Whole Plan Viability Testing – Update

Completed on behalf of Doncaster Council

May 2019
CP Viability Ltd

Independent Property Experts
## CONTENTS

**Executive Summary**  
Pg 3

**Summary Schedule of key appraisal inputs**  
Pg 6

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>National policy context and professional guidance</td>
<td>12</td>
</tr>
<tr>
<td>3</td>
<td>Methodology</td>
<td>30</td>
</tr>
<tr>
<td>4</td>
<td>Stakeholder engagement</td>
<td>45</td>
</tr>
<tr>
<td>5</td>
<td>Residential viability assumptions</td>
<td>47</td>
</tr>
<tr>
<td>6</td>
<td>Residential viability testing &amp; results</td>
<td>109</td>
</tr>
<tr>
<td>7</td>
<td>Conclusions and recommendations</td>
<td>138</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

i. Doncaster Metropolitan Borough Council ("the Council") is currently in the process of developing its Local Plan. To support this process, the Council requires independent viability testing of its policies to ensure deliverability. A plan wide viability assessment was last undertaken in 2016. As part of this study we have reviewed these assessments and will look to build on previous work undertaken in reaching our conclusions.

ii. Since the previous viability testing was undertaken the Council’s emerging policies have evolved. The Council therefore requires the latest draft policies to undergo viability testing. In particular, we are instructed to advise the Council regarding affordable housing, S106 policy requirements and other policy provisions (such as the potential introduction of the Nationally Described Space Standards, certain Building Regulations standards etc).

iii. In July 2018 the government published an updated version of the National Planning Policy Framework (‘NPPF’), later updated in Feb 2019. At the same time, the government also published the Planning Practice Guidance (‘PPG’) on viability setting out more clearly how plan viability should be approached. The Council therefore requires this updated review to meet the requirements of the NPPF and PPG.

iv. In Autumn 2018 the Council undertook a Local Plan Draft Policies and Proposed Sites consultation process. During this process the Council has received some representations from stakeholders in relation to viability matters. The Council requires this review to consider the representations made.
v. In terms of the testing methodology, central to undertaking viability testing is the residual method of valuation (sometimes referred to as a development appraisal). This is an established valuation approach, where the end value of the scheme once completed is identified and from this all the costs of delivering the project are deducted (such as construction costs, professional fees, planning policies, marketing, developer profit etc). The result or ‘residual’ is equivalent to the price that can be paid for the land. This residual land value is then compared to a separately assessed benchmark land value (which is the minimum price deemed appropriate to encourage a landowner to release the land for development). If the residual land value is below the benchmark land value, the scheme is unviable. If it is above, the scheme is deemed to be viable. This approach has been central to the viability testing adopted for the purposes of this study.

vi. In line with the guidance, we consider it appropriate to undertake base appraisals (i.e. with initial assumptions) and then undertake sensitivity analysis where key assumptions are adjusted in the modelling and the appraisals re-run. This is to provide a broader view on viability (recognising the approach can never be entirely robust). The results of the base appraisals and sensitivity analysis can then be considered holistically before conclusions are reached.

vii. For the testing, the guidance recognises that not every site likely to come forward during the period of the plan can be appraised, this is not considered to be practical. Site typologies are therefore recommended, which reflect the likely scale of schemes coming forward. This, though, can be supplemented with some sample site assessments of ‘real’ sites. We have adopted this approach in this study.

viii. In preparing our appraisals we have identified a variety of primary and secondary data sources. We have also undertaken stakeholder engagement (through a circulated questionnaire) to ensure the assumptions are as robust as possible.
ix. Our typology testing results shows that schemes within high value locations can comfortably deliver all of the policy requirements, including an affordable housing provision of 25%. Similarly, the majority of the medium value schemes were also viable with all of the above applied, again including a 25% affordable housing provision. However, the medium value sites were typically closer to the viability thresholds and in some cases the affordable housing provision needed to be reduced in order to generate a viable outcome.

x. Viability pressure was at its highest for schemes in low value areas. These schemes were shown to be unviable if a 20% (or higher) affordable housing provision was applied. However, some schemes did return a viable outcome if the affordable housing provision was reduced to 15%, although typically this also required a reduction in the other S106 policy contributions.

xi. We understand that the Council has an emerging policy which requires a 23% affordable housing provision. Based on our appraisal testing, we consider this policy to be justifiable, together with the other planning policy requirements, for sites in medium and high value areas (albeit recognising, in line with the NPPF and PPG, that there will still be occasions when site-by-site viability analysis needs to be undertaken to test these policies).

xii. However, in the low value areas the testing results suggest that a 23% provision would be unviable for most sites. In light of this, a reduction to 15% is recommended.
## Summary Schedule – Key ‘Basic’ Viability Assumptions (Residential)

<table>
<thead>
<tr>
<th>Appraisal input</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross to net ratio</td>
<td>&lt; 0.5 Ha 100%</td>
</tr>
<tr>
<td></td>
<td>0.5 – 2.0 Ha 85%</td>
</tr>
<tr>
<td></td>
<td>2.0 – 5.0 Ha 80%</td>
</tr>
<tr>
<td></td>
<td>&gt; 5 Ha 75%</td>
</tr>
<tr>
<td>Scheme density</td>
<td>35 dwellings per net Ha</td>
</tr>
<tr>
<td></td>
<td>Sensitivity testing at 40 dwellings per net Ha</td>
</tr>
<tr>
<td>Average house size</td>
<td>92.90 sq. m (1,000 sq. ft.)</td>
</tr>
<tr>
<td>Average sales values</td>
<td>Value area</td>
</tr>
<tr>
<td></td>
<td>Low £1,700 psm</td>
</tr>
<tr>
<td></td>
<td>Medium £2,100 psm</td>
</tr>
<tr>
<td></td>
<td>High £2,350 psm</td>
</tr>
<tr>
<td>Affordable rent transfer values</td>
<td>45% of market value</td>
</tr>
<tr>
<td>Shared ownership transfer values</td>
<td>67.5% of market value</td>
</tr>
<tr>
<td>Starter homes discount</td>
<td>80% of market value</td>
</tr>
<tr>
<td>Average ‘basic’ build cost</td>
<td>Type</td>
</tr>
<tr>
<td></td>
<td>Sub 50 dwellings £1,043 psm</td>
</tr>
<tr>
<td></td>
<td>Over 50 dwellings £938 psm</td>
</tr>
<tr>
<td>External / site infrastructure costs</td>
<td>15% of the basic build cost</td>
</tr>
<tr>
<td>Contingency</td>
<td>3% of basic build costs and externals</td>
</tr>
<tr>
<td>‘Abnormal’ development costs</td>
<td>Greenfield – £100,000 per net Ha</td>
</tr>
<tr>
<td></td>
<td>Brownfield (cleared) – £200,000 per net Ha</td>
</tr>
<tr>
<td></td>
<td>Brownfield (occupied) – £300,000 per net Ha</td>
</tr>
</tbody>
</table>
| Professional fees | Sub 20 dwellings – 8% of basic build costs / externals  
|                  | Over 20 dwellings – 6% of basic build costs / externals |
| Marketing costs  | 2.5% of sales revenue  
|                  | Plus additional allowance for legal costs at £500 per dwelling |
| Finance Costs    | Sub 10 dwellings – 7% debit  
|                  | Over 10 dwellings – 6% debit |
| Developer’s return | Sub 10 dwellings – Market Value / Starter Homes 15% of sales revenue, Affordable rent / Shared ownership 8%  
|                   | Over 10 dwellings – Market Value / Starter Homes 18.5% of sales revenue, Affordable rent / Shared ownership 8%  
|                   | Sensitivity testing at 20% for market value units. |

**Benchmark Land Values**

<table>
<thead>
<tr>
<th>Value area</th>
<th>BLV (£ / Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>£150,000</td>
</tr>
<tr>
<td>Medium</td>
<td>£250,000</td>
</tr>
<tr>
<td>High</td>
<td>£400,000</td>
</tr>
</tbody>
</table>

**Greenfield**

<table>
<thead>
<tr>
<th>Value area</th>
<th>BLV (£ / Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleared</td>
<td>£200,000</td>
</tr>
<tr>
<td>Occupied</td>
<td>£400,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brownfield</th>
<th>BLV (£ / Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleared</td>
<td>£200,000</td>
</tr>
<tr>
<td>Occupied</td>
<td>£400,000</td>
</tr>
</tbody>
</table>

**Planning Policies** (these are originally derived from the 2018 Draft Policies & Proposed sites consultation which have been subsequently revised for the)

(i) Draft Local Plan Policy 8 – Delivering the Necessary Range of Housing

- Affordable housing contributions applies to schemes proposing 15+ dwellings.
Regulation 19 Publication draft, including as a direct result from the findings and recommendations of this report

<table>
<thead>
<tr>
<th>(i) Draft Local Plan Policy 14 – Promoting Sustainable Transport in New Developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>- No site size threshold applies, so it is assumed to apply to schemes providing 50 dwellings or more.</td>
</tr>
<tr>
<td>- Assumed £500 per dwelling.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(ii) Draft Local Plan Policy 29 – Open Space Provision in New Developments</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Sites 20+ family dwellings to provide 10-15% on site provision, including maintenance.</td>
</tr>
<tr>
<td>- Commuted sums also acceptable in some circumstances.</td>
</tr>
<tr>
<td>- Assumed £2,000 per dwelling.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(iii) Draft Local Plan Policy 31 – Valuing Biodiversity &amp; Geodiversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>- DEFRA biodiversity metric to demonstrate that a proposal will deliver a minimum 10% net gain for biodiversity.</td>
</tr>
<tr>
<td>- No site size threshold applies, so assumed to apply to schemes providing 50 dwellings or more.</td>
</tr>
<tr>
<td>- Assumed £250 per dwelling.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(iv) Draft Local Plan Policy 46 – Housing Design Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Average dwelling size already compliant with Nationally Described Space Standards.</td>
</tr>
<tr>
<td>- 65% of dwellings meet M4 (2) standard. Cost £1,500 per dwelling.</td>
</tr>
</tbody>
</table>
- 5% of dwellings meet M4 (3)a standard. Base testing at £12,500 per dwelling.
- Also, sensitivity testing with M4 (3)b standard at £25,000 per dwelling. It is stressed, however, that this is not a policy requirement.

(vi) Draft Local Plan Policy 53 – New Education Facilities
- Applies to schemes providing 20 dwellings or more.
- Assumed £3,968 per dwelling.

(vii) Draft Local Plan Policy 58 – Flood Risk Management
- Nil for ‘base’ appraisal as ‘new’ allocations are all generally flood zone 1 sites.
- Sensitivity at £4,000 per dwelling.
1. INTRODUCTION

1.1. Scope of work

1.1.1. Doncaster Metropolitan Borough Council ("the Council") is currently in the process of developing its Local Plan. To support this process, the Council requires independent viability testing of its policies to ensure deliverability.

1.1.2. We are advised that in recent years the Council has commissioned other plan viability assessments (most recently in 2016). As part of this study we have reviewed these assessments and will look to build on previous work undertaken in reaching our conclusions.

1.1.3. Since the previous viability testing was undertaken the Council’s emerging policies have evolved. The Council therefore requires the latest draft policies to undergo viability testing. In particular, we are instructed to advise the Council regarding:

I. Appropriate affordable housing quantum and mix.

II. Appropriate levels of other Section 106 policy requirements (such as education contributions, open space provision etc).

III. Other policy provisions which could impact on scheme viability (such as the potential introduction of the Nationally Described Space Standards, certain Building Regulations standards etc).
1.1.4. In July 2018 the government published an updated version of the National Planning Policy Framework (‘NPPF’), later updated in Feb 2019. At the same time, the government also published the Planning Practice Guidance (‘PPG’) on viability setting out more clearly how plan viability should be approached. The Council therefore requires this updated review to meet the requirements of the NPPF and PPG.

1.1.5. In Autumn 2018 the Council undertook a Local Plan Draft Policies and Proposed Sites consultation process. During this process the Council has received some representations from stakeholders in relation to viability matters. The Council requires this review to consider the representations made.

1.1.6. In addition to the consultation process, for the purposes of this study we have also circulated a viability questionnaire, seeking the views from stakeholders on viability assumptions.

1.2. CP Viability Ltd

1.2.1. CP Viability specialises in providing advice to local authorities on all matters related to housing and commercial development; including individual site assessments, area wide studies and also providing expert witness advice at planning appeals. The company’s Director, David Newham, has extensive experience in undertaking development appraisals and market studies.
2. NATIONAL POLICY CONTEXT AND PROFESSIONAL GUIDANCE

2.1. Introduction

2.1.1. Plan wide viability assessments are subject to a combination of national planning policies and professional guidance.

2.1.2. The principal national policy is formed through the National Planning Policy Framework (‘NNPF’). This was initially introduced in 2012 but was revised in July 2018 (and more recently updated in Feb 2019). The NPPF sets out the Government’s planning policies and how these should be applied in plan making.

2.1.3. In support of the NPPF, the government has also published (in July 2018 and updated in May 2019) a Planning Practice Guidance (‘PPG’) on viability. This provides detail on how viability assessments should be undertaken, providing guidance on some key aspects of the process.

2.1.4. The NPPF and PPG supersede previous guidance documents. These documents reiterate the importance of viability in plan-making, confirming that Local Authorities should seek to ensure emerging policies are set at achievable levels that do not financially undermine development sites being brought forward. We have provided a brief overview of these documents and in particular the areas relating specifically to viability testing.

2.1.5. However, there are elements of previous guidance documents that remain relevant for a viability assessor (although certain aspects have been superseded by the NPPF and PPG). This includes the ‘Harman Review’ (discussed below) and the RICS Guidance Note 1 for Financial Viability in Planning. Given that parts of these documents remain relevant we have provided a brief overview of the key aspects.
2.1.6. By way of context this chapter summarises the background to the recent NPPF / PPG changes.


2.2.1. This was previously a key document for providing technical guidance on how to undertake an area wide viability study, although as discussed above this has largely been superseded by the recent NPPF / PPG publications.

2.2.2. One of the key areas of the Harman Review related to the concept of the ‘benchmark land value’ and how this could be assessed. In summary, the benchmark land value is different to Market Value and can be defined as being the minimum price that a hypothetical landowner would be willing to release land for development (taking into account the circumstances of the site and the relevant planning policies).

2.2.3. The Harman Review indicated the following:

Pg 29 – “We recommend that the [benchmark land value] is based on a premium over current use values and credible alternative use value…”

Pg 30 – “It is widely recognised that this approach [i.e. a percentage increase over the current use value] can be less straight forward for non-urban sites or urban extensions, where landowners are rarely forced or distressed sellers...This is particularly the case in relation to large greenfield sites...Accordingly, the uplift to the current use value sought by landowners will invariably be significantly higher than in an urban context and requires very careful consideration”.
2.2.4. However, the guidance recognises that this is more straightforward for urban / brownfield sites, where a premium (perhaps in the order of 10% – 50%) is deemed sufficient to incentivise a landowner to release the land for development.

2.2.5. This, though, would not be the case for non-urban / greenfield land where the current use value may only be a modest agricultural value (for example £10,000 per Ha). For this greenfield land, clearly an uplift of 50% (or £5,000 per Ha) would not be sufficient to release the land for development. The uplift would need to be considerably more.

2.2.6. The guidance therefore recommends a clear methodology for determining the BLV, which is to apply a premium to the EUV of the land (although it does not seek to fix parameters as to how the method is applied). The recent PPG on viability builds on this key principle.

2.3. Financial Viability In Planning – RICS Guidance Note 1 – Aug 2012

2.3.1. The purpose of this guidance note is more focused on individual viability assessments. Furthermore, key elements of this document have been superseded by the recent PPG on viability.

2.3.2. However, there are elements of the guidance which remain relevant.

2.3.3. In accordance with the Harman Review, the RICS Guidance Note suggests that the residual method is the most appropriate valuation method for undertaking viability assessments. An assessor therefore needs to identify a variety of appraisal inputs when preparing the modelling, which it suggests should be identified through tangible evidence.
2.3.4. Reasonableness is a key aspect of the RICS guidance, which remains the case following the introduction of the new NPPF and PPG.

2.3.5. The RICS guidance also recognises the weaknesses within the residual method and promotes the use of sensitivity testing to ensure conclusions reached are as robust as possible. Again, this remains important in the recent NPPF / PPG.

2.3.6. However, the RICS guidance proposed a different approach to assessing the benchmark land value when compared to the Harman Review. However, as indicated above the PPG on viability has superseded the approach outlined in the RICS guidance.

2.3.7. We understand the RICS is currently looking at producing an updated guidance for viability work, to reflect the introduction of the NPPF and PPG. However, at this stage no further details have been provided.

2.4. Housing White Paper “Fixing our broken housing market” Feb 2017

2.4.1. This White Paper proposed a number of reforms to the housing market, principally focused on increasing the supply of new dwellings.

2.4.2. The drive behind the White Paper was the government’s commitment to boosting annual housing supply to between 225,000 and 275,000. The Paper outlined 4 steps to achieving this:

(i) Planning for the right homes in the right places, mainly through the use of local and neighbourhood plan policies.
(ii) Building homes at a quicker rate, principally through addressing skill shortages, development management efficiencies and by linking infrastructure with housing development.

(iii) Diversifying the housing market, by focusing on boosting small to medium-size builders, promoting more varied forms of tenure and encouraging ‘modern methods of construction’.

(iv) Helping people now, by meeting the diverse housing needs of the population.

2.4.3. With regard to plan making, the main thrust of the Paper is in relation to speeding up the plan making process. However, it also proposes to introduce a requirement for local authorities to review their plan every 5 years to ensure they are up to date with any relevant changes.

2.4.4. There is also a focus on brownfield land and applying a greater weight to the use of brownfield sites for homes. This is connected to a general commitment in the document to protect the greenbelt, which should only be built on in “exceptional circumstances”.

2.4.5. A key proposal related to “Starter Homes”. These would be houses available at 80% of the market value, available only to first time buyers, with incomes less than £80,000 and up to a maximum of £250,000 (outside London). The White Paper goes on to say that there is an intention to amend the NPPF to introduce a policy which states that all sites should provide a minimum of 10% affordable home ownership units.
2.5. Autumn Budget Nov 2017

2.5.1. In addition to the Housing White Paper, at the Autumn Budget in November 2017 the Government announced a number of other measures, including:

- Minimum densities for new housing in city centres and around transport hubs.

- Policy changes to support conversion of empty space above high street shops and convert retail and employment land into housing.

- Permitted development rights to allow demolition of commercial buildings where they are being replaced with new homes.

