Strategic Sites. These assumptions are carried forward into the consideration of CIL below. If a different approach to s106 contributions is made, then it would be necessary to revisit the following analysis. This is particularly relevant to the Strategic Sites, where the Council does not yet have an estimate of the site strategic infrastructure and mitigation measures. A base assumption of £10,000/unit has been used. As and when further detail is available, it may be necessary to revisit the analysis.

12.88 The Residual Value is the maximum price a developer can pay a landowner, taking into account all the policy costs and an allowance for developer's return. Across the typologies a £10/m^2 increase in CIL results in a fall in the Residual Value as follows.

Table 12.7 Reduction in Residual Value per ha as a Result of an Additional £10/m^2 CIL

Area	Affordable %	Greenfield	Brownfield	All
South West	35%	£22,012		£22,012
Coleford & Lydney	35%	£19,419	£25,399	£22,836
Cinderford	20%	£23,153	£28,350	£26,122
Other Areas	35%	£19,321	£23,503	£21,522

Source: HDH (January 2021)

12.89 The principal reason for the variance across the areas is due to the amount of affordable housing. CIL is not charged on affordable housing, so areas with a lower affordable housing requirement will see a greater variance in the Residual Value as a consequence of varying CIL. Typically, an increase in CIL of £10/m^2, results in a developer being able to pay about less £23,000/ha for land.

12.90 This analysis indicates that development could bear the following maximum rates of CIL:

- The Strategic Sites do not have capacity to bear CIL.
- Whilst very little development is anticipated in the South West (the area to the west of Cone Brook, being the area that connects most strongly to Chepstow, and is influenced by better transport links) development in this area may be able to bear contributions of up to £200/m^2 or so.
- Greenfield sites across the area to the west of Cinderford and to the east of the South West area, including the smaller settlements, (including Soudley, and Blakeney, but not Newnham), have the capacity to bear up to £30/m^2 or so.
- Greenfield sites across the wider District, excluding the areas mentioned above and Cinderford and the Southwest, have the capacity to bear up to £100/m^2 or so.
- Greenfield adjacent to Cinderford do not have capacity to bear CIL.
- Brownfield sites, in all areas, do not have capacity to bear CIL.

12.91 To further inform the CIL rate setting process, we have calculated CIL as a proportion of the Residual Value and the Gross Development Value.

12.92 CIL as the proportion of the Residual Value, in approximate terms, represents the percentage fall in land value that a landowner may receive. As set out in the Local Plan Viability Study, it is inevitable that CIL will depress land prices. This is recognised in the RICS Guidance and was considered at the Greater Norwich CIL examination. In Greater Norwich it was suggested that landowners may accept a 25% fall in land prices following the introduction of CIL. This analysis supports the previous findings but suggests a maximum rate on greenfield sites of £90/m^2 in the South West, £50/m^2 in the Coleford & Lydney Area, and £60/m^2 elsewhere.

12.93 Plan-wide viability testing is not an exact science. The process is based on high level modelling and assumptions and development costs and assumptions. The process adopted by many developers is similar, hence the use of contingency sums, the competitive return assumptions and the generally cautious approach. This analysis shows that CIL at £160/m^2 would be less than 5% of the Gross Development Value on almost all sites.

Suggested Residential Rates of CIL

12.94 In recommending rates of CIL we have, in particular, taken the following factors into account:

a. In line with the PPG, the Council's desire to 'keep things simple'.

b. Under the CIL Regulations (and Guidance) it is not possible set a CIL rate by the current use of the land (for example to have a greenfield rate and a brownfield rate).

c. Based on the information available at the time of this report, it is not considered proportionate to set a separate rate of CIL for brownfield site (or urban areas), as brownfield sites are not being relied on the deliver the Plan as a whole. It is anticipated that these will come forward, but are likely to be for 100% affordable housing, or so be subject to public sector assistance. This type of site are not a significant component on the emerging Local Plan. The recommendations made below are on this basis.

d. That if the strategic infrastructure and mitigation requirements for the Strategic Sites are less than the £10,000/unit assumption used here, then it will be necessary to revisit this advice.

Table 12.8 Recommended Rates of CIL - £/m^2
Residential Development

South West	£90/m^2
Coleford & Lydney	£30//m^2
Cinderford Area	£0/m^2
Other Areas	£60/m^2
Within the built-up areas of the main settlements	£0/m^2
Strategic Sites	£0/m^2

Source: HDH (January 2021)

Older People's Housing

12.95 As well as mainstream housing, we have considered the Sheltered and Extracare sectors separately. Appraisals were run for two 60 unit schemes with a range of affordable housing requirements.

12.96 In the case of both Sheltered and Extracare housing, the appraisals produce a Residual Value that is less than the BLV, even without Affordable Housing on greenfield sites.

12.97 It is important to note that paragraph 10-007-20180724 of the updated PPG specifically anticipates that the viability of specialist older people's housing will be considered at the development management stage. It is therefore not necessary to develop a specific Affordable Housing policy for Sheltered and Extracare Housing.

12.98 As these types of development do not have the capacity to bear affordable housing, they are not considered further for CIL.

Non-Residential Appraisals

12.99 We have run a set of development financial appraisals for the non-residential development types.

Employment uses

12.100 To a large extent the above results are reflective of the current market in the District and more widely. Office development and industrial are both shown as being unviable, however this is not just an issue here, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward (and it is coming forward,), it tends to be from existing businesses for operational reasons.

12.101 It is important to note that the analysis in this report is carried out in line with the Harman Guidance and in the context of the NPPF and PPG. It assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. As set out in Chapters 2 and 3 above, the Guidance does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long-term view as to the direction of the market based on the prospects of an area and wider economic factors. The limited development that is coming forward in the area is largely user-led, being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.