- Consultation on strengthening policy to ensure that land allocated in local plans that has no prospect of a planning application is deallocated.

- An expectation on Local Authorities to bring forward smaller sites (which should make up 20% of housing supply).

- Consultation on reforming CIL and the setting of rates which “better reflect the uplift in land values between a proposed and existing use”.

- Indexation of CIL rates to link house price inflation rather than build costs.

- Removal of restrictions to the ‘pooling’ of Section 106 contributions, in certain circumstances.
2.6. Draft changes to the NPPF (consultation document March 2018)

2.6.1. This outlines significant proposed changes to the National Planning Policy Framework (‘NPPF’), in the form of draft text for consultation. This consultation informed changes to the final framework and Planning Practice Guidance (‘PPG’), as discussed below in Chapter 3 and announced in July 2018.

2.6.2. The document reiterates previous a commitment to enforcing a review of plans every 5 years.

2.6.3. The key principles which drive viability remain relatively similar to the previous version of the NPPF and PPG. However, the draft text now explicitly refers to the PPG for a recommended approach to assessing viability, which wasn’t previously the case.

2.7. Draft changes to PPG (consultation document March 2018)

2.7.1. Alongside the proposed changes to the NPPF, the government set out draft changes to the PPG, again in the form of text for consultation.

2.7.2. The draft text was more detailed than previous iterations of the PPG on viability and included more detail with regards to the practical implementation of viability assessments. Of particular note was the explicit guidance on how to establish a benchmark land value (‘BLV’), which is a key component of a viability assessment.

2.8.1. The NPPF sets out the Government’s planning policies and how these should be applied in plan making. The latest version was published in July 2018.

2.8.2. The NPPF states that developer contributions are to be expected from development:

Para 34 – 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.

2.8.3. The NPPF also explicitly refers to viability on a number of occasions. The key paragraphs are stated below:

Para 57 – 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.
Para 67 – 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.

Para 76 – To help ensure that proposals for housing development are implemented in a timely manner, local planning authorities should consider imposing a planning condition providing that development must begin within a timescale shorter than the relevant default period, where this would expedite the development without threatening its deliverability or viability. For major development involving the provision of housing, local planning authorities should also assess why any earlier grant of planning permission for a similar development on the same site did not start.

2.8.4. The general tone of the NPPF regarding viability is that the policies set by Local Authorities through their plan-making should be set at levels which do not undermine the viability of development. The NPPF is clear that there is a finite level of available monies derived from development which can be used to meet policy requirements. If the Local Authorities set their policies above this finite threshold, then this will undermine scheme delivery. Policies should therefore be carefully considered and set at realistic and deliverable levels.
2.8.5. With regard to affordable housing, the NPPF now explicitly refers to mix of tenure and sets a minimum expectation by stating that at least 10% should be made available for affordable home ownership. There are some exemptions, albeit viability is not referred to as being a reason which qualifies as an exemption (therefore this requirement also applies to sites located within low demand areas).

Para 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.

2.8.6. In Annex 2 the types of dwellings that constitutes ‘affordable housing’ is also set out, which includes the following:
(a) **Affordable housing to rent**: meets all of the following conditions: (a) the rent is set in accordance with the Government’s rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

(b) **Starter homes**: is specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household’s eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

(c) **Discounted market sales housing**: is sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
(d) **Other affordable routes to home ownership**: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.


2.9.1. This is an online tool, which has been regularly updated in recent years. This seeks to provide planning guidance in the context of the NPPF, covering a variety of areas including: viability, Build to Rent, CIL, Planning obligations, Housing – optional technical standards, self-build and custom housebuilding and Starter Homes (amongst others).

2.9.2. Alongside the publication of the latest version of the NPPF in July 2018, the government also published updated guidance (through the PPG) on viability. This is split into 4 sections, as follows:

- Section 1 – Viability and plan making
- Section 2 – Viability and decision making
- Section 3 – Standardised inputs to viability assessment
- Section 4 – Accountability
2.9.3. We have summarised what we consider to be the key points raised in each section, as follows:

Section 1 – Viability and plan making

- Plans should set out the contributions expected from development. This includes affordable housing and infrastructure (e.g. education, transport, health etc).

- Affordable housing requirements should be expressed as a single figure rather than a range.

- The role of viability assessment is primarily at the plan making stage.

- 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 stakeholders.

- The price paid for land is not a relevant justification for failing to accord with relevant policies in the plan.

- 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.

- 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.
Section 2 – Viability and decision making

- 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.

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

Section 3 – Standardised inputs to viability assessment

- 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.

- With regards to revenue, for viability assessment of a specific site or development, market evidence (rather than average figures) from the actual site or from existing developments can be used. For broad area-wide of site typology assessment at the plan making stage, average figures can be used.

- Assessment of costs should be based on evidence which is reflective of local market conditions. Costs include build costs, abnormals, site-specific infrastructure, policy requirements, finance, professional fees and marketing.
- 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.

- 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. This should reflect the implications of abnormal costs; site-specific infrastructure costs; and professional site fees. This should also be informed by market evidence including current uses, costs and values wherever possible. Where recent market evidence is used to inform assessment of benchmark land value this evidence should be based on developments which are compliant with policies, including for affordable housing. However, it is stressed that the principle method for determining benchmark land value is the “EUV plus premium” method.

- Where viability assessment is used to inform decision making under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan. Local authorities can request data on the price paid for land (or the price expected to be paid through an option agreement).

- Existing Use Value is the first component of establishing the benchmark land value. 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. The premium (or the ‘plus’ in EUV+) is the second component of benchmark land value. The premium should provide a reasonable incentive for a landowner to bring forward land for development while allowing a sufficient contribution to comply with policy requirements.
- For the purpose of viability assessment alternative use value (AUV) refers to the value of land for uses other than its current permitted use, and other than other potential development that requires planning consent, technical consent or unrealistic permitted development with different associated values. AUV of the land may be informative in establishing benchmark land value. If applying alternative uses when establishing benchmark land value these should be limited to those uses which have an existing implementable permission for that use. Where there is no existing implementable permission, plan makers can set out in which circumstances alternative uses can be used.

- 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 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.

- The economics of build to rent schemes differ from build for sale as they depend on a long-term income stream. Scheme level viability assessment may be improved through the inclusion of two sets of figures, one based on a build to rent scheme and another for an alternative build for sale scheme.

Section 4 – Accountability

- The inputs and findings of any viability assessment should be set out in a way that aids clear interpretation and interrogation by decision makers.

- Any viability assessment should be prepared on the basis that it will be made publicly available other than in exceptional circumstances.
- In circumstances where it is deemed that specific details of an assessment are commercially sensitive, the information should be aggregated in published viability assessments and executive summaries, and included as part of total costs figures.

2.9.4. There is also a PPG on Community Infrastructure Levy (‘CIL’) charging. This states the following:

Charging authorities should set a rate which does not threaten the ability to develop viably the sites and scale of development identified in the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London). They will need to draw on the infrastructure planning evidence that underpins the development strategy for their area. Charging authorities should use that evidence to strike an appropriate balance between the desirability of funding infrastructure from the levy and the potential impact upon the economic viability of development across their area.

2.9.5. An area-based approach should be therefore adopted, where viability is tested across the different market areas of the Council’s boundary. Clear evidence should be provided to support the adopted CIL rates and a balance should be sought between maximising funds for infrastructure projects ensuring that schemes remain viable and deliverable. In this regard, a ‘buffer’ allowance in setting the CIL charge is recommended, which will help limit the impact of changing market conditions on scheme deliverability.


2.10.1. This is a professional statement published by the RICS, with the aim of setting out the “mandatory requirements that inform the practitioner on what must be included within reports and how the process must be conducted”.

28
2.10.2. This document is therefore principally focused on the practicalities of undertaking viability assessments, specifically:

- Reporting and process requirements
- Legislation, the development plan and professional guidance
- Duty of care due diligence
- Transparency of information

2.10.3. However, the document does reinforce the concept of the ‘benchmark land value’ and is clear that this should be based on the existing use value plus premium or any credible alternative use value (as appropriate). It also reinforces the Planning Practice Guidance on viability as being a principle document when considering viability matters.

2.10.4. Finally, this also indicates that the RICS is in the process of updating its 2012 guidance on viability, stating that a 2nd edition is currently in the process of being prepared.
3. METHODOLOGY

3.1. The Residual Method

3.1.1. Central to undertaking viability testing is the residual method of valuation (sometimes referred to as a development appraisal). This is an established valuation approach, which can be illustrated by the following equation:

\[
\begin{align*}
\text{Completed Development Value} & \quad (\text{i.e. Total Revenue}) \\
& \quad \text{Less} \\
\text{Development Costs} & \quad (\text{Developer’s Profit} + \text{Construction} + \text{Fees} + \text{Finance}) \\
& \quad \text{Equals} \\
\text{Residue for Land Acquisition} & 
\end{align*}
\]

3.1.2. In other words, to arrive at the land value the assessor assumes the scheme has been completed, and from this income takes away all the costs associated with delivering that scheme. The remaining sum, or ‘residual’ (if any is left), equates to the value that could be paid for the land based on the development being proposed.

3.1.3. Whilst a simple concept, it is stressed that in reality the residual method often becomes a complicated and detailed approach. This is because the methodology inherently requires a wide variety of inputs to be factored into the assessment, all of which are subject to variance (e.g. sales values, build costs, professional fees, abnormal works, Council policies, profit, marketing, finance etc). All of these inputs need to be considered carefully, as potentially relatively small variances to one or two inputs could have a significant impact on the results of the assessment.
3.1.4. This inherent flaw in the methodology is recognised by the RICS and wider industry, and as a result ‘sensitivity’ testing is recommended to try and minimise the impact of these potential variances. Nevertheless, the industry still considers this to be the most appropriate methodology for assessing development sites and appraising land value.

3.1.5. Furthermore, in undertaking a residual appraisal it is important to factor in the impact that the timings of payments and income can have on funding and cash flow. For this reason, and particularly for more complex developments, it is appropriate to use a discounted cash-flow approach when preparing a residual appraisal.

3.1.6. The residual method can be applied to both residential and commercial development and is therefore applicable to Whole Plan and CIL viability testing. We have subsequently utilised this approach in undertaking our viability testing.

3.1.7. The Harman Review and recent PPG are clear that the appraisal inputs (e.g. revenue, build costs, professional fees, developer’s profit etc) should be evidence based and reflect the dynamics of the market being assessed. Stakeholders should be engaged to ensure the adopted inputs are as robust as possible.

3.1.8. The residual method allows an iterative approach to be undertaken, as certain appraisal inputs (such as planning policies) can be varied and tested to determine their impact on overall viability. The method is therefore consistent with the requirements of the July 2018 (updated Feb 2019) NPPF and PPG.
3.2. Benchmark Land Value (‘BLV’)

3.2.1. In short, the BLV represents the minimum land value that a hypothetical landowner would accept to release their land for development, in the context of the prevalent planning policies. A BLV does not therefore attempt to identify the market value, it is a distinct concept.

3.2.2. To establish whether a site is deemed to be viable or not, the assessor will run a residual appraisal (as described above) to identify the residual land value for that particular site. This is then compared to the BLV (which is separately assessed, as described below). If the residual land value is above the BLV, the scheme is deemed to be viable. If it is below the BLV it is deemed to be unviable.

3.2.3. Establishing the BLV is therefore crucial in determining whether a site is viable or not. However, this remains a controversial area.

3.2.4. To identify the BLV, the Harman Review and the PPG recommends using a premium over existing use value (“EUV”) and credible alternative values as a means of determining the BLV.

3.2.5. The PPG goes on to say that the BLV should:

- Fully reflect the total cost of all relevant policy requirements including planning obligations and, where applicable, any Community Infrastructure Levy charge;

- Fully reflect the total cost of abnormal costs; site-specific infrastructure costs; and professional site fees;
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.

3.2.6. This follows the principle that if two identical sites are next to one another, and one has significant abnormal costs and the other does not, the site with abnormal costs will naturally have a lower site value than the land unconstrained by abnormals.

3.2.7. In other words, as abnormal costs increase, site value decreases and vice versa (although it is not necessarily the case that cost equals value). This is because a landowner would be forced to reduce their expectations of value as a developer would have to factor in the cost of the undertaking the abnormal costs, resulting in a lower offer. As long as the landowner still secured a reasonable uplift over the EUV this would represent an acceptable deal and therefore the scheme would be viable. It would become unviable if the offer became too close to the EUV leaving no incentive for the landowner to release the land for development.

3.2.8. In terms of assessing the uplift above the EUV, a differential should be made between assessing previously developed land and agricultural (greenfield) land. This is because the underlying EUV of an agricultural field will typically be significantly lower when compared to previously developed land. This means that different premiums will need to be applied to encourage landowners to sell.
3.2.9. The Harman Review and PPG are each silent on the precise level of premium. However, based on our experience in the marketplace a premium in the region of 10% to 30% above the EUV is typically expected for previously developed land (dependent on the nature of the land). For agricultural land, where values will be relatively consistent regardless of locational factors, the level of premium will be significantly higher (and can fluctuate typically from 5 to 25 (or higher) times the EUV).

3.2.10. However, the PPG goes on to suggest that one approach to assessing the premium over the EUV is to identify recent, policy compliant, sales of land (to capture the latest market conditions) that have recently secured a planning permission (to capture the most up to date planning policies). This can then be compared to the EUV of that site. The difference between the two figures can be regarded as a guide to premium uplifts in that location. However, there are two key difficulties attached to this approach:

- There are a wide variety of factors which impact on land values, including overall site size, gross to net ratios, density, proposed dwelling types, location, planning policy contributions (which fluctuate from site to site), abnormal costs, infrastructure works, the financial circumstances of the vendor and purchaser, restrictive covenants on the title, easements, whether the sale took place prior to or post achieving planning consent etc. All the factors that impacted on value will not typically be known to an assessor nor available in the public domain. This means analysing land transactions is extremely difficult and not particularly reliable.

- The amount of data available is likely to be limited, reducing the reliability of the evidence.
3.3. Site Types

3.3.1. The guidance states that the types of sites assessed as part of the viability testing should represent the likely supply of development over the plan period. Once identified, these are then tested using the residual method, with comparisons to the separately identified BLV, as outlined above.

3.3.2. The NPPF / PPG indicates that site testing can either be based on real ‘live’ sites or hypothetical site typologies, drawing upon historic completions and planning permissions.

3.3.3. In either case, a reasonably wide variety of sites should be considered. The guidance indicates a number of factors which could be considered when assessing hypothetical site typologies, including

- Varying levels of infrastructure dependent on the size of the scheme.

- The potential for ‘abnormal’ costs such as remediation and decontamination.

- Different BLV’s dependent on the nature of the land (e.g. greenfield versus previously developed land in an urban area).

- Geographical locations impacting on revenue and sales rates.

3.3.4. However, the NPPF / PPG recognises that a balance needs to be struck between key viability considerations and ensuring there are a manageable number of site typologies to ensure the testing is as robust as possible. In other words, for the purposes of whole plan and CIL testing, it is acknowledged that all variations will not be able to be fully tested. However, what is important is that key fluctuations are reflected through the viability modelling as much as possible.
3.3.5. The most recent viability study undertaken on behalf of Doncaster Council was completed in August 2016 by the District Valuer Service (‘DVS’). This has been used as a starting point for the viability testing. The DVS study was based on the following site areas:

**Table 1 – Residential Urban Extension**

<table>
<thead>
<tr>
<th>Area/ Site Location</th>
<th>Value</th>
<th>Corresponding Settlement(s)</th>
<th>Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Towns/ Villages:</td>
<td>High</td>
<td>Auckley-Hayfield Green, Finningley, Bawtry, Tickhill, Sprotbrough, Barnburgh-Harlington</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Bentley</td>
<td>2</td>
</tr>
<tr>
<td>Doncaster Main Urban Area</td>
<td>Medium</td>
<td>Scawby</td>
<td>3</td>
</tr>
<tr>
<td>Main Town</td>
<td>Medium</td>
<td>Mexborough</td>
<td>3</td>
</tr>
<tr>
<td>Main Town</td>
<td>Low / Medium</td>
<td>Conisbrough &amp; Denaby</td>
<td>3</td>
</tr>
<tr>
<td>Main Towns</td>
<td>Low</td>
<td>Thorne-Moorends Rossington, Adwick-Woodlands</td>
<td>8</td>
</tr>
<tr>
<td>Main Towns, Doncaster Main Urban Area &amp; Service Village</td>
<td>Medium</td>
<td>Hatfield-Stainforth &amp; Armtorpe, Edenthorpe &amp; Barnby Dun</td>
<td>3</td>
</tr>
<tr>
<td>Service Towns</td>
<td>Medium</td>
<td>Askern, Skellow &amp; Carcroft</td>
<td>2</td>
</tr>
<tr>
<td>Service Town</td>
<td>Low</td>
<td>Edlington</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>28</strong></td>
</tr>
</tbody>
</table>

3.3.6. The typologies outlined above were therefore all based on greenfield sites, providing either 50, 100 or 400 dwellings. For the purposes of this review we have adopted a similar approach, albeit we have limited the appraisals to include the following:
- Greenfield 50 dwellings low value
- Greenfield 50 dwellings low / medium value
- Greenfield 50 dwellings medium value
- Greenfield 50 dwellings high value
- Greenfield 100 dwellings low value
- Greenfield 100 dwellings low / medium value
- Greenfield 100 dwellings medium value
- Greenfield 100 dwellings high value
- Greenfield 400 dwellings low value
- Greenfield 400 dwellings low / medium value
- Greenfield 400 dwellings medium value
- Greenfield 400 dwellings high value

3.3.7. In the 2016 study ‘brownfield’ sites were tested as follows:

Table 2 – Residential Urban Settlement

<table>
<thead>
<tr>
<th>Development Type</th>
<th>Value areas</th>
<th>Sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single dwelling greenfield infill plot</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>5 units cleared site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>5 units occupied site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>14 units cleared site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>14 units occupied site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>50 units cleared site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>50 units occupied site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>100 units cleared site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td>100 units occupied site</td>
<td>High, medium, low</td>
<td>3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td><strong>27</strong></td>
</tr>
</tbody>
</table>
3.3.8. In the stakeholder responses (see below Chapters 4 and 5) 1 party suggested that a typology of 200 should be factored into the testing, as this is a broad scale of development which is often brought forward. However, we note that in the testing previously undertaken schemes of both 100 and 400 dwellings were tested, therefore large, volume housebuilder scale schemes have been assessed. Furthermore, for a high-level viability plan viability assessment there is not considered to be a significant difference between 100 and 200 dwellings (in the sense that both are likely to be brought forward by a single, volume housebuilder). The viability outcomes are therefore anticipated to be broadly similar across these scale projects therefore making it less important to run the appraisal tests. It is also stressed that not all schemes can be tested for Local Plan viability. Furthermore, none of the other stakeholder representations considered it necessary to introduce a 200 dwelling test.

3.3.9. Having considered all of the above, the above typologies are considered to be representative of the Doncaster Metropolitan Borough area and as such are considered suitable for viability testing. Furthermore, adopting the same typologies would ensure consistency with the past viability study, enabling easier analysis of how the residential development market has evolved since the previous study was completed.

3.3.10. In addition, we also consider it appropriate to undertake site-specific appraisal testing (i.e. sites allocated within the plan for residential development). This is considered to be a supplement to the typology testing, providing an indication of viability with planning policies applied for ‘live’ sites.

3.3.11. Following discussions with the Council, and looking to test a variety of different site types, we have appraised the following:
(i) **Site Number 165/186: Land east of A1(M), Crabgate Lane, Skellow.** Gross site area 15.11Ha. Estimated yield 300 dwellings. Greenfield site. Medium market value area.

(ii) **Site Number 383: Hill Top Rd, Denaby Main.** Gross site area 6.12Ha. Estimated yield 125 dwellings. Mostly a greenfield site. Low market value area.

(iii) **Site Number 147: Land north of Hatfield Lane, Barnaby Dun.** Gross site area 11.82Ha. Estimated yield 98 dwellings. Greenfield site. Medium market value area.

(iv) **Site Number 396: North Eastern Road, Thorne.** Gross site area 2.48Ha. Estimated yield 53 dwellings. Greenfield site. Low market value area.

(v) **Site Number 833: Sandy Lane, Hyde Park, Docnaster.** Gross site area 1.30Ha. Estimated yield 39 dwellings. Brownfield (former Yorkshire Water site). Medium market value area.

### 3.4. Iterative Approach

3.4.1. Once it has been determined whether a typology or site specific scheme is viable or not, adjustments can be made to the planning policy contributions to adjust the outcome of the viability. For example, if the full aspirational policy provisions are applied and the scheme is shown to be unviable, this would demonstrate that the policy provisions are unlikely to be deliverable (therefore failing to meet the requirements of the NPPF). In this scenario, the policy...
provisions can be reduced and the scheme re-tested. This can be done on an iterative basis up to the point where the scheme is deemed to be viable.

3.4.2. Alternatively, it may be that the aspirational policy provisions are tested and the scheme is comfortably viable, generating a surplus of income. Under this scenario, the policy provision could be increased and the scheme re-tested until there is a pre-set position of viability reached.

3.4.3. In adopting an iterative approach, it is therefore important to identify ‘base’ appraisals, from which adjustments can be made. This can either be on the basis of the full policy aspirations being excluded, and then added back in on an iterative basis up to a pre-determined point of viability. Or alternatively the base appraisals could include the full policy aspirations from the outset, and if the testing shows there is significant viability pressure the policy provisions could be adjusted down again up to a pre-determined point of viability.

3.5. Our Approach

3.5.1. On the basis of the above we have adopted the following approach for the purposes of the plan wide viability testing:

- We have identified hypothetical site types (in line with the previous study), which we consider to best reflect the future supply of sites across Doncaster.

- However, it is considered appropriate to incorporate some limited ‘real’ site appraisals, to ensure the testing is as robust as possible and follow the approach advocated in national guidance.
- For each hypothetical site type or real site we have modelled a base development appraisal, inputting the revenue and costs associated with that scheme. This has been modelled in accordance with the residual method, whereby the outcome is the land value (with all other inputs fixed costs).

- Initially, we look to test base appraisals, building in the emerging policies. Adjustments are then made to policy provisions dependent on the viability outcome of the base test.

- Finally, we also undertake sensitivity testing, where key appraisal inputs are varied to test the impact on viability. This aids the overall analysis and ensures that the conclusions reached are as robust as possible.

- In forming our recommendations, a holistic approach is taken to all testing results.

3.6. Evidence

3.6.1. Primary data is crucial to ensuring the viability testing is robust. This can include a variety of sources, such as the Land Registry for residential and land sales, paid for services such as Essential Information Group property Auctions (giving details of land transactions), build cost databanks such as the Build Cost Information Service (BCIS) part of the RICS, historic viability assessments undertaken across the region giving parameters for appraisal inputs etc.

3.6.2. Likewise appeal decisions from the Planning Inspectorate can provide a useful indication of appraisal inputs, albeit the context of each case needs to be
understood before conclusions are reached. We have identified a number of cases which we consider to be useful in the context of viability testing:

*Parkhurst Road Ltd vs Secretary of State for Communities and Local Government*

3.6.3. We are aware of the recent case in the High Court of Justice between Parkhurst Road Limited, the Secretary of State for Communities and Local Government and the Council of the London Borough of Islington (Citation Number [2018] EWHC 991).

3.6.4. The claimant (Parkhurst Road Limited) sought to challenge a previous appeal decision relating to the development of a Former Territorial Army Centre in Islington, London, which had previously been dismissed through a Planning Appeal process. The case involved the examination of a number of key viability issues, most notably in relation to establishing Benchmark Land Values (“BLV”).

3.6.5. Mr Justice Holgate dismissed the appeal and in his judgement supported the approach adopted by the Council to establish the BLV of the site for the purposes of the viability appraisal. The method used involved establishing the existing use value and then applying a premium uplift to this figure to arrive at a suitable BLV. This, therefore, broadly supports the approach advocated by the PPG.

3.6.6. However, it is stressed that, due to the unique nature of development sites, we do not consider it necessarily appropriate to apply rulings for individual schemes to all projects. The Parkhurst Rd Ltd case had a variety of factors unique that its own particular market and circumstances, which would not necessarily apply to other schemes. That said, the ruling does broadly support the PPG changes, which we have taken into consideration in the methodology adopted for the purposes of this study.
**Land off Poplar Close, Ruskinong, Lincolnshire (APP/R2520/S/16/3150756)**

3.6.7. This related to a greenfield site comprising 67 dwellings.

3.6.8. The Inspector ruled that it was appropriate to depart from the BCIS median when identifying build costs, on the grounds that the BCIS data can be considered to be inherently high and did not represent the savings made by larger regional/volume housebuilders in terms of materials and labour.

**Land off Flaxley Rd, Selby (APP/N2739/s/16/3149425)**

3.6.9. This related to a greenfield site comprising 202 dwellings.

3.6.10. The Inspector went further than the Ruskinong decision outlined above, and ruled that it was appropriate to depart from the BCIS lower quartile when identifying build costs. Again, this was on the grounds that the BCIS has its limitations as a data set and can be regarded as being inherently high for schemes likely to be implemented by larger regional or volume housebuilders.

**Land off Lowfield Road, Bolton upon Dearne, Barnsley (APP/R4408/W/17/3170851)**

3.6.11. This related to Phase 3, greenfield site of 97 dwellings.

3.6.12. This case related to the implication of a development in a low value area by a ‘low cost developer’ specialist (in this case Gleesons, but could also apply to Keepmoat Homes, Lovell Homes, Kier Homes etc). The Inspector recognised that for this type of development in this location, the developer would implement a different type of product compared to other high value locations.
3.6.13. To reflect this, the viability assumptions should therefore be adjusted to take into account: significantly lower base build costs (particularly when compared to the BCIS rates), a higher percentage allowance for external works, lower professional fees and a lower debit interest charge. These adjustments resulted in the scheme being shown to be viable (which was considered to be appropriate as Phase 1 and 2 of the project had been delivered).
4. STAKEHOLDER ENGAGEMENT

4.1. To inform the previous viability testing in 2016 stakeholders were engaged to establish their views on key viability appraisal assumptions. This included:

- A Stakeholder Workshop in an open forum debate to discuss key viability assumptions. We understand this was attended by a variety of key stakeholders including landowners, agents, planning consultants, house builders, representatives from various Council departments, as well as external public sector bodies.

- A ‘follow-up’ questionnaire circulated to all identified stakeholders (including those who were unable to attend the workshop). This gave the opportunity for stakeholders to provide written representations and also submit supporting evidence to any views given.

4.2. The above stakeholder engagement process provided evidence to help inform the 2016 viability study. For the purposes of this review we have built on the previous stakeholder engagement undertaken.

4.3. More recently, and as part of the Local Plan Draft Policies and Proposed Sites consultation process (undertaken in Autumn 2018), the Council has received a number of representations in relation to viability matters. In this chapter we consider these representations.

4.4. In addition, and in order to provide other stakeholders the opportunity to make representations, for the purposes of this study we / the Council have prepared and circulated a further Viability Questionnaire. Please see Appendix 2 for a copy of the questionnaire. This chapter also considers the responses received to this questionnaire.
4.5. Representations were received (through both the formal consultation process in Autumn 2018 and the questionnaire) from:

- Banks Group
- Gladman
- Gleeson Homes
- Harworth Estates
- Jones & Jones
- Savills
- Spawforths
- Turleys (on behalf of Peel Land and Property)
- DLP Planning (on behalf of Keepmoat Homes)

4.6. We have considered each of the representations below in Chapter 5 “Residential Viability Assumptions”, as part of the general commentary.
5. RESIDENTIAL VIABILITY ASSUMPTIONS

5.1. Previous study

5.1.1. The DVS viability study (2016) included the following key appraisal assumptions:

- Gross to net ratio. Less than 0.5Ha 100%. 0.5Ha to 2Ha 85%. 2Ha to 5Ha 80%. Over 5Ha 75%.
- Scheme density 35 dwellings per net Ha.
- Average dwelling size 92.90 sq m (1,000 sq ft). This was deemed to be compliant with the Nationally Described Space Standards (‘NDSS’).
- Sales values. Low area £1,500 per sq m. Medium value £1,750 per sq m. High value £2,250 per sq m.
- Affordable Housing. Affordable Rent 45% of market value, Intermediate / Shared Ownership 67.5% of market value, Starter Homes 80% of market value.
- Basic build costs. BCIS lower quartile £798 per sq m. Medium £900 per sq m.
- External / infrastructure costs 15% of basic build cost.
- Contingency. Greenfield 3% of basic build costs / externals. Brownfield 5%.
- Abnormals. Greenfield £100,000 per net Ha. Brownfield (cleared) £200,000 per net Ha. Brownfield (occupied) £300,000 per net Ha.
- Professional fees. Sub 20 dwellings 8% of basic build costs / externals. Over 20 dwellings 6%.
- Marketing costs. Sub 10 dwellings 1.5% of revenue. Over 10 dwellings 3%.
- Legal costs £500 per dwelling.
- Developer Profit. Sub 10 dwellings market value 15% on revenue, affordable 8% on cost. Over 10 dwellings market value 18.5%, affordable 8%.
- Finance. Sub 10 dwellings 7% debit. Over 10 dwellings 6% debit.
- Benchmark land value:
  
  - Greenfield low value £197,680 per Ha (£80,000 per acre)
  - Greenfield medium value £271,810 per Ha (£110,000 per acre)
  - Greenfield high value £345,940 per Ha (£140,000 per acre)
  - Brownfield (cleared) £185,325 per Ha (£75,000 per acre)
  - Brownfield (occupied) £370,650 per Ha (£150,000 per acre)

5.1.2. We have reviewed all of the above appraisal inputs and comment on each in turn, as set out below.

5.2. Gross-to-net ratios and density

5.2.1. The ‘net’ area of a site is the area where construction can take place. On small schemes it may be that effectively the whole of the site can be developed (to include the required highways access, external areas etc). However, on a larger scale scheme there could be a variety of reasons why certain sections of the site cannot be developed. Reasons could include (but not exhaustive): on site public open space requirements, drainage requirements (such as balancing ponds), existing rights of way over the land, site configuration, highways requirements, type of land, location etc.
5.2.2. Gross to net ratios will therefore fluctuate from scheme to scheme, dependent on the surrounding circumstances.

5.2.3. However, for the purposes of an area wide study it is appropriate to adopt broad average ratios. As indicated above, in the 2016 viability study the following ratios were assumed:

<p>| | |</p>
<table>
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<tbody>
<tr>
<td>&lt; 0.5 Ha</td>
<td>100%</td>
</tr>
<tr>
<td>0.5 – 2.0 Ha</td>
<td>85%</td>
</tr>
<tr>
<td>2.0 – 5.0 Ha</td>
<td>80%</td>
</tr>
<tr>
<td>&gt; 5 Ha</td>
<td>75%</td>
</tr>
</tbody>
</table>

5.2.4. By way of evidence, we have been provided with details of all approved planning applications in Doncaster since 2016. However, the records do not show the net developable area of the individual sites, instead only the gross site area is recorded. We are therefore unable to extract gross to net ratios from past planning permissions.

5.2.5. In terms of the stakeholder comments:

- 7 specific representations were made with respect to gross to net densities.
- 3 out of the 7 agreed with the allowances, 4 suggested adjustments.
- 2 parties suggested relatively small adjustments to the schemes of 2 to 5Ha should be adjusted from 80% to 75%.
- 2 parties suggested that schemes in excess of 5Ha should reduce the ratio below 70%.
- 1 party suggested 65% to 70% should apply to all sites.
- 1 party suggested that a separate allowance should be made for any ‘strategic’ sites (as 75% was not deemed sufficient).
5.2.6. There was no firm agreement from stakeholders as to the appropriate gross to net ratios, although as stated above 3 out of the 7 responses did fully agree with the allowances adopted. For those that did suggest an adjustment no firm evidence was provided to justify their suggestions. Furthermore, some of the suggestions submitted reflected relatively minor adjustments.

5.2.7. The ratios suggested are consistent with the methodology applied in the Council’s Strategic Housing Land Availability Assessment (SHLAA) which was itself based on agreed average assumptions from several members of the Homes Builders Federation who made up the Stakeholder Group.

5.2.8. Having considered all of the above, and to ensure ongoing consistency in the viability testing (without any firm evidence to justify a change), we consider it appropriate to adopt the same ratios for the purposes of this review. That said, we agree that if specific strategic sites are tested in the future, then it would be necessary to adopt a bespoke gross to net ratio dependent on the specific circumstances of the scheme in question.

5.2.9. In terms of density rates, this is usually expressed as a rate per net or gross Ha. We have considered this on the basis of dwellings per net Ha, because this reduces the risk of anomalous results when analysing evidence (as there may be some schemes where the net developable area is only a small fraction of the gross area, therefore density on a per gross Ha basis would appear unusually small).

5.2.10. Like the gross to net ratios, density will fluctuate from scheme to scheme and is dependent on a variety of factors, for example higher value locations tend to attract larger homes, therefore lower density rates per net Ha (and vice versa). Furthermore, if a scheme has a high proportion of bungalows (which tend to have larger plots) this can also reduce the density of a scheme.
5.2.11. The previous 2016 study adopted 35 units per net Ha.

5.2.12. As a ‘sense check’ of this allowance, we have referred to the planning applications discussed above (approved between 2016 and 2018 in Doncaster). As stated above, this information does not show the net developable area of each site, only the gross area. However, for the purposes of data analysis we have applied the average gross to net ratios outlined above, in order to provide a broad ‘steer’ as to the density of each scheme. Furthermore, we have focused our analysis on schemes in excess of 0.5Ha (as schemes below this level tend to have a wider range of density rates, which can reduce the reliability of the data). We have identified 35 planning permissions across the sample, summarised as follows:

- Density ranges from 14 to 56 dwellings per net developable Ha.
- The average across the sample is 35 dwellings per net ha, in line with the previous study assumption.
- However, we note that around 30% of the sample showed a density in excess of 40 dwellings per net Ha, indicating that higher densities are being promoted across Doncaster.

5.2.13. By way of additional evidence we have also referred to an in-house database which records individual viability appraisals as prepared by applicants and submitted to CP Viability. The database includes over 200 appraisals from the wider northern and east midlands region of England, showing key viability assumptions made by applicants. Given the sensitive nature of the data we are unable to disclose the full information, however we are able to consider average rates as calculated (which has been accepted as evidence within an appeal setting). It is recognised this offers only an insight into the market and clearly there will be fluctuations from site to site. Nevertheless, this is considered to be useful data and can complement other available evidence.
5.2.14. With regards to dwellings per net Ha, there is a wide range of figures shown within the data. We have narrowed the sample to sites where the gross and net developable areas were identifiable (in many cases only the gross site area was given). The sample identified includes 29 individual schemes undertaken since Jan 2017. Net developable areas range from 0.38 Ha up to 30.57 (with the number of dwellings ranging from 20 up to 825). The average density across this sample equates to 34.19 dwellings per net Ha. This is therefore only marginally below the previous assumption of 35 dwellings per net Ha, which suggests this is broadly reasonable.

5.2.15. However, we again note that a number of schemes in the sample show a higher density than this, with around 20% of the sample providing over 40 dwellings per net Ha (achieved through either a higher proportion of terraced dwellings, apartment or 3 storey products).

5.2.16. In this regard, we note that the paragraph 123 of the NPPF states:

*Where there is an existing or anticipated shortage of land for meeting identified housing needs, it is especially important that planning policies and decisions avoid homes being built at low densities, and ensure that developments make optimal use of the potential of each site. In these circumstances:*

a) *plans should contain policies to optimise the use of land in their area and meet as much of the identified need for housing as possible. This will be tested robustly at examination, and should include the use of minimum density standards for city and town centres and other locations that are well served by public transport. These standards should seek a significant uplift in the average density of residential development within these areas, unless it can be shown that there are strong reasons why this would be inappropriate;*
b) the use of minimum density standards should also be considered for other parts of the plan area. It may be appropriate to set out a range of densities that reflect the accessibility and potential of different areas, rather than one broad density range; and

c) local planning authorities should refuse applications which they consider fail to make efficient use of land, taking into account the policies in this Framework. In this context, when considering applications for housing, authorities should take a flexible approach in applying policies or guidance relating to daylight and sunlight, where they would otherwise inhibit making efficient use of a site (as long as the resulting scheme would provide acceptable living standards).

5.2.17. In short, Local Authorities should plan to optimise the use of land where possible, which serves to increase the amount of dwellings delivered per net Ha.

5.2.18. In terms of the stakeholder comments:

- 5 specific representations were made with respect to dwellings per net Ha.
- 4 out of the 5 agreed with a rate of 35 dwellings per net Ha for the purposes of a Local Plan viability study.
- 1 party stated that 35 dwellings per net Ha was appropriate in certain cases, but could vary in areas away from the urban environment. Suggested a sensitivity test at 30 dwellings per net Ha.
5.2.19. Broadly, stakeholders accepted the assumption of 35 dwellings per net Ha.