12.102 It is clear that the delivery of the employment uses is limited. We would urge caution in relation to setting policy requirements for employment uses that would impact on viability.

Retail and Hotel Development

12.103 Secondly, appraisals have been prepared for the retail and hotel uses.

12.104 Prime retail (which is very limited in the District) and the larger format retail development is shown as viable with the Residual Value exceeding the Benchmark Land Value by a substantial margin, however, as would be expected, the smaller format secondary retail is not. We would suggest that these results are treated with some caution as the retail sector is in a period of change. This change is due to longer term changes in shopping habits with the accelerated move to online shopping due stimulated by the COVID-19 pandemic.

12.105 Hotel development is shown as viable.

Community Infrastructure Levy

12.106 As employment uses are not shown as viable, they are not considered for CIL. The same applies to secondary retail use.

12.107 Using the same methodology as set out for Residential Development the analysis has been extended to consider the effect of CIL. A further set of appraisals have been run with a range of levels of CIL.

12.108 In Chapter 3 above we set out the principle of Additional Profit. Additional Profit is the amount of profit over and above the normal profit made by the developers having purchased the land, developed the site and sold the units (including provision of any Affordable Housing that is required). The following tables show the additional profit. This is the amount over and above the Benchmark Land Value, having provided the full policy requirements set out in the emerging Plan.

12.109 In this analysis the BLV has been increased by 30% to provide an additional cushion as set out in Chapter 10 above. To further inform the CIL rate setting process, CIL has been calculated as a proportion of the Residual Value and the Gross Development Value.

12.110 The analysis suggests the following maximum rates of CIL:

a. Prime Shop Based Retail £10/m^2

b. Supermarkets £180/m^2

c. Retail Warehouses £140/m^2

d. Hotel £110/m^2

Conclusions

12.111 The Forest of Dean District Council area has a vibrant and active property market, although some areas, particularly those associated with the town of Cinderford, do have challenges. All types of residential and non-residential development are coming forward, and although the Council's current affordable housing target of 40% is met on a reasonable number of sites it is not the majority. Viability testing is a quantitative and a qualitative process, and one that involves judgment. It is our recommendation that the Council revisits its overall policy requirement and moves to the following total policy requirement.

a.	Design	100% Accessible and Adaptable – Category 2
		NDSS
		Water efficiency
b.	Energy CO_2 measures	As per Future Homes Standard – Option 2.
c.	Affordable Housing	Development within and adjacent to Cinderford – 20% affordable housing.
		Development in all other areas – 35% affordable housing.
		This assumes a tenure mix is as per paragraph 65 of the 2021 NPPF, requiring 10% of the housing to be Affordable Home Ownership products

12.112 This advice is based on the assumption that it would be prudent to allow for developer contributions (i.e. s106 payments) of £10,000/unit on both the typologies and the Strategic Sites.

12.113 It is accepted that development on brownfield sites is more challenging, including in the higher value areas, and that developers should be able to submit a viability assessment, in line with 10-007-20190509 and 10-008-20190509 of the PPG, at the development management stage.

12.114 In taking this approach it is necessary to be cautious about relying on the brownfield sites to in the early years of the Plan, and the Council should only count on such sites (for example in the five-year land supply calculation) where it is confident the site will be forthcoming, for example there is a recent planning consent.

12.115 In relation to the strategic sites, we reiterate our earlier comments. There is no doubt that the delivery of any large site is challenging so, rather than draw firm conclusions at this stage, it is recommended that that the Council engages with the owners in line with the advice set out in the Harman Guidance (page 23):

> *Landowners and site promoters should be prepared to provide sufficient and good quality information at an early stage, rather than waiting until the development management stage. This will allow an informed judgement by the planning authority regarding the inclusion or otherwise of sites based on their potential viability.*

12.116 In this context we particularly highlight paragraph 10-006 of the PPG:

> *... It is the responsibility of site promoters to engage in plan making, take into account any costs including their own profit expectations and risks, and ensure that proposals for development are policy compliant. It is important for developers and other parties buying (or interested in buying) land to have regard to the total cumulative cost of all relevant policies when agreeing a price for the land. Under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan....*

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12.117 Whilst some of the non-residential uses are not viable, they are not rendered unviable by the cumulative impact of the Council's policies, rather by the general market conditions. The employment uses (office and industrial) are coming forward.

12.118 We have recommended the following rates of CIL in the current market. We highlight that this an area of national policy that is under review. We suggest that the Council delays pursuing this until those plans are announced.

Table 12.9 Recommended Rates of CIL - £/m^2	
Residential Development	
South West	£90/m^2
Coleford & Lydney	£30/m^2
Other Areas	£60/m^2
Cinderford Area	£0/m^2
Within the built-up areas of the main settlements	£0/m^2
Strategic Sites	£0/m^2
Specialist Older Peoples Housing	£0/m^2
Non-residential Development	
Prime Shop Based Retail	£10/m^2
Supermarkets	£180/m^2
Retail Warehouses	£140/m^2
Hotel	£110/m^2

Source: HDH (January 2021)

12.119 It is important to note that it will be necessary to revisit this advice as and when the strategic infrastructure and mitigation requirements are known in relation to the strategic sites.

12.120 There is uncertainty around the impact of Covid 19 and Brexit on the economy. It is important that the Council monitors these changes as they occur and if necessary, makes any required changes.

HDH Planning and Development Ltd is a specialist planning consultancy providing evidence to support planning authorities, landowners and developers. The firm is regulated by the RICS.
The main areas of expertise are:

- Community Infrastructure Levy (CIL)
- District wide and site specific Viability Analysis
- Local and Strategic Housing Market Assessments and Housing Needs Assessments

HDH Planning and Development have clients throughout England and Wales.

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