5.2.20. Given the identified evidence and also to help ensure consistency we consider it appropriate to adopt a density equivalent to 35 dwellings per net Ha for the base appraisal testing. However, in light of the evidence demonstrating that higher densities are being promoted within Doncaster and the wider region, as well as the NPPF requirements we also consider it appropriate to run sensitivity testing at an increased rate of 40 dwellings per net Ha (albeit accepting that this can only apply to locations where this is deemed to be sustainable).

5.3. Dwelling mix and sizes

5.3.1. As with density / gross-to-net ratios, dwelling mix and sizes will vary from site to site. In higher value locations it may be that the market expects a higher proportion of larger detached housing, increasing the overall average size. Conversely, in lower market areas it may be more appropriate to have a higher proportion of smaller semi-detached / terraced dwellings, which reduces the overall average. Furthermore, an increased use of apartments, 3 storey townhouses, bungalows etc would each impact on the overall average dwelling size.

5.3.2. In the previous viability study an average dwelling size of 92.90 sq m (1,000 sq ft) was applied. We note that this assumed the majority of sites would adopt more traditional 2 / 2.5 storey dwelling types (terraces, semi-detached and detached). This average was also considered to be sufficient to cover the minimum dwelling sizes set out in the Nationally Described Space Standards.
5.3.3. As a ‘sense check’ we have reviewed the NDSS rates, which provide a range of minimum requirements dependent on the number of bedrooms, number of persons and number of storeys. For the purposes of our analysis we have fixed the number of storeys to 2 and have also based this on 2, 3 and 4 bed housing only. In terms of the number of persons, this varies from house type to house type. For example, a 3 bed house could cater for either 4, 5 or 6 persons. The NDSS gives a different dwelling size for each of these variations. However, for the purposes of our analysis we have calculated the average size for these variations (i.e. the average NDSS rate for a 4, 5 and 6 person 3 bed dwelling).

5.3.4. For 2 storey dwellings, the average NDSS rates equate to the following:

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<table>
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<tbody>
<tr>
<td>2b house</td>
<td>-</td>
<td>74.50 sq m</td>
</tr>
<tr>
<td>3b house</td>
<td>-</td>
<td>93.00 sq m</td>
</tr>
<tr>
<td>4b house</td>
<td>-</td>
<td>110.50 sq m</td>
</tr>
</tbody>
</table>

5.3.5. For a 50 dwelling scheme in a medium value area we would expect broadly 30% to be provided as 2 bed dwellings, 40% as 3 bed and the remaining 30% as 4 bed dwellings. Assuming this mix and using the above average NDSS rates gives an overall average dwelling size of 92.70 sq m. This is therefore broadly in line with the previous assumption of 92.90 sq m.

5.3.6. Based on the above, we therefore conclude that an average dwelling size of 92.90 sq m is reasonable for the purposes of the viability testing and is considered to be NDSS compliant.
5.3.7. In terms of the stakeholder comments:

- 5 specific representations were made with respect to average dwelling size.
- 3 out of the 5 agreed with an average of 92.90 sq m per dwelling.
- 1 party stated that their own business model applies smaller units (on the basis that they are a low-cost developer whose customers typically look to smaller dwelling sizes).
- 1 party suggested that 92.90 sq m does not reflect small units.

5.3.8. As stated above, 3 of the 5 respondents supported the adopted average rate. For 1 party, they were concerned that 92.90 sq m per dwelling did not represent smaller dwelling types. However, as discussed above this is an average rate and does factor in smaller house types (as low as 74.50 sq m as per the NDSS analysis above). For the other party, we consider it appropriate to run a specific ‘low cost developer’ model as part of the sensitivity testing, in order to address their concern.

5.3.9. Overall, we therefore consider an average dwelling size of 92.90 sq m per dwelling to be reasonable for the purposes of the testing.

5.3.10. Furthermore, as indicated above, since the previous study was undertaken there has been a greater emphasis from Central Government on maximising, as much as possible, scheme density. As discussed above, paragraph 123 of the NPPF encourages a greater optimisation of land, particularly in urban areas well served by the transport network. For this reason, we consider it appropriate to undertake some sensitivity testing based on an increased number (40) of dwellings per net Ha.
5.3.11. In order to provide a higher number of dwellings per net Ha, a developer could utilise apartments, provide a higher proportion of terraced dwellings, use more ‘townhouse’ style dwellings over 3 storeys. In each case, this would impact on the overall average dwelling size. For example, on the 50 dwelling model discussed above, if say 20% of the scheme provided 1 and 2 bed flats the overall dwelling size would reduce significantly to 74.15 sq m. Conversely, if a higher proportion of 3 storey houses (say half of the 3 bed and 4 bed dwellings) this would increase the average dwelling size to 94.80 sq m. On this basis, it is not guaranteed that by increasing the number of dwellings per net Ha the average size of the units would decrease / increase.

5.3.12. In light of the above, for both the 35 and 40 dwellings per net ha scenarios we have retained an average dwelling size of 92.90 sq m.

5.3.13. However, we have also run a sensitivity test based a smaller average dwelling size to reflect a ‘low-cost’ developer model. Adjusting the mix of 2 beds to 45%, 3 beds to 45% and 4 bed to 10% gives an amended average dwelling size of 86.43 sq m. We have applied this to our ‘low cost developer’ sensitivity test.

5.4. Revenue – Market Value

5.4.1. In the previous viability study an average rate of £1,500 per sq m was applied to the low value area, £1,750 per sq m for the medium value area and £2,250 per sq m for the high.

5.4.2. In terms of current market conditions, in January 2019 the RICS released its UK Residential Market Survey results. The main findings of the survey are as follows:

- The results suggest a ‘subdued backdrop’.
- Enquiries, sales and new instructions have fallen over the last 6 months.
- The average time taken to sell a property has increased.
- Brexit is causing hesitancy, together with affordability constraints.
- However, in the medium term (over 12 months) expectations remain positive, with values still expected to grow.
- London and the South East, though, display the weakest values position on values, with 6 years of strong growth stretching affordability. Elsewhere, house price inflation has ‘lost at least some impetus in most English regions’ over the past 6 months or so.

5.4.3. More specifically, according to the Zoopla Zed Index (an index which, using sales data from the Land Registry and asking prices, estimates the value of all residential dwellings across England and Wales) the value of residential property across Doncaster has increased by 18.01% during the last 5 years. This compares with an average increase of 26.03% across England during the same period. This suggests house price inflation has been more modest across Doncaster when compared to the national average, although as noted above in recent months London / South East values have cooled at a faster rate than the English regions, suggesting the gap has narrowed.

5.4.4. Furthermore, the average increase for the South Yorkshire region during the same period equates to 20.97%. Doncaster has therefore also experienced more modest growth when compared to the regional average, albeit the difference is less pronounced than the comparison with values across England.

5.4.5. Whilst the data suggests values across Doncaster have lagged behind the regional and national measures, it does give Doncaster an advantage in terms of affordability when seeking to attract incoming buyers. In other words, if a buyer is looking to relocate to South Yorkshire, the affordability of housing within Doncaster means buyers are likely to be able to afford larger dwellings than would be available to them in other locations.
5.4.6. In terms of evidence, we have identified sales from across Doncaster utilising the Land Registry. Using the online function we have limited the data collected to different postcode areas within Doncaster, new build dwellings, type of dwelling (i.e. semi, detached, terrace etc) and sales achieved since Jan 2016. By collating the data in this way we are able to undertake a more focused analysis.

5.4.7. To aid our analysis further, we have also looked to identify the sizes of the comparable data collected. This enables us to establish values on a ‘rate per sq m’ basis, which ensures that ‘like for like’ comparisons can be made (if the overall size of a dwelling is not known it could be the case that the comparable evidence is derived from substantially larger dwellings, which could potentially lead to inaccurate analysis).

5.4.8. In order to identify the size of each property, we have cross-referenced the Land Registry data with dwelling sizes as shown on the respective EPC Register. The size of each dwelling is given as a single figure (in square metres). We consider the use of the EPC register to be appropriate for the purposes of this study when analysing sales values, for the following reasons:

(i) This approach has been adopted by other authorities in their own area-wide viability testing and accepted through the examination process.

(ii) In our experience, it is an approach used on a wide-spread basis in preparation of viability assessments for individual planning applications and area wide studies. The method is used by Local Authorities, surveyors, landowners and house-builders (albeit it is accepted that not all parties consistently use the approach).
(iii) For the purposes of an area-wide study the assessor is looking to establish appropriate average sales values. It is accepted that the sales data collected through the Land Registry will reflect a variety of different dwelling types, for example some of dwellings that form the date will comprise garages and some of which will not. The rates per sq m data will therefore show a range of figures to reflect these variations. However, we have not looked to adopt values at the top end of the range, but instead looked to arrive at average values, which mitigates these variations in the data.

(iv) Furthermore, there is a lag of around 3 – 6 months in the Land Registry data, due to the time it takes for new transactions to be submitted to the Land Registry following a sale and to be uploaded onto the database. As such, any house price inflation that has taken place in recent months (over a 1 to 2 quarter period) is not reflected in the evidence. Allowances therefore need to be made in the analysis for this inflation.

5.4.9. With regards to evidence, we have identified over 30 ‘new build’ residential schemes across the Doncaster Borough since Jan 2016. To aid analysis, we have adopted the following approach:

- Our first step was to identify a broad indication of the value area for each scheme (low, medium or high). To do this we used the Zoopla ‘Current Average Value’ data and data from the Lower Super output areas (liaising with the Council during this process). This can be used to show a broad average for the Doncaster Borough and then also individual data for specific settlements. By comparing the specific settlement data to the average for the Borough we are able to establish a broad indication of whether a particular location is generally a low, medium or high value area. Please see appendix 1a for a map of the areas identified.
We then collated the Land Registry / EPC data for individual developments on the basis of a broad house type and size (for example a semi-detached dwelling with an average size of 70 sq m, a semi-detached with an average size of 80 sq m, a detached dwelling with an average size of 100 sq m and so). If the evidence identified shows a range of semi-detached dwellings from, for example, 78 sq m to 82 sq m, all of this evidence is then categorised as “semi-detached with average size of 80 sq m”. This approach ensures that the differences in values due to size and dwelling type can be accurately assessed.

Having established the dwelling categories, we have then looked to arrive at an average rate (£ per sq m) for each category in each scheme. This allows us to easily compare specific dwelling categories across different schemes.

Finally, we have separated the data into low, medium and high value locations (reflecting the Zoopla evidence).

5.4.10. For what were considered to be high value locations, we identified 6 schemes. The most typical dwelling categories across these schemes showed the following average values:

<table>
<thead>
<tr>
<th>Category</th>
<th>Size (sq m)</th>
<th>Average Rate (£ per sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat 45</td>
<td>45</td>
<td>£2,620</td>
</tr>
<tr>
<td>Flat 60</td>
<td>60</td>
<td>£2,773</td>
</tr>
<tr>
<td>Terrace 60</td>
<td>60</td>
<td>£2,223</td>
</tr>
<tr>
<td>Terrace 90</td>
<td>90</td>
<td>£2,003</td>
</tr>
<tr>
<td>Semi 80</td>
<td>80</td>
<td>£2,115</td>
</tr>
<tr>
<td>Semi 90</td>
<td>90</td>
<td>£2,065</td>
</tr>
<tr>
<td>Detached 90</td>
<td>90</td>
<td>£2,405</td>
</tr>
<tr>
<td>Detached 100</td>
<td>100</td>
<td>£2,337</td>
</tr>
</tbody>
</table>
Detached 130 sq m  -  Av rate £2,074 per sq m
Detached 150 sq m  -  Av rate £2,020 per sq m
Detached 170 sq m  -  Av rate £1,967 per sq m

5.4.11. It is stressed that a large proportion of the above data is derived from sales evidence dating back to 2016 and 2017 (as well as the early part of 2018). The Zoopla and Land Registry data shows that there has been sales price inflation since this time, therefore the average rates shown above can be regarded as being low based on the prevalent market conditions. We therefore consider it appropriate to uplift the above average rates to reflect current values. Based on the identified evidence and taking into account an appropriate mix, we consider an average rate of £2,350 per sq m to be reasonable.

5.4.12. For what were considered to be medium value locations, we identified 10 schemes. The most typical dwelling categories across these schemes showed the following average values:

Terrace 70 sq m  -  Av rate £1,944 per sq m
Terrace 80 sq m  -  Av rate £2,017 per sq m
Semi 70 sq m  -  Av rate £2,246 per sq m
Semi 80 sq m  -  Av rate £2,094 per sq m
Detached 90 sq m  -  Av rate £2,283 per sq m
Detached 110 sq m  -  Av rate £2,083 per sq m
Detached 150 sq m  -  Av rate £1,987 per sq m

5.4.13. As with the high value values, a large proportion of the data above is derived from 2016 and 2017 and therefore we consider it appropriate to allow for some uplift to reflect price inflation since this time. Based on the identified evidence and taking into account an appropriate mix, we consider an average rate of £2,350 per sq m to be reasonable.
5.4.14. Finally, for what were considered to be low value locations, we identified 6 schemes. The most typical dwelling categories across these schemes showed the following average values:

- Terrace 70 sq m: Average rate £1,580 per sq m
- Semi 60 sq m: Average rate £1,590 per sq m
- Semi 70 sq m: Average rate £1,579 per sq m
- Semi 80 sq m: Average rate £1,593 per sq m
- Semi 100 sq m: Average rate £1,501 per sq m
- Detached 70 sq m: Average rate £1,765 per sq m
- Detached 80 sq m: Average rate £1,750 per sq m
- Detached 90 sq m: Average rate £1,795 per sq m
- Detached 100 sq m: Average rate £1,532 per sq m

5.4.15. As with the high and medium value values, a large proportion of the data above is derived from 2016 and 2017 and therefore we consider it appropriate to allow for some uplift to reflect price inflation since this time. Based on the identified evidence and taking into account an appropriate mix, we consider an average rate of £1,700 per sq m to be reasonable.

5.4.16. Taking into account the previous figures applied, the Land Registry data identified, average settlement values in Zoopla and also house price inflation during the last few years we have arrived at the following adjusted sales values:
Table 3 – Market value average sales values (£ per sq m)

<table>
<thead>
<tr>
<th>Value banding</th>
<th>Average value 2/2.5 storey (£ per sq m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>£1,700</td>
</tr>
<tr>
<td>Medium</td>
<td>£2,100</td>
</tr>
<tr>
<td>High</td>
<td>£2,350</td>
</tr>
</tbody>
</table>

5.4.17. We subsequently asked stakeholders to comment on the above figures. Their responses can be summarised as follows:

- 6 specific representations were made with respect to sales values.
- 4 out of the 6 agreed with the above average rates.
- 1 party disagreed with the adopted rates, stating that their own ‘low cost’ model resulted in lower values.
- 1 party suggested the figures were around 5% too high.

5.4.18. With respect to the comments regarding the ‘low cost’ values, we have revisited the evidence and note that 2 of the 6 schemes identified showed values from 2016. These should therefore be subject to inflation, which will slightly increase the averages discussed above (and serve as more evidence to justify values closer to £1,700 per sq m).
5.4.19. That said, having reviewed the evidence we accept that there is a differential between rates per sq m for small terraced / semi-detached housing when compared to detached. The former typically shows around £1,600 per sq m (or lower), where for detached the rates achievable are shown to exceed £1,700 per sq m. The appropriate average value will therefore depend on the mix assumed in the assessment. As discussed above, we consider it appropriate to adopt a ‘low cost developer’ sensitivity test, based on a smaller average dwelling size. To reflect this, and following the evidence, we consider it appropriate to adjust the average value per dwelling to £1,600 per sq m.

5.4.20. With respect to the values being 5% too high, no evidence is provided to justify this. We therefore stand by the values adopted, based on the evidence identified.

5.4.21. In summary, we consider the average values stated above to be reasonable for the purposes of the Local Plan viability testing. Furthermore, we agree to reduce the average rate to £1,600 per sq m for the ‘low cost developer’ sensitivity test.

5.5. Revenue – Affordable Housing

5.5.1. In previous testing the Council has allowed transfer values for affordable rent units equivalent to 45% of the market value. For intermediate / shared ownership units the allowance has been increased to 67.5% of market value. An allowance of 80% of market value was used for Starter Homes.

5.5.2. There are a number of approaches to identifying transfer values, albeit the most favoured tends to be in line with the Council’s existing approach whereby a percentage of the equivalent market value is allowed.
5.5.3. We consider a ‘percentage of market value’ to be an appropriate approach for the purposes of an area-wide viability study.

5.5.4. In terms of the stakeholder comments:

- 5 specific representations were made with respect to affordable housing transfer value allowances.
- 3 out of the 5 agreed with the allowances.
- 1 party suggested that the affordable rent transfer value is reduced from 45% to 40%, shared ownership from 67.5% to 60% and discounted market sale from 80% to 70%.
- 1 party suggested the allowances were too high.

5.5.5. For the discounted market sale, in its definition of affordable housing NPPF it refers to a minimum discount of 80% of market value. However, we consider it reasonable to assume that a developer would want to maximise their return and therefore seek to secure an 80% of market value return.

5.5.6. For affordable rent, our experience is that rates typically equate to closer to 50% of market value. A rate of 40% of market value is more appropriate to a social rented tenure basis. A rate in between (at 45%) is therefore considered reasonable within this context.

5.5.7. Finally, for shared ownership / intermediate this will fluctuate dependent on the share equity that has been agreed. However, in our experience the allowance of 67.5% is typically deemed appropriate by developers when considering viability. This is supported by 3 out of the 5 respondents agreeing to the adopted rate.
5.6. Plot construction costs

5.6.1. For the purposes of this review, plot construction costs mean the cost of building each dwelling, including preliminaries and contractor’s margin, but excluding externals, abnormals and a contingency allowance.

5.6.2. With regard to ‘plot construction’ costs (the cost of constructing a house from foundations up, but excluding any external works) we have considered a variety of evidence, including reviewing viability appraisals received by us from across the wider region as well as the Build Cost Information Service (BCIS) of the RICS, which is database regularly referred to by the industry when preparing viability assessments.

5.6.3. During 2017 build cost inflation rose sharply, with some commentators seeing this as a consequence of Brexit (due to a reduction in the skilled labour market). This rise has increased pressure on viability in some areas. However, it remains to be seen whether this is a short-term adjustment in the market or a longer term trend.

5.6.4. The BCIS published an article in January 2018 which predicted tender prices would fall in the year to Q3 2018. The BCIS All-in Tender Price Index shows the following:

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Tender Price</th>
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<tbody>
<tr>
<td>1Q 2017</td>
<td>298</td>
</tr>
<tr>
<td>2Q 2017</td>
<td>324</td>
</tr>
<tr>
<td>3Q 2017</td>
<td>306</td>
</tr>
<tr>
<td>4Q 2017</td>
<td>327</td>
</tr>
<tr>
<td>1Q 2018</td>
<td>317</td>
</tr>
<tr>
<td>2Q 2018</td>
<td>320</td>
</tr>
</tbody>
</table>
5.6.5. This shows there was volatility in build costs during 2017, with a sharp rise between Q1 and Q4. However, during 2018 and into Q1 2019 there has been some consolidation in the market which has resulted in a general ‘levelling’ of costs. This is expected to continue, at least in the short term.

5.6.6. The BCIS is a favoured tool in the industry, particularly for the purposes of an area wide study (and was used for the purposes of the 2016 Doncaster viability study). This is because the data, which is based on voluntary tender information submitted to the RICS, gives a rate per sq m to apply to an assessment. Furthermore, it also can be rebased to particular locations, and can also be adjusted dependent on the size of your dwellings (for example a rate is given for 2 storey housing and a separate rate for single storey dwellings), therefore giving greater accuracy.

5.6.7. The BCIS rates reflect the basic construction cost of a dwelling (from foundations to roof). It also includes a contractor’s overhead and all preliminaries associated with a scheme. However, it excludes all external / infrastructure costs, contingency allowance, professional fees and abnormal works.

5.6.8. It is stressed that, like any data source, it does have weaknesses which can often be overlooked. Firstly, the ‘rate per sq m’ shown in the BCIS includes the plot construction cost, site preliminary costs and the contractor’s overhead allowance. However, it excludes external costs, contingency allowance and all abnormal works. If the BCIS is adopted the items excluded therefore need to be added back in. Likewise, it is important that items such as preliminaries are not ‘double counted’.

<table>
<thead>
<tr>
<th>Year</th>
<th></th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q 2018</td>
<td>-</td>
<td>320</td>
</tr>
<tr>
<td>4Q 2018</td>
<td>-</td>
<td>321</td>
</tr>
<tr>
<td>1Q 2019</td>
<td>-</td>
<td>322</td>
</tr>
</tbody>
</table>
5.6.9. Secondly, it is important to understand the context of the data. From our analysis, between January 2014 and Jan 2019 there were 98 separate housing schemes across the UK which were used for ‘elemental’ analysis in determining the various BCIS rates. Of this sample, the size of schemes ranged from 2 houses to 109 houses, with an average of 15.54 houses per scheme submitted into the data. 80% of the sample comprised schemes consisting of 20 houses or less and only 6.12% of the sample (6 schemes) comprised 50 or more dwellings.

5.6.10. In other words, the vast majority of the data used for analysis when determining the various BCIS rates was derived from small schemes implemented by either local or relatively small contractors. We note that no volume housebuilder contributed to the aforementioned sample.

5.6.11. It is generally accepted that volume housebuilders are able to construct houses at a cheaper rate than smaller building firms (owing to their ability to bulk-buy materials and their ability to offer more regular work, therefore negotiate cheaper contracts with sub-contractors etc). The BCIS acknowledges this through a note on “Economies of Scale” it published on 25th Oct 2016, which states the following:

*Pricing levels on building contracts tend to fall as the size of the project increases.*

*The latest BCIS Tender Price Study, based on project tender price indices analysed by contract sum, shows that pricing levels fall by as much as 20% between small contracts and multimillion pound schemes.*

*Compared to the mean value of projects in the study of £1.7million projects, pricing on small projects is 10% higher, while pricing on projects over £40million can be 10% lower.*
5.6.12. The sample used in the elemental analysis only includes a small number of larger scale projects, instead it is mostly derived from schemes comprising 20 or less houses. As the cheaper volume house-builder costs are not reflected within this sample, the data can be regarded as being inherently high, at least when trying to determine the construction costs for a large scheme (in excess of say 50 units). For this reason, the BCIS is considered to be less reliable for larger developments (particularly those which would require implementation by a large volume house builder). To account for this, the BCIS lower quartile figure is often deemed a more appropriate benchmark for larger scale projects.

5.6.13. Thirdly, the data is partly estimated and is vulnerable to short-term ‘spikes’ in the wider construction market (regardless of whether this has in fact filtered through to specific tender prices for specific products e.g. housing). This can cause sharp short-term ‘jumps’ in the BCIS rates shown, which then typically level off in the future. For undertaking a study at a particular point in time, this can provide an unbalanced view of the market. As indicated above, in 2017 the BCIS rates reflected sharp inflationary pressure, but as shown this levelled off in 2018. Applying BCIS rates, which can incorporate recent spikes in the market place, can provide an unbalanced view of scheme viability.

5.6.14. The BCIS is a useful tool and routinely used when undertaking area wide studies. However, there are weaknesses in the sampling, particularly when assessing larger scale projects. As such, the context of the data needs to be understood and adjustments should be applied to certain scheme types.

5.6.15. Furthermore, the following appeal decisions (as previously referred to in Section 3) are relevant here:
**Poplar Close, Ruskington (ref 3150756)**
- Greenfield site, 67 dwellings.
- Average sales values £2,100 - £2,300 per sq m.
- Use of lower quartile BCIS agreed and accepted by the Inspector.

**Flaxley Rd, Selby (ref 3149425)**
- Greenfield site, 202 dwellings.
- Average sales values £2,000 per sq m.
- Inspector ruled that the lower quartile BCIS was not appropriate for determining build costs when a scheme was (i) likely to be delivered by a volume house builder and (ii) other information / data was available.
- A figure below the lower quartile was accepted by the Inspector.

**Lowfield Road, Bolton upon Dearne, Barnsley (PINS ref 3170851)**
- Greenfield site, Phase 3 97 dwellings.
- Low value location.
- Inspector accepted build costs significantly lower than the BCIS lower quartile, on the basis of the scheme was likely to be delivered by a ‘low cost’ developer.

**5.6.16.** Two of the three appeal decisions therefore advocate the use of a build cost below the BCIS lower quartile in relation to scheme being delivered by volume housebuilders (either regional or national). In the case of a low value location scheme (implemented by a ‘low cost’ developer), the build costs are some-way below the BCIS lower quartile rate. This is also reflected in our own experience of undertaking individual viability assessments in low value locations, where we typically see build costs below the BCIS lower quartile rate.
5.6.17. In terms of our in-house data, we collate all viability appraisals received by us from applicant’s regarding individual planning applications. Since Jan 2017 our database shows over 100 individual cases across the North of England and East Midlands, ranging from 4 to 864 dwellings (sample average 119).

5.6.18. With regards to build costs, we have limited the sample to appraisals received during the last 9 months (i.e. since Sep 2018), to ensure the data is more up to date with recent cost inflation. We have identified 15 housing schemes, ranging from 14 up to 215 dwellings. For schemes sub 50 units the average build cost equates to £1,117 per sq m. For schemes over 50 units the average build cost equates to £1,047 per sq m. This suggests there is a saving between schemes more likely to be delivered by volume house builders.

5.6.19. In terms identifying an appropriate rate the BCIS does allow the data to be ‘rebased’ specifically to certain locations (including the Doncaster area). However, we note that the sample size for the Doncaster area is stated as being ‘19’. The “BCIS Tender Price Studies – Location Study” (Sept 2018), as prepared by the BCIS (see Appendix 1b) states:

“The higher the number in the sample, the more reliable the results are likely to be. Treat small samples (less than 20) with caution.”

5.6.20. In this case, the Doncaster data is therefore considered to be less reliable as the sample is only 19. To provide more reliable data we therefore consider it appropriate to use the wider ‘South Yorkshire’ figures, which are based on a sample of 154.

5.6.21. The current BCIS rates, rebased to Doncaster, are as follows:

<table>
<thead>
<tr>
<th>Storey Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 storey lower quartile</td>
<td>£938 per sq m</td>
</tr>
<tr>
<td>2 storey median</td>
<td>£1,043 per sq m</td>
</tr>
</tbody>
</table>
5.6.22. We note in the Council’s 2016 study appraisals were tested at both lower quartile and median rates. However, for the reasons discussed above we consider the median rate to be less applicable to sites being delivered by volume housebuilders.

5.6.23. In terms of the stakeholder comments:

- 6 specific representations were made with respect to build costs.
- 4 out of the 6 agreed with the allowances above.
- 1 party suggested that the BCIS median figure should apply to all sites.
- 1 party suggested the BCIS lower quartile should only apply to strategic developments.

5.6.24. For the reasons set out above, if anything, we consider the use of BCIS lower quartile to be cautious when applied to larger scale schemes (in this case defined as being schemes of 50 units or more).

5.6.25. For the purposes of the testing we have subsequently applied the BCIS lower quartile to schemes providing 50 or more dwellings (being site types likely to be brought forward by regional and national house builders). However, as discussed above, this is considered to be a cautious approach and in reality schemes are likely to be brought forward with reduced build costs, particularly by low cost developers. For our ‘low cost developer’ sensitivity testing we have subsequently reviewed build cost submitted to us by low-cost developers. Based on this evidence, we consider a rate of £850 per sq m to be reasonable to cover the basic plot construction costs.

5.6.26. For site types below 50 units, we have applied the median rate, on the basis that these would be delivered by local builders, who are less likely to be able to make the quantum savings available to volume house builders.
5.7. Externals / infrastructure

5.7.1. As discussed above, the BCIS rates exclude any allowance for external / infrastructure costs. For this reason it is necessary to make additional allowances to cover standard road costs, drainage, services, parking, footpaths, landscaping etc.

5.7.2. In the 2016 viability study, an additional allowance of 15% of the BCIS rate was applied to cover the standard external works. This was based on various sources of evidence, including stakeholder engagement and other regional viability studies.

5.7.3. By way of additional evidence we have again referred to our in-house database of individual viability appraisals submitted to us by applicants. To consider the externals we have broadened the sample to include all housing schemes received since Jan 2017. The sample comprises 68 individual appraisals across the north of England and east Midlands, providing a range from 4 to 650 dwellings, with a sample average of 106 dwellings per site. The overall average across the sample equates to 15.35%, therefore broadly in line with the 15% previously allowed.

5.7.4. We also note the previous viability studies referred to in the 2016 viability report, which showed an average allowance of 12.5% to 14.6%. We have been involved with a number of area wide studies during the last couple of years (including on behalf of Durham County Council, Northumberland County Council, Newcastle / Gateshead Councils and more recently Barnsley Council). For these studies again an allowance of 15% is typically applied to cover external works.
5.7.5. In terms of the stakeholder comments:

- 5 specific representations were made with respect to externals.
- 4 out of the 5 agreed with an allowance of 15%.
- 1 party suggested this should be 20%.

5.7.6. No evidence is provided to justify the 20% allowance suggested. The majority deem 15% to be reasonable.

5.7.7. Having considered the above we conclude that a 15% allowance is reasonable for the purposes of the viability testing.

5.8. Contingency

5.8.1. As discussed above, the BCIS rates exclude any allowance for contingency. In our experience it is standard practice to include some level of contingency when preparing viability assessments (to cover unknown factors such as delays in construction due to poor weather).

5.8.2. That said, the Planning Practice Guidance for viability states the following:

\[
\text{Explicit reference to project contingency costs should be included in circumstances where scheme specific assessment is deemed necessary, with a justification for contingency relative to project risk and developers return.}
\]

5.8.3. This appears to imply that a contingency allowance should only apply to individual cases at the decision-making stage, not at plan-making stage. In this regard, including a contingency allowance can be regarded as being cautious (as it goes against the national policy guidance).
5.8.4. In the 2016 viability study, a rate of 3% was applied to greenfield typologies and 5% to brownfield schemes (applied to both the BCIS rate and the externals allowance). The rationale was that there were likely more ‘unknown’ costs associated with brownfield sites which makes it more difficult to accurately gauge the construction costs. To reflect this, the contingency was increased.

5.8.5. Notwithstanding the guidance set out above, we have again referred to our in-house sample of 68 viability appraisals received from applicants. However, to test the adopted levels of contingency we have categorised the sample into brownfield and greenfield (to determine whether there is a significant difference between the different schemes types). The date shows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Sites Sample</th>
<th>Average Contingency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownfield</td>
<td>26</td>
<td>3.35%</td>
</tr>
<tr>
<td>Greenfield</td>
<td>42</td>
<td>3.55%</td>
</tr>
</tbody>
</table>

5.8.6. It is stressed that the above sample is derived from appraisals put forward by applicants. It should be noted that it is the interests of the applicant to try to ‘down play’ the viability of a scheme therefore there is the potential for costs to be pushed towards the upper limit of expectations. For this reason, it is the case that not all of the figures put forward by the applicant in their initial appraisal will have been accepted and in fact often will be reduced through the viability review process. It is therefore the case that if anything the sample of evidence referred to is likely to be slightly above expectations.

5.8.7. However, and appreciating this context, the evidence identified suggests there can be little difference in the contingency allowances put forward between greenfield and brownfield sites and that often similar rates are applied.
5.8.8. In terms of the stakeholder comments:

- 5 specific representations were made with respect to contingency allowances.
- 4 out of the 5 agreed with an allowance of 3%.
- 1 party suggested this should be 5%.

5.8.9. No evidence is provided to justify the 5% allowance suggested. The majority deem 3% to be reasonable.

5.8.10. Having considered the above, we maintain that it is appropriate to include some level of allowance for contingency, even though this may now be regarded as a cautious approach given the Planning Practice Guidance on viability. In terms of the rate applied, given that the approach is if anything cautious and also the evidence shown above, we consider a 3% allowance to be reasonable for the purposes of the study.

5.9. Abnormal development costs

5.9.1. ‘Abnormals’ are considered to be costs over and above the ‘typical’ costs incurred in developing a scheme. A typical development cost is regarded as elements such as estate roads, drainage, general services, standard foundations, street lighting etc. Examples of abnormal costs (although not exhaustive) can include elements such as: decontamination works, demolition, asbestos removal, flood risk mitigation, enhanced foundations, ‘extra-over’ drainage requirements to reflect the specific circumstances of a site etc.
5.9.2. Given that abnormal costs will vary from site to site dependent on each specific circumstance the range of abnormal costs incurred can be significant (from zero to multi million pounds). For the purposes of an area wide viability study, which considers hypothetical typologies, it is therefore extremely difficult to identify a robust average.

5.9.3. For this reason, in some area wide studies assessors have chosen to exclude abnormal costs from the assessments. Furthermore, assessors have taken the view that any abnormal costs incurred would be (to the most part) net from the benchmark land value and which would offset any impact on the viability outcome. This is in fact supported by the Planning Practice Guidance on viability from July 2018, which stresses that any assessment of benchmark land value should take into account the associated abnormals / infrastructure costs for each site (with the implication being the higher the abnormals / infrastructure costs the lower the benchmark land value and vice versa).

5.9.4. However, in our view it is still beneficial to make some level of allowance for abnormals in the appraisal testing, because in our experience in most cases developments will attract some form of abnormal costs. This therefore helps the typology testing to be more reflective of reality.

5.9.5. In this respect, we note the previous viability study in 2016 also made a ‘spot’ allowance to cover abnormal costs, for the same reasons. At the time £100,000 per gross Ha was allowed for greenfield sites, increasing to £200,000 per gross Ha for brownfield sites (cleared) and £300,000 per gross Ha for brownfield (occupied). The rationale in differentiating between greenfield and brownfield sites was because it was judged that brownfield sites will typically have a greater chance of incurring costs such as decontamination, remediation, demolition, asbestos removal, tenant removal etc, which would serve to increase the overall abnormal cost burden.
5.9.6. As indicated above, the spot allowance approach is not entirely satisfactory as it is a broad assumption which is likely to vary significantly when applications are brought forward on a site by site basis. However, it at least acknowledges the reality that a higher proportion of developments typically come forward with some level of abnormal costs. Furthermore, it can also still be balanced against the appropriate benchmark land value, as per the requirements of the Planning Practice Guidance.

5.9.7. In terms of the stakeholder comments:

- 7 specific representations were made with respect to abnormals.
- 3 out of the 7 agreed with the allowance.
- 4 out of the 7 indicated that they regularly experience abnormal costs at higher levels than has been allowed in the testing.

5.9.8. Concerns have therefore been raised by some stakeholders as to whether our allowance of £100,000 per net Ha for greenfield sites and £200,000 / £300,000 per net Ha for brownfield sites were too low. Stakeholders argued that, typically, abnormal costs incurred are significantly higher than these rates (although specific rates were not universally agreed between stakeholders).

5.9.9. However, the Planning Practice Guidance on viability is clear that the level of abnormal costs must be reflected in the benchmark land value (through a reduction in the premium uplift). As abnormal costs increase, the premium uplift should reduce (the rationale being that the cost burden in relation to abnormal costs should largely be borne by the landowner rather than by a Local Authority through a loss of planning gain).
5.9.10. In summary, we accept that abnormal costs fluctuate and can be in excess of the allowances adopted in the August 2016 viability study. However, there is also the potential for these costs to be below the allowances made.

5.9.11. Furthermore, and more fundamentally when considering viability, whatever assumptions are made in relation to abnormal costs, the guidance is clear that this needs to be balanced against the benchmark land value. If abnormals are increased in the modelling, then the guidance states that the benchmark land value must be reduced to counter-balance.

5.9.12. Having considered this, and taking into account the benchmark land values adopted (as discussed below in Section 5.14), and for the purposes of consistency, we have no reason to adjust the average abnormal cost allowances made. We have therefore also allowed £100,000 per Ha for greenfield sites, increasing to £200,000 per Ha for brownfield (cleared) and £300,000 per gross Ha for brownfield (occupied).

5.10. Professional fees

5.10.1. In the 2016 viability study, an allowance equivalent to 6% on the basic build costs / externals was applied to schemes providing in excess of 20 dwellings. For schemes providing less than 20 dwellings the allowance was increased to 8%.

5.10.2. We have again referred to our in-house sample of 68 viability appraisals received from applicants. However, to test the adopted levels of contingency we have categorised the sample into brownfield and greenfield (to determine whether there is a significant difference between the different schemes types). The date shows:
Sub 20 dwellings - 13 sites sample average 7.81%
Over 20 dwellings - 55 sites sample average 6.57%

5.10.3. It is stressed that the above sample is derived from appraisals put forward by applicants. It should be noted that it is the interests of the applicant to try to ‘down play’ the viability of a scheme therefore there is the potential for costs to be pushed towards the upper limit of expectations. For this reason, it is the case that not all of the figures put forward by the applicant in their initial appraisal will have been accepted and in fact often will be reduced through the viability review process. It is therefore the case that if anything the sample of evidence referred to is likely to be slightly above expectations.

5.10.4. Furthermore, the over 20 dwellings sample is impacted by 2 outliers in the sample over 12% (which were both later challenged and reduced through the viability process). If these outliers are removed, the overall average reduces to 6.33%.

5.10.5. In terms of the stakeholder comments:
- 7 specific representations were made with respect to professional fees.
- 5 out of the 7 agreed with the allowance.
- 1 party suggested the professional fees were too low.
- 1 party suggested the minimum should be 8%, rising to 10% in certain cases.

5.10.6. As stated above, the majority of the respondents considered the professional fees allowance to be reasonable. No supporting evidence was provided by stakeholders to justify an increase from this allowance.
5.10.7. Having considered the above, we agree that units providing sub 20 dwellings are likely to have an increased proportion of professional fees. Further, based on the evidence identified an allowance of 8% is deemed appropriate for sub 20 dwellings and 6% for over 20 dwellings.

5.11. Marketing and legal fees

5.11.1. In the 2016 viability study, an allowance equivalent to 3% on revenue for schemes providing in excess of 10 dwellings was made. For schemes providing less than 10 dwellings the allowance was reduced to 1.5%. The rationale was that for schemes of less than 10 dwellings a local estate agent could be engaged without necessarily the need for a showhome. For schemes over 10 dwellings, a more sophisticated marketing programme was deemed necessary, including a show home requirement, which served to increase costs.

5.11.2. The averages for marketing as shown from our in-house viability database are as follows:

<table>
<thead>
<tr>
<th>Sub 10 dwellings</th>
<th>-</th>
<th>3 sites sample average 2.75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 10 dwellings</td>
<td>-</td>
<td>65 sites sample average 2.58%</td>
</tr>
</tbody>
</table>

5.11.3. For the sub 10 dwelling schemes the sample is small therefore it is difficult to draw any firm conclusions.

5.11.4. However, for schemes in excess of 10 dwellings the average suggests a reduction from 3% is appropriate.
5.11.5. In terms of the stakeholder comments:

- 6 specific representations were made with respect to marketing fees.
- 4 out of the 6 agreed with the allowance.
- 1 party suggested the marketing fees should be 3%.
- 1 party suggested the marketing fees should be 3.5% or 4%.

5.11.6. As shown above, the majority agreed with the rates applied. Furthermore, no tangible evidence was provided to justify an increase.

5.11.7. Having considered the above, we consider it appropriate to adopt a single allowance of 2.5% to apply to all development types.

5.11.8. With regards to legal costs a £500 per unit legal fee is considered to be reasonable for the market value dwellings. For the affordable units, which are typically transferred in bulk to a single party, the costs will be reduced. We consider an allowance of £300 per affordable unit to be reasonable.

5.12. Finance

5.12.1. In the 2016 viability study, a 6% debit interest charge was included for schemes providing in excess of 10 dwellings. For schemes providing less than 10 dwellings the rate was increased to 7%. The rationale was that for schemes of less than 10 dwellings (most likely to be delivered by local builders) funders would perceive these as a higher risk which would be reflected in the return they required. For schemes over 10 dwellings, more likely to be brought forward by larger organisations the perceived risk was considered to be lower, which served to decrease the interest rate chargeable.
5.12.2. The averages for marketing as shown from our in-house viability database are as follows (please note some of the appraisals received excluded any finance costs therefore for the purposes of our analysis we have removed these from the sample):

- Sub 10 dwellings - 3 sites sample average 6.50%
- Over 10 dwellings - 57 sites sample average 5.76%

5.12.3. For the sub 10 dwelling schemes the sample is small therefore it is difficult to draw any firm conclusions.

5.12.4. However, for schemes in excess of 10 dwellings the average suggests sub 6% is appropriate.

5.12.5. In terms of the stakeholder comments:

- 5 specific representations were made with respect to finance.
- All 5 agreed with the allowance.

5.12.6. Having considered the above, and taking into account the current uncertainty in the market place surrounding the ongoing Brexit negotiations, we have adopted a cautious approach, retaining 6% for schemes over 10 dwellings and 7% debit interest for those below 10 dwellings.

5.13. Developer Profit

5.13.1. The PPG refers to a range of developer’s profit from 15% to 20% on revenue. It is stressed that profit is a function of risk and therefore it is appropriate to allow some fluctuation from site to site (as different sites carry different risks).
5.13.2. The 2016 study assumed the following:

- Sub 10 dwellings 15% on revenue for market value and 8% for affordable
- Over 10 dwellings 18.5% on revenue for market value and 8% for affordable

5.13.3. By way of supporting evidence, we have again referred to our in-house database of appraisal received by us from applicants. Please note, not all of the appraisals explicitly stated what was deemed a viable profit level (as some of the appraisals simply showed a residual profit, rather than a residual land value and in these cases the applicant typically stated whether it was deemed viable or not). For this reason we have excluded these cases from the sample.

<table>
<thead>
<tr>
<th>Sub 10 dwellings</th>
<th>-</th>
<th>3 sites sample average 16.67%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 10 dwellings</td>
<td>-</td>
<td>68 sites sample average 18.34%</td>
</tr>
</tbody>
</table>

5.13.4. For the sub 10 dwelling schemes the sample is small therefore it is difficult to draw any firm conclusions.

5.13.5. However, for schemes in excess of 10 dwellings the average broadly supports the previous assumption of 18.5%.

5.13.6. With regards to the affordable units, the rationale is that affordable dwellings can be ‘bulk sold’ to a single Registered Provider upon practical completion, often with a deal having been agreed before the construction works take place. This significantly reduces the risks associated with constructing these units (compared to market value dwellings that are constructed speculatively and then sold on an individual basis over time).
5.13.7. Furthermore, there are examples from appeal decisions where a variety of profit margins have been accepted. For example, at the Poplar Close, Ruskington (ref 3150756) appeal decision a 17.5% profit margin was deemed acceptable by the Inspector. In contrast, at the Flaxley Rd, Selby (ref 3149425) appeal the Inspector agreed to a 20% rate. This therefore highlights the nature of development and the fact that risk will differ from site to site. For example, it is reasonable to assume that a 50 dwelling scheme in a high value greenfield location would carry a lower risk than a 50 dwelling scheme in a low value brownfield location. The variation of risk and profit therefore reflects the workings of a free market.

5.13.8. In terms of the stakeholder comments:

- 8 specific representations were made with respect to developer profit.
- 2 out of the 8 agreed with the allowance.
- 1 party suggested 18.5% was appropriate for greenfield sites but should be increased to 20% for brownfield (to reflect increased risk).
- 1 party suggested 18.5% was reasonable for a ‘typical’ developer but should be increased to 20% for a low-cost developer.
- 3 parties suggested a fixed rate of 20% should apply.

5.13.9. Some of the respondents therefore accepted the allowances. However, 6 out of the 8 suggested that a rate of 20% should be applied, if not in all circumstances at least to some typologies.
5.13.10. Having considered all of the above, there is a legitimate argument to support a range of developer profit rates, at least for the market value dwellings (which is an approach supported through the PPG). Furthermore, the evidence identified supports the previous broad assumptions made. For the purposes of our 'base' appraisal testing we therefore consider the allowances outlined above to be reasonable.

5.13.11. However, for the purposes of the study, we have adopted a sensitivity test based on a 20% developer profit (applied to the market value units) to assess what impact (if any) this has on the viability outcomes.

5.14. Residential Benchmark Land Value (BLV)

5.14.1. The principles behind this concept are discussed above in Chapter 3. In short, the BLV represents the minimum land value that a hypothetical landowner would accept to release their land for development, in the context of the prevalent planning policies. A BLV does not therefore attempt to identify the market value; it is a distinct concept.

5.14.2. To identify the BLV, the PPG recommends using a premium over existing use value (EUV) and credible alternative values as a means of determining the BLV. This methodology was only introduced in its current form in July 2018 (and reinforced in the May 2019 update).
5.14.3. Whilst a similar ‘existing use value plus premium’ approach had been advocated in previous guidance, there are a number of clarifications in the more recent PPG which has solidified the required approach. We note that the 2016 Doncaster viability study did follow a broad ‘existing use value plus premium’ methodology, however as this was undertaken prior to the most recent guidance some of the clarifications now in place were not necessarily reflected in the previous study.

5.14.4. For clarity, in the wake of the most recent guidance, for the purposes of this review it is necessary to again adopt an ‘existing use value’ plus premium approach. However, the following key elements must also be reflected:

- The existing use value must disregard any hope value for future development.

- A BLV must reflect the implications of all abnormal costs, site specific infrastructure costs and professional fees. The inference being that the higher these costs are the lower the premium should be above the existing use value.

- Where market evidence is used to inform the benchmark land value this should only be based on schemes which are compliant with the full planning policies (including affordable housing). 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.
- For any viability assessment data sources to inform the establishment of the landowner premium should include market evidence and can include benchmark land values from other viability assessments.

**5.14.5.** The first step is therefore to identify the existing use value of a site. It is stressed that different site types can have fundamentally different existing use values. For example, an agricultural field is likely to have only a modest existing use value based on agricultural land values. An occupied brownfield site (for example an existing industrial estate) would have a much higher existing use value based on the existing industrial accommodation.

**5.14.6.** The second step is to establish the suitable premium uplift. On this, the PPG guidance is silent. However, in the Former Territorial Army Centre, Parkhurst Rd, Islington High Court decision (2018 EWHC 991 case number CO/3528/2017) a general principle of a percentage uplift was agreed (in keeping with our own experience which considers broadly a 10% to 30% uplift to be a reasonable incentive for a landowner above the existing use value).

**5.14.7.** However, the Parkhurst Rd case specifically related to a brownfield site. If a similar uplift was provided on an agricultural field (say 30%), this is unlikely to be deemed a reasonable incentive if the existing use value is say £20,000 per Ha. For this reason, in our experience a more significant multiple of the existing use value is typically applied in the case of agricultural /undeveloped amenity land. In our experience this tends to range from 5 to 25 times the existing use value. The lower end of the range typically reflects larger scale schemes, with high abnormal / infrastructure costs and / or in weaker market areas. The upper end of the range tends to be small scale schemes, with low abnormalities / infrastructure costs and / or in stronger market locations.
5.14.8. In the 2016 viability study, the following BLVs were identified and applied to the viability testing:

**Greenfield**
- Low value area: £197,680 per gross Ha (£80,000 per acre)
- Medium value area: £271,810 per gross Ha (£110,000 per acre)
- High value area: £345,940 per gross Ha (£140,000 per acre)

**Brownfield**
- Cleared: £185,325 per gross Ha (£75,000 per acre)
- Occupied: £370,650 per gross Ha (£150,000 per acre)

5.14.9. Firstly, we have considered the existing use values for greenfield land and have identified the following agricultural land available for sale in South Yorkshire:

**Table 4 – Agricultural land comparables**

<table>
<thead>
<tr>
<th>Location</th>
<th>Gross area (Ha)</th>
<th>Type</th>
<th>Asking / sold £ per gross Ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grindleford, Hope Valley</td>
<td>44.65</td>
<td>Grazing</td>
<td>£15,675</td>
</tr>
<tr>
<td>Aston, Sheffield</td>
<td>19.36</td>
<td>Arable</td>
<td>£17,558</td>
</tr>
<tr>
<td>Aston, Sheffield</td>
<td>11.30</td>
<td>Arable / restored</td>
<td>£17,701</td>
</tr>
<tr>
<td>Grindleford, Hope Valley</td>
<td>10.79</td>
<td>Grazing</td>
<td>£14,830</td>
</tr>
<tr>
<td>Aston, Sheffield</td>
<td>6.14</td>
<td>Arable / woodland</td>
<td>£16,289</td>
</tr>
<tr>
<td>Apy Hill Lane, Tickhill</td>
<td>2.77</td>
<td>Arable</td>
<td>£18,063</td>
</tr>
<tr>
<td>Morton, Gainsborough</td>
<td>2.67</td>
<td>Grassland</td>
<td>£18,720</td>
</tr>
<tr>
<td>Ecclesfield, Sheffield</td>
<td>2.42</td>
<td>Grassland</td>
<td>£20,275</td>
</tr>
<tr>
<td>Thurgoland, Sheffield</td>
<td>2.40</td>
<td>Arable</td>
<td>£20,765</td>
</tr>
<tr>
<td>Ecclesfield, Sheffield</td>
<td>2.37</td>
<td>Grassland</td>
<td></td>
</tr>
<tr>
<td>Aston, Sheffield</td>
<td>1.93</td>
<td>Arable / pasture</td>
<td></td>
</tr>
</tbody>
</table>
5.14.10. The range shown above is from £14,830 to £31,166 per gross Ha, with fluctuations mainly dependent on the type of land and size. The average across the sample is £20,652 per Ha.

5.14.11. Having considered this evidence we conclude that an average exiting use value equivalent to £20,000 per gross Ha is appropriate for agricultural / amenity land.

5.14.12. To inform the benchmark land value the guidance states that market evidence can be used. However, any market transactions considered must either be fully policy compliant or adjusted to reflect full policy compliance. Factors such as abnormal costs must also be considered, to ensure a ‘like for like’ comparison. This, though, is a secondary ‘sense check’ and the existing use value plus premium is the primary method for establishing a benchmark land value. The focus is now clearly on first establishing the existing use value before considering the premium uplift.

5.14.13. Within this context we have considered transactional evidence for greenfield sites and note the following from the wider South Yorkshire region:

<table>
<thead>
<tr>
<th>Location</th>
<th>Size (Ha)</th>
<th>Use</th>
<th>Value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bradfield, Sheffield</td>
<td>1.60</td>
<td>Grazing</td>
<td>£23,146</td>
</tr>
<tr>
<td>Vicarage Lane, Beckingham</td>
<td>1.35</td>
<td>Grassland</td>
<td>£31,166</td>
</tr>
<tr>
<td>Old Trent Rd, Beckingham</td>
<td>1.28</td>
<td>Grazing</td>
<td>£18,767</td>
</tr>
<tr>
<td>Main St, Great Heck</td>
<td>1.14</td>
<td>Arable</td>
<td>£21,906</td>
</tr>
<tr>
<td>Hardwick Lane, Pontefract</td>
<td>0.78</td>
<td>Amenity</td>
<td>£24,581</td>
</tr>
<tr>
<td>Fitzwilliam St, Swinton</td>
<td>0.16</td>
<td>Amenity</td>
<td>£18,533</td>
</tr>
</tbody>
</table>

The focus is now clearly on first establishing the existing use value before considering the premium uplift.
Table 5 – Greenfield land transactions

<table>
<thead>
<tr>
<th>Address</th>
<th>Pcode</th>
<th>Planning at sale?</th>
<th>Gross Land area (Ha)</th>
<th>Sale Price £</th>
<th>£ per Ha</th>
<th>EUV £ per Ha</th>
<th>Multiple of EUV</th>
<th>Sale Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fenwick Comon Lane, Moss</td>
<td>DN6</td>
<td>No</td>
<td>0.69</td>
<td>£25,000</td>
<td>£36,338</td>
<td>£20,000</td>
<td>1.82</td>
<td>18/07/2018</td>
</tr>
<tr>
<td>White Lane, Thorne</td>
<td>DN8</td>
<td>No</td>
<td>2.14</td>
<td>£150,000</td>
<td>£69,934</td>
<td>£20,000</td>
<td>3.50</td>
<td>14/11/2017</td>
</tr>
<tr>
<td>Spa Terrace, Askern</td>
<td>DN6</td>
<td>No</td>
<td>5.94</td>
<td>£514,000</td>
<td>£86,578</td>
<td>£20,000</td>
<td>4.33</td>
<td>27/06/2016</td>
</tr>
<tr>
<td>Moor Dike Rd, Hatfield</td>
<td>DN7</td>
<td>No</td>
<td>0.24</td>
<td>£26,000</td>
<td>£108,892</td>
<td>£20,000</td>
<td>5.44</td>
<td>19/04/2018</td>
</tr>
<tr>
<td>New Station Rd, Swinton</td>
<td>S64</td>
<td>No</td>
<td>0.08</td>
<td>£18,000</td>
<td>£211,800</td>
<td>£20,000</td>
<td>10.59</td>
<td>17/07/2018</td>
</tr>
<tr>
<td>Nelson St, Doncaster</td>
<td>DN4</td>
<td>No</td>
<td>0.23</td>
<td>£62,000</td>
<td>£273,575</td>
<td>£20,000</td>
<td>13.68</td>
<td>17/07/2018</td>
</tr>
<tr>
<td>Decoy Bank North, Doncaster</td>
<td>DN4</td>
<td>No</td>
<td>0.11</td>
<td>£40,000</td>
<td>£366,074</td>
<td>£20,000</td>
<td>18.30</td>
<td>17/07/2018</td>
</tr>
<tr>
<td>Kestrel Drive, Mexborough</td>
<td>S64</td>
<td>No</td>
<td>0.04</td>
<td>£23,000</td>
<td>£516,664</td>
<td>£20,000</td>
<td>25.83</td>
<td>21/02/2019</td>
</tr>
<tr>
<td>Dockin Hill Rd, Doncaster</td>
<td>DN1</td>
<td>No</td>
<td>0.10</td>
<td>£51,000</td>
<td>£525,088</td>
<td>£20,000</td>
<td>26.25</td>
<td>21/02/2018</td>
</tr>
<tr>
<td>Chase Park, Malton Way, Woodlands</td>
<td>DN6</td>
<td>Yes</td>
<td>1.20</td>
<td>£900,000</td>
<td>£750,000</td>
<td>£20,000</td>
<td>37.50</td>
<td>18/09/2017</td>
</tr>
</tbody>
</table>

5.14.14. Assuming an average existing use value of £20,000 per Ha, the above shows a wide range of multiples above the existing use value (1.82 up to 37.50, with an average of 14.72 across the sample).

5.14.15. However, we have reservations as to the robustness of this evidence for the following reasons:

- The majority of the sample are from schemes without planning permission at the point of sale. This will alter a landowner’s expectation (and the subsequent multiple they would be willing to accept above the existing use value).

- For the one scheme where a planning permission was in place it is unclear as to whether this was fully policy compliant (which is required for the analysis as set out in the Planning Practice Guidance).

- Half of the sample are from schemes sub 0.25Ha (i.e. small projects). Size impacts on the level of premium and landowner would be willing to accept.
- Some of the data is from 2016 / 2017 so less weight can be attached to it.

- All of the sales took place before the new NPPF / PPG were published at the end of July 2018, therefore the rules and guidance set out in these documents is not reflected in the price paid.

5.14.16. As a general sense check of landowner expectations from the wider north of England and East Midlands regions, we have again reviewed our in-house viability database, albeit restricting the search from Jan 2018. It is acknowledged that this data is derived from a much broader area, often outside of South Yorkshire. Nonetheless, this is useful for gauging a general ‘tone’ of BLVs across a broad area. It is also stressed that, bar some inevitable outlying examples, BLVs for the majority of the cases remain within a relatively narrow spectrum across this wide region, as summarised below. Please note the figures are given on a per gross Ha basis, therefore net rates would be higher. Also, the full data remains confidential however we able to provide sample averages and ranges of the opinions of benchmark land values provided to us by applicants / their advisors:

- 23 schemes within the sample ranging from 14 dwelling schemes to 650.

- Assuming an average existing use value of £20,000 per Ha, the required multiple ranges from 1.60 to 37.42 times the existing use value. The average across the sample is 17.20. The median is 16.19.

- Of the sample, 9 of the 23 schemes provide in excess of 50 dwellings. For these schemes the average multiple reduces to 12.99. This suggests, for reasons of quantum, required multiples reduces as the scale of the scheme increases.
5.14.17. However, it is stressed that the majority of the data relates to viability assessments undertaken prior to the introduction of the PPG and the newly confirmed approach to assessing benchmark land values. Some of the benchmark land values have been based on different approaches (i.e. not the existing use value plus premium approach now advocated). Some of the approaches previously used in setting benchmark land values resulted in inflated values when compared to the existing use value plus premium approach. For this reason, the averages identified can be regarded as being high when considered against the new existing use value plus premium approach.

5.14.18. In summary, premium uplifts can vary significantly from site to site and can be as low as circa 5 times the existing use value. At this lower end of the range this typically reflects larger scale sites with significant abnormals and in low value areas. Higher premium uplifts typically reflect sites in higher value areas, or a smaller sites will little or no abnormal costs.

5.14.19. In this regard, we are aware of the recent (Oct 2018) “Report on the examination of the draft North Tyneside Community Infrastructure Levy Charging Schedule”¹. In their report, the Inspector states:

“The benchmark or threshold land value applied is some 30 times existing use value (EUV) on greenfield sites (recognising the range is 20 – 30 times)... I see little persuasive evidence that these judgements are unreasonable”. Para 21

5.14.20. However, the report goes on to say:

“The modelling also factors in an allowance for ‘abnormal’ costs on previously developed land [i.e. brownfield land] at £100,000 per hectare. For greenfield land I note the 2018 AWVA (paragraph 6.11) states that such sites can also require significant additional funding to make them appropriate for development, however the risk is reduced. It is put to me that land stability from former mining is a common matter for development in North Tyneside however it is acknowledged that not every plot or parcel of land requires remedial treatment. As such particular costs on some parts of a site can be borne by the wider site, although I note the specific viability modelling for the strategic sites makes a £3,000 per unit allowance. Additionally, given the history of the area the risk should have a bearing on the BLV. This, in part, informs my judgement that the approach taken in the North Tyneside CIL of a greenfield premium of up to 30 times EUV to be a reasonable approach in contrast to those submissions which assert the premium should be higher. I therefore find the approach to abnormal costs to be reasonable”. Para 32

5.14.21. This suggests that the North Tyneside viability testing excludes any allowance for abnormal costs on greenfield sites.
5.14.22. We have subsequently reviewed Capita’s “Area Wide Viability Assessment CIL updated, 2018” prepared on behalf of North Tyneside Council to confirm this. We note that the report (para 6.11) refers to an allowance of £100,000 per Ha to cover abnormal costs for brownfield sites, but does not refer to any uplift for greenfield sites. On this basis, it is clear that when determining benchmark land value for the North Tyneside sites there is an assumption of nil abnormal costs for greenfield land.

5.14.23. This is significant because if a site has nil abnormalities then the level of premium above the existing use value should be increased (and vice versa if there are abnormalities factored in this will push the level of premium down). At this point, we would stress that our base appraisal testing for the greenfield sites included an average allowance of £100,000 per net ha for abnormal costs. On this basis, the premium uplift applied in the North Tyneside testing (up to 30 times the existing use value) should be higher than our testing because at North Tyneside nil abnormalities were allowed.

5.14.24. Having considered all of the above, as well as the level of abnormal / infrastructure costs allowed, we consider the following greenfield benchmark land value to be appropriate for the purposes of this study:

Table 6 – Greenfield BLV’s

<table>
<thead>
<tr>
<th>Value area</th>
<th>EUV (£ / Ha)</th>
<th>Multiple of EUV</th>
<th>BLV (£ / Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>20,000</td>
<td>7.5</td>
<td>£150,000</td>
</tr>
<tr>
<td>Medium</td>
<td>20,000</td>
<td>12.5</td>
<td>£250,000</td>
</tr>
<tr>
<td>High</td>
<td>20,000</td>
<td>20</td>
<td>£400,000</td>
</tr>
</tbody>
</table>

5.14.25. At North Tyneside a range of 20 to 30 times the existing use value was accepted through examination, based on nil abnormal costs. Based on our abnormal cost assumption of £100,000 per net Ha, and in light of the evidence discussed above, the above rates are therefore considered to be reasonable.

5.14.26. Please note, if we were to adjust the abnormal cost assumption to ‘nil’ in the appraisal testing it would be appropriate to uplift the above benchmark land values. Likewise, if we were to increase the abnormal costs assumptions it would be necessary to reduce the above benchmark land values (by reducing the premium uplifts).

5.14.27. With regards to brownfield sites, in the 2016 viability study an average allowance of around £185,000 per gross Ha was applied to cleared brownfield sites and around £370,000 per gross Ha for cleared brownfield sites.

5.14.28. We have again considered an existing use value plus premium approach. However, for brownfield sites, as per the Parkhurst High Court decision, the premium uplift is significantly lower than greenfield sites (because the underlying existing use value is greater than a greenfield site). In our experience the uplift is typically in the order to 10% to 30%. The lower end reflects sites where the existing use is typically redundant (or the market for that use is more limited). The higher end is for sites where there is a stronger level of demand for the existing use.
5.14.29. For cleared brownfield sites existing use values will fluctuate from site to site dependent on the nature of the land, where it is located, size, abnormal costs etc. For example, a fully serviced, cleared brownfield site in a prime location close to the motorway network is likely to have a significantly higher existing use value than say a site with significant abnormal costs in a secondary / tertiary area no longer deemed suitable for commercial uses. However, for the purposes of the exercise we consider it appropriate to look to identify a single average rate to apply in the testing. We consider a rate of £175,000 per gross Ha to be reasonable (which also takes into account our assumption of £200,000 per net Ha for abnormal costs).

5.14.30. Likewise, for occupied brownfield sites existing use values will fluctuate from site to site dependent on the existing use. Again, though we consider it appropriate to look to identify a single average rate to apply in the testing. We consider a rate of £300,000 per gross Ha to be reasonable.

5.14.31. In terms of the premium uplift, for a cleared brownfield site we anticipate that less incentive would be required for a landowner to pursue a residential consent (as the fact the site has been cleared points to the commercial market being weaker in that location). An uplift of say 15% is deemed reasonable. For an occupied site, there would need to be a stronger incentive to justify a landowner disposing for residential development. A rate of 30% is deemed reasonable in these circumstances.
5.14.32. As a sense check, we have also looked at transactional evidence. However, of the 21 brownfield land transactions identified (form 2018 and 2019) 17 are for sites of 0.25Ha or less, i.e. they are small sites providing only a small number of dwellings. As small sites typically command larger ‘rates per Ha’ the evidence identified is not therefore particularly helpful when considering large scale brownfield sites. Furthermore, the sales identified all were being advertised either with residential planning permission or having the potential for residential planning permission. ‘Hope value’ is therefore included within the price paid, which the PPG states should be ignored when considering an existing use value.

5.14.33. As such, we have again reviewed our in-house viability database, albeit restricting the search from Jan 2018. It is acknowledged that this data is derived from a much broader area, often outside of South Yorkshire. Nonetheless, this is useful for gauging a general ‘tone’ of BLVs across a broad area. Please note the figures are given on a per gross Ha basis, therefore net rates would be higher. Also, the full data remains confidential however we able to provide sample averages and ranges of the opinions of benchmark land values provided to us by applicants / their advisors:

- 10 schemes within the sample ranging from 16 dwelling schemes to 138.

- The sample includes a mix of cleared sites as well as occupied properties.

- Benchmark Land Values range from £126,718 to £861,106 per gross Ha. The average is £582,357 per Ha, however this is not considered to be particularly helpful in this case as there are a wide range of site types, some with existing businesses in situ, which serve to inflate BLVs (and distort the sample average).
There is little discernible pattern from evidence identified, which is considered to be reflective of the wide variety of site types and existing uses.

5.14.34. The above suggests brownfield sites are more likely to be subject to variance as the benchmark land value will not only depend on factors such as location and size, but also whether the site is cleared or occupied, whether there is a business in situ and the nature of any existing businesses. It is therefore likely that in the event of a viability assessment coming forward for a brownfield site at decision making stage then the existing use value and subsequent benchmark land value will need to be carefully considered on a case by case basis.

5.14.35. However, having considered all of the above, and for the purposes of an area-wide viability assessment, there is considered to be no definitive evidence to justify a significant departure from the figures assumed in the 2016 study (albeit there will have been some inflation since this time).

5.14.36. For the cleared brownfield sites we have subsequently adopted an existing use value of £175,000 per Ha, plus a circa 15% uplift (considered reasonable in the context of the abnormal costs assumed). For the occupied brownfield sites the existing use value is assumed to be £300,000 per Ha, with a premium uplift of 30% (again set within the context of the abnormal cost assumptions). These rates equate to the following benchmark land values:

<table>
<thead>
<tr>
<th>Type</th>
<th>BLV (£ / Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleared</td>
<td>£200,000</td>
</tr>
<tr>
<td>Occupied</td>
<td>£400,000</td>
</tr>
</tbody>
</table>
5.14.37. In terms of the stakeholder comments:

- 7 specific representations were made with respect to benchmark land values.
- 3 out of the 7 agreed with the allowance.
- The remaining parties consider the allowances too low based on their experience of buying / disposing land.

5.14.38. The main concerns raised were in the context of stakeholder’s past experience of buying and selling land. However, the PPG is clear that comparisons can only be made with past transactions if those sales are adjusted to reflect the full planning policy requirements and also if key factors such as abnormal costs are known (i.e. to ensure a ‘like for like’ comparison). The PPG is also clear that the principal method for identifying a benchmark land value (which is a distinct concept from market value) is to adopt an existing use value plus premium approach, which has been adhered to in our review.

5.14.39. Having considered all of the above, our allowances as set out in Tables 6 and 7 are deemed to be reasonable for the purposes of the viability testing.

5.15. Local Plan policy requirements

Draft Local Plan Policy 8 – Affordable Housing

5.15.1. The draft policy consulted on in the 2018 Draft Policies & Proposed Sites consultation set out an on-site affordable housing policy requirement of 15% to 25%, dependent on the market value location, with a tenure split of 75:25 between affordable rent and affordable home ownership.
5.15.2. For the purposes of this review we have subsequently looked to test on-site affordable housing on an iterative basis at 15%, 20% and 25%.

5.15.3. Please note, as discussed above in section 2, the definition of affordable housing has been updated in the recent NPPF publication, to include more ‘affordable ownership’ products. For the purposes of the viability testing it is therefore considered appropriate to test different mixes of affordable housing (between affordable rented and ownership tenures) to see the impact this can have on scheme viability.

Draft Local Plan Policy 14 – Sustainable Transport

5.15.4. This seeks to promote sustainable transport within new developments. New schemes may be required to make contributions towards transport and highways infrastructure.

5.15.5. As suggested, not all schemes will need to provide a contribution and this will be assessed on a case by case basis.

5.15.6. Previously, we understand that the 2016 study allowed for an average contribution of £1,000 per dwelling for schemes providing 50 or more units.

5.15.7. By way of evidence we have reviewed 16 planning permissions granted by Doncaster Council since 2017. The schemes ranged from providing 13 dwellings up to 3,100 (albeit 9 out of the 16 schemes provided less than 25 dwellings). Of these, only 3 schemes attracted a highways contribution, being:

- Mere Lane, Edenthorpe £1,450 per dwelling
- Westminster Drive, Dunsville £216 per dwelling
- Land at Stainforth & Hatfield £651 per dwelling
5.15.8. 13 out of the 16 planning permissions review therefore had a nil highway requirement.

5.15.9. In light of the above, we consider an allowance of £1,000 per dwelling across all typologies to be in excess of expectations and not reflective of the actual requirements being sought from applications. It could be argued that a nil allowance should be applied given that the majority of cases do not attract a highways contribution. However, adopting a cautious approach an average allowance of £500 per dwelling is considered reasonable for the purposes of the viability testing.

Draft Local Plan Policy 29 – Open Space Provision

5.15.10. For schemes providing 20 dwellings or more between 10% and 15% of the site will be provided as on-site open space. If the site is adjacent to or close to a large open space (e.g. a public park or recreation area) a commuted sum may be deemed acceptable, calculated as being equivalent to 10% to 15% of the developable land value.

5.15.11. Schemes providing between 10 and 20 dwellings will be required to pay a commuted sum equivalent to between 10% to 15% of the developable land value.

5.15.12. By way of evidence we have reviewed the 16 planning permissions granted by Doncaster Council since 2017 (and referred to above). Of these, 9 schemes attracted an off-site commuted sum, ranging from £519 to £3,116 per dwelling (average of £1,785 per dwelling). It is assumed that the 7 sites which did not have a commuted sum provided an on-site provision instead.
5.15.13. From a modelling perspective, it is therefore difficult to reflect the open space provision as this could be delivered either by an on-site provision or an off-site commuted sum. For the purposes of the testing, though, we have allowed for these costs as a capital sum in the appraisal (as regardless of whether it is on-site or off-site it will still be a cost to the developer). Based on the planning applications reviewed, and taking a cautious approach, we have allowed £2,000 per dwelling.

Draft Local Plan Policy 31 – Valuing Biodiversity & Geodiversity

5.15.14. This is a site-specific policy, therefore will not impact on all schemes.

5.15.15. In the 2016 viability study, an allowance of £250 per dwelling was previously allowed on schemes providing in excess of 50 units.

5.15.16. By way of evidence we have reviewed the 16 planning permissions granted by Doncaster Council since 2017 (and referred to above). Of these, none attracted a cost for biodiversity and geodiversity.

5.15.17. Adopting a cautious approach, we have also applied a rate of £250 per dwelling for schemes providing in excess of 50 units. This should also provide for the latest DEFRA biodiversity metric of accounting for the impacts of a proposal on biodiversity and demonstrating that a net gain will be delivered. Use of the metric rewards scheme minimise their impacts but also gives options to developers in terms of whether necessary mitigation is delivered on or off site. A minimum 10% net gain will be expected unless national standards increase this in the future.

Draft Local Plan Policy 46 – Housing Design Standards

5.15.18. This policy proposes 2 elements:
(i) Meeting the Nationally Described Space Standards (‘NDSS’)
(ii) Accessible and adaptable standards.

5.15.19. With regards to the NDSS, as discussed above in section 5.3, the average dwelling size allowed for in the modelling is deemed sufficient to meet the minimum requirements of the NDSS. In other words, the appraisal testing inherently already accounts for the NDSS.

5.15.20. For the accessible and adaptable requirements this relates to standards set out in the Building Regulations 2010, “Access to and use of buildings: Approved Document M”. Policy 46 relates to the following categories outlined in this document:

M4(2) Category 2: Accessible and adaptable dwellings. Reasonable provision must be made for people to gain access to and use the dwelling and its facilities. The provision made must be sufficient to meet the needs of occupants with differing needs including some older or disabled people and to allow adaptation of the dwelling to meet the changing needs of occupants over time.

M4 (3) Category 3: Wheelchair user dwellings. Reasonable provision must be made for people to gain access to and use the dwelling and its facilities. The provision must be made sufficient to (a) allow simple adaptation of the dwelling to meet the needs of occupants who use wheelchairs or (b) meet the needs of occupants who use wheelchairs.

5.15.21. Policy 46 proposes the introduction of M4 (2) for 65% of future dwellings delivered and M4 (3) for 5% of all future dwellings.
5.15.22. As this is an optional standard, there is limited available evidence to demonstrate the impact meeting this standard would have on overall build costs. For this reason, it is considered the EC Harris “Housing Standards Review – Cost Impacts” report from Sept 2014 provides an important evidence base for the construction costings. The report includes a variety of cost estimates related to construction work, process costs, approval costs etc. Table 8 below sets out a breakdown of the costs shown in the EC Harris report (allowing for indexation).

<table>
<thead>
<tr>
<th>M4 (2)</th>
<th>1b flat</th>
<th>2b flat</th>
<th>2b house</th>
<th>3b house</th>
<th>4b house</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access cost</td>
<td>£ 940</td>
<td>£ 907</td>
<td>£ 523</td>
<td>£ 521</td>
<td>£ 520</td>
</tr>
<tr>
<td>Process costs</td>
<td>£ 48</td>
<td>£ 48</td>
<td>£ 48</td>
<td>£ 48</td>
<td>£ 48</td>
</tr>
<tr>
<td>Access recipient cost</td>
<td>£ 4</td>
<td>£ 4</td>
<td>£ 4</td>
<td>£ 4</td>
<td>£ 4</td>
</tr>
<tr>
<td>Access type approval cost</td>
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<td>£ 1,555</td>
<td>£ 1,148</td>
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<td>£ 1,145</td>
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5.15.23. Please note, at the time of the EC Harris report there was no minimum dwelling size standard (the NDSS was first introduced in 2015, after the report). In their review, EC Harris subsequently made an additional “access related space cost” for providing slightly larger dwellings. As NDSS already allows for increased dwelling sizes (compared to the assumptions made in the EC Harris report), if NDSS is applied in the viability testing the additional increased dwelling cost referred to by EC Harris can been excluded from the analysis (as inclusion would reflect double-counting).

5.15.24. Based on the above, and adopting a cautious approach, we consider an average allowance of £1,500 per dwelling to be reasonable to cover the requirements set out in M4 (2). Please note, for the purposes of the testing we have applied this to 95% of the dwellings. However, it is stressed that the emerging policy requirement is understood to be for 65%.
5.15.25. The EC Harris report also provides costings for M4 (3), which relates to wheelchair-user access. These costs are significantly higher and come in two levels: M4 (3a) adaptable and M4 (3b) accessible. For M4 (3a), the extra-over construction cost (after allowances for inflation) equates to roughly £9,000 to £12,500 per dwelling. For M4 (3b) this increases to up to circa £25,000 per dwelling. In both cases, the M4 (3) standard would therefore have a greater impact on viability when compared to the M4 (2) standard.

5.15.26. The emerging policy requirement is for M4 (3)a only. Again, adopting a cautious approach, we have initially assumed a cost of £12,500 to cover the M4 (3a) standards. We have also run sensitivity testing based on M4 (3b) at £25,000 per dwelling, although it is stressed that this is not a policy requirement.

Draft Local Plan Policy 53 – Education

5.15.27. This policy proposes that for sites in excess in excess of 20 dwellings a capital contribution will be payable.

5.15.28. By way of evidence we have reviewed the 16 planning permissions granted by Doncaster Council since 2017 (and referred to above). Of these, 7 attracted an education capital contribution, ranging from £2,036 to £2,951 per dwelling (average of £2,582 per dwelling).

5.15.29. However, based on an education assessment of potential housing site options for allocation undertaken, the average requirement equates to £3,968 per dwelling.

5.15.30. Adopting a cautious approach we have subsequently adopted £3,968 per dwelling in the appraisal testing.
Draft Local Plan Policy 56 – Contamination and Unstable Lane

5.15.31. This policy relates to some brownfield sites potentially incurring costs to remediate / decontaminate sites.

5.15.32. An allowance has already been included in the modelling for additional abnormal costs relating to brownfield sites. No further allowance is therefore deemed necessary for the purposes of the viability testing.

Draft Local Plan Policy 58 – Flood Risk Management

5.15.33. This policy explains that proposals in Flood risk Zones 2 and 3 will be required to mitigate residual risks. In the 2016 study an allowance of £4,000 per dwelling was included.

5.15.34. However, the Council has indicated that none of the new housing allocations are within Flood Zone Risk 3, therefore these costs are unnecessary. Furthermore, drainage infrastructure is already accounted for in the external costs of development.

5.15.35. We have subsequently excluded any flood mitigation costs from our ‘base’ appraisals.
6. RESIDENTIAL VIABILITY TESTING AND RESULTS

6.1. Introduction

6.1.1. This Chapter gives a summary of the typology base appraisal testing, together with the various sensitivity testing undertaken.

6.1.2. Furthermore, this section also details the viability appraisal testing for the 5 ‘live’ site allocations (as referred to above in Section 3.3).

6.2. Typology base appraisals

6.2.1. The results for the residential base appraisals are shown in the attached Appendices 3a Urban Extension and 3b Urban Settlement.

6.2.2. For clarity, the base appraisals adopt the assumptions outlined above in Section 4. This includes:

- If applicable, an affordable housing provision of 15% (or as close as possible with a tenure mix of circa 75:25 between affordable rented and other forms of affordable home ownership such as discounted market sales (DMS), Starter Homes and intermediate shared ownership / equity dwellings).

- Abnormal costs equivalent to £100,000 per net Ha.

- For S106 contributions: sustainable travel at £500 per dwelling, open space at £2,000 per dwelling, biodiversity and geodiversity at £250 per dwelling and education at £3,968 per dwelling. This gives an overall S106 cost assumption equivalent to £6,718 per dwelling.
6.2.3. The appraisals are adjusted to reflect whether they are in the urban extension of urban settlement. This includes variations in relation to 3 values areas (high, medium and low), as well as greenfield, cleared brownfield and occupied brownfield variations.

6.2.4. For each appraisal, the residual land value is then compared with the separately assessed BLV. If the residual land value is below the BLV, the scheme is deemed to be unviable. If the residual land value is above the BLV the scheme is deemed to be viable.

6.2.5. For the Urban Extension typologies, which include schemes of 50, 100 and 400 dwellings (Appendix 3a) all of the medium and high value schemes are shown to be comfortably viable. However, the low value schemes show an unviable outcome.

6.2.6. For the Urban Settlement typologies, which include schemes of 1, 5, 14, 50 and 100 dwellings (Appendix 3b) again all of the medium and high value schemes are shown to be comfortably viable. Furthermore, all the low value schemes show an unviable outcome.

6.3. Sensitivity Test 1 – 20% affordable housing

6.3.1. This adopts the same assumptions in the base appraisal above, however increases the affordable housing provision from 15% up to 20% (or as close as possible).

6.3.2. Please note, we have only tested the medium and high value locations (as the low value locations were already shown to be unviable with a 15% provision). We have also only tested the typologies where the affordable housing provision applies.
6.3.3. The results for the residential base appraisals are shown in the attached Appendices 4a Urban Extension and 4b Urban Settlement.

6.3.4. For the Urban Extension typologies the medium and high value schemes are shown to be comfortably viable.

6.3.5. For the Urban Settlement typologies, the cleared brownfield are viable in both the medium and high value areas. However, occupied brownfield is only viable in the high value area (it is showing marginally unviable outcomes in the medium value area).

6.4. Sensitivity Test 2 – 25% affordable housing

6.4.1. This adopts the same assumptions in the base appraisal above, however increases the affordable housing provision from 15% up to 25% (or as close as possible).

6.4.2. Please note, we have only tested the medium and high value locations (as the low value locations were already shown to be unviable with a 15% provision). We have also only tested the typologies where the affordable housing provision applies.

6.4.3. The results for the residential base appraisals are shown in the attached Appendices 5a Urban Extension and 5b Urban Settlement.

6.4.4. For the Urban Extension typologies the medium and high value schemes are shown to be comfortably viable.
6.4.5. For the Urban Settlement typologies, the cleared brownfield are viable in both the medium and high value areas. However, occupied brownfield is only viable in the high value area (it is showing unviable outcomes in the medium value area).

6.5. Sensitivity Test 3 – 40 dwellings per net Ha

6.5.1. This adopts the same assumptions in the base appraisal above, with 15% affordable housing, however at an increased density of 40 dwellings per net Ha.

6.5.2. The results for the residential base appraisals are shown in the attached Appendices 6a Urban Extension and 6b Urban Settlement.

6.5.3. For the Urban Extension typologies all of the medium and high value schemes are shown to be comfortably viable. However, the low value schemes show an unviable outcome. This is the same outcome as the base appraisal testing, which therefore suggests that increasing the density from 35 to 40 dwellings per net Ha does not impact on the viability outcomes.

6.5.4. For the Urban Settlement typologies, again all of the medium and high value schemes are shown to be comfortably viable and the low value schemes show an unviable outcome. This is the same results as shown through the base appraisal testing, again suggesting that an increase in density from 35 to 40 dwellings per net Ha is unlikely to have a significant impact on the viability outcome.

6.6. Sensitivity Test 4 – M4(2) accessibility and adaptability standards

6.6.1. This adopts the same assumptions in the base appraisal above, with 15% affordable housing, however with the M4(2) accessibility and adaptability standards included at a rate equivalent to £1,500 per dwelling, applied to 95% of the dwellings.
6.6.2. The results for the residential base appraisals are shown in the attached Appendices 7a Urban Extension and 7b Urban Settlement.

6.6.3. For the Urban Extension typologies all of the medium and high value schemes are shown to be comfortably viable. However, the low value schemes show an unviable outcome. This is the same outcome as the base appraisal testing, which therefore suggests that including the M4(2) standards does not impact on the viability outcomes.

6.6.4. For the Urban Settlement typologies, again all of the medium and high value schemes are shown to be comfortably viable and the low value schemes show an unviable outcome. This is the same results as shown through the base appraisal testing, again suggesting that including the M4(2) standards does not impact on the viability outcomes.

6.7. Sensitivity Test 5 – M4(3) accessibility and adaptability standards

6.7.1. This adopts the same assumptions in the base appraisal above, with 15% affordable housing, however with the M4(3) accessibility and adaptability standards included. We have tested this at both £12,500 and £25,000 per dwelling, applied 5% of the dwellings.

6.7.2. The results for the residential base appraisals are shown in the attached Appendices 8a, 8b, 8c and 8d.

6.7.3. Appendix 7a shows the results for the urban extension sites, with a rate of £12,500 per dwelling applied (to 5% of the dwellings). All of the medium and high value schemes are shown to be comfortably viable. However, the low value schemes show an unviable outcome. This is the same outcome as the base appraisal testing, which therefore suggests that including the M4(3) standards at this level does not impact on the viability outcomes.
6.7.4. Appendix 7b shows the results for the urban settlement sites, with a rate of £12,500 per dwelling applied (to 5% of the dwellings). Again all of the medium and high value schemes are shown to be comfortably viable and the low value schemes show an unviable outcome. This is the same results as shown through the base appraisal testing, again suggesting that including the M4(3) standards at this level does not impact on the viability outcomes.

6.7.5. Appendix 7c shows the results for the urban extension sites, with a rate of £25,000 per dwelling applied (to 5% of the dwellings). All of the medium and high value schemes are shown to be comfortably viable. However, the low value schemes show an unviable outcome. This is the same outcome as the base appraisal testing, which therefore suggests that including the M4(3) standards at this level does not impact on the viability outcomes.

6.7.6. Appendix 7d shows the results for the urban settlement sites, with a rate of £25,000 per dwelling applied (to 5% of the dwellings). Bar the single dwelling schemes, all of the medium and high value schemes are shown to be comfortably viable and the low value schemes show an unviable outcome. This is broadly similar results as shown through the base appraisal testing, again suggesting that including the M4(3) standards at this level does not have a significant impact on the viability outcomes.

6.8. Sensitivity Test 6 – M4(2) and M(3) accessibility and adaptability standards

6.8.1. This adopts the same assumptions in the base appraisal above, with 15% affordable housing, however with both the M4(2) and M4(3) accessibility and adaptability standards included. We have tested this at both the M4(3) levels of £12,500 and £25,000 per dwelling, applied 5% of the dwellings.

6.8.2. The results for the residential base appraisals are shown in the attached Appendices 9a, 9b, 9c and 9d.
6.8.3. Appendix 8a shows the results for the urban extension sites, with a M4(2) rate at £1,500 per dwelling applied to 95% of the dwellings, plus a rate of £12,500 per dwelling applied for M4(3)a to 5% of the dwellings. All of the medium and high value schemes are shown to be comfortably viable. However, the low value schemes show an unviable outcome. This is the same outcome as the base appraisal testing, which therefore suggests that including M4(2) and M4(3) standards at the above levels do not impact on the viability outcomes.

6.8.4. Appendix 8b shows the results for the urban settlement sites, with a M4(2) rate at £1,500 per dwelling applied to 95% of the dwellings, plus a rate of £12,500 per dwelling applied for M4(3)a to 5% of the dwellings. Again all of the medium and high value schemes are shown to be comfortably viable and the low value schemes show an unviable outcome. This is the same results as shown through the base appraisal testing, again suggesting that including the M4(2) and M4(3) standards at the above levels does not impact on the viability outcomes.

6.8.5. Appendix 8c shows the results for the urban extension sites, with a M4(2) rate at £1,500 per dwelling applied to 95% of the dwellings, plus a rate of £25,000 per dwelling applied for M4(3)b to 5% of the dwellings (which is not a policy requirement, but has been applied as a sensitivity test). All of the medium and high value schemes are shown to be comfortably viable. However, the low value schemes show an unviable outcome. This is the same outcome as the base appraisal testing, which therefore suggests that including the M4(2) and M4(3)b standards at the above levels does not impact on the viability outcomes.
6.8.6. Appendix 8d shows the results for the urban settlement sites, with a M4(2) rate at £1,500 per dwelling applied to 95% of the dwellings, plus a rate of £25,000 per dwelling applied for M4(3)b to 5% of the dwellings (again, this is not policy compliant and has only been used as a sensitivity test). Bar the single dwelling schemes, all of the high value schemes are shown to be comfortably viable. However, some of the medium value schemes (being occupied brownfield sites) change from being previously viable to unviable. This suggests that at this level, there is an impact on the viability outcomes of medium value occupied brownfield sites.

6.9. Sensitivity Test 7 – Increase in abnormal costs

6.9.1. In the stakeholder representations some parties indicated that abnormal costs can typically be higher than the rates allowed for in our appraisal testing. As discussed above in Sections 5.9 and 5.14 we concluded that it was not necessary to adjust the abnormal costs, because these rates were deemed appropriate within the context of the benchmark land values.

6.9.2. Notwithstanding this, to help ensure our testing is as robust as possible, we have re-run our base appraisals incorporating a £100,000 per net Ha increase in the abnormal costs, to assess the impact this has (if any) on the viability outcomes.

6.9.3. The results for the residential base appraisals are shown in the attached Appendices 10a Urban Extension and 10b Urban Settlement.
6.9.4. For the Urban Extension typologies all of the medium and high value schemes are shown to be comfortably viable, which is the same as shown in the base appraisals. In other words, if the abnormal costs are increased by £100,000 net Ha (and the benchmark land values remain the same) the viability outcomes do not alter.

6.9.5. For the Urban Settlement typologies, all of the high value schemes are shown to be comfortably viable (in line with the base appraisal testing). For the medium value areas, the cleared sites are shown to be viable (again in line with the base testing). However, the occupied medium change from viable to unviable.

6.10. Sensitivity Test 8 – All affordable ownership

6.10.1. Affordable home ownership (to include Starter Homes and Discounted Market Sae) is defined as meeting the definition of an affordable dwelling as set out in the NPPF.

6.10.2. In light of this, for the low value schemes, we have tested whether providing all of the affordable units as affordable home ownership would change the viability outcomes.

6.10.3. The results for the residential base appraisals are shown in the attached Appendices 11a Urban Extension and 11b Urban Settlement.

6.10.4. For the Urban Extension typologies all of the low value scheme remain unviable. In other words, providing affordable home ownership products would not be sufficient to change the viability outcome of a low value scheme from unviable to viable.
6.10.5. Similarly, for the Urban Settlement typologies all of the low value scheme remain unviable. In other words, providing affordable home ownership products would not be sufficient to change the viability outcome.

6.11. Sensitivity Test 9 – All affordable ownership and reduced S106

6.11.1. This adopts the same approach as set out above in Sensitivity Test 8 (i.e. assuming all of the affordable housing would be provided as affordable home ownership units). However, the S106 contributions allowance (£6,718 per dwelling) is considered to be a ‘worst case’ and in reality it is anticipated that sites would typically pay below this level (driven by local need in respect of the particular policies). Recognising this, we have subsequently re-run the appraisals based on a reduction in the S106 contributions to £3,359 per dwelling (i.e. half of the original allowance).

6.11.2. The results for the residential base appraisals are shown in the attached Appendices 12a Urban Extension and 12b Urban Settlement.

6.11.3. For the Urban Extension typologies all of the low value schemes are shown to be viable. In other words, by reducing the S106 contributions all of the typologies change from being unviable to viable.

6.11.4. However, for the Urban Settlement typologies all of the low value scheme remain unviable. In other words, providing affordable home ownership products and halving the S106 contributions is not sufficient to change the viability outcome.

6.12.1. This builds on Sensitivity Test 9 above, adopting affordable home ownership units and reduced S106. Following feedback through the stakeholder engagement and having reviewed a number of sites which have recently come forward it is evident that specialist developers would most likely look to bring forward sites in low value areas. This category of house builder has a different model to the ‘average’ house builder, providing a more basic specification product and typically providing a higher proportion of smaller units.

6.12.2. To reflect this ‘low cost developer’ model we have incorporated the following adjustments into our appraisal testing (based on the evidence identified and appraisal inputs taken from low cost developer viability assessments that we have been involved with across the wider region):

- Average dwelling size 86.43 sq m (as discussed above in Section 5.3).
- 40 dwellings per net Ha.
- Average sales value £1,600 per sq m.
- Basic construction cost equivalent to £850 per sq m (reflecting the more basic specification being provided).
- Externals 17.5%
- Professional fees 5%
- Debit interest 5%

6.12.3. The results for the residential base appraisals are shown in the attached Appendices 13a Urban Extension and 13b Urban Settlement.

6.12.4. For the Urban Extension typologies all of the low value schemes are shown to be viable.
6.12.5. However, for the Urban Settlement typologies all of the low value scheme remain unviable. In other words, the low cost developer model does not change the viability outcomes.

6.13. Sensitivity Test 11 – 20% profit on market value units

6.13.1. Through the stakeholder engagement some of the respondents indicated that a developer profit of 20% on revenue for the market value units was appropriate for the purposes of the viability testing. Whilst we consider our allowance of 18.5% to be reasonable (and in line with the guidance set out in the PPG) we have run a sensitivity test based on 20% for the market value dwellings to see the impact (if any) this has on the viability outcomes.

6.13.2. For the purposes of the testing we have only re-run appraisals in the medium and high value areas (as the low value areas are already shown to be unviable). Furthermore, we have re-run the appraisals with 25% affordable housing applied.

6.13.3. The results for the residential base appraisals are shown in the attached Appendices 14a Urban Extension and 14b Urban Settlement.

6.13.4. For the Urban Extension typologies the medium and high value schemes are shown to be comfortably viable.

6.13.5. For the Urban Settlement typologies, the cleared brownfield are viable in both the medium and high value areas. The occupied brownfield is only viable in the high value area. This is the same viability outcomes as shown with the original 18.5% profit allowance. In other words, increasing the profit margin to 20% does not change the viability outcomes.
6.14. Conclusions from typology testing

6.14.1. As indicated in the guidance, plan-level appraisal testing can only provide a general overview on viability at a specific point in time. Individual site testing will still be appropriate to take into account site specific circumstances and fluctuations in market conditions where a developer can demonstrate exceptional circumstances, which are not captured in this plan level assessment.

6.14.2. Within this context, from our appraisal results we conclude the following:

- Schemes in high value areas (greenfield and brownfield variations) are comfortably viable with a 25% affordable housing provision and S106 costs totalling £6,718 per dwelling.

- Schemes in medium value areas (greenfield and cleared brownfield variations) are shown to be viable with a 20% affordable housing provision and S106 costs totalling £6,178 per dwelling.

- Viability pressure is at its highest in low value locations. Viable schemes are shown for greenfield sites with a 15% affordable housing provision, however this is on the basis that affordable home ownership tenures are applied and S106 costs reduced to £3,359 per dwelling. Brownfield variations generally return unviable outcomes even with the aforementioned adjustments.
Increasing scheme density from 35 to 40 dwellings per net Ha generally has a positive impact on the appraisal results, but not to the extent where it changes viability outcomes (i.e. unviable schemes at 35 dwellings per net ha remain unviable if the density is increased to 40 dwellings per net Ha).

The application of the M4(2) accessibility and adaptability standard, when applied to 95% of dwellings, has a negative impact on the appraisal results but not to the extent that it changes the viability outcomes. This is also the case for the M4(3)a standard, costed at £12,500 per dwelling and applied to 5% of the units. However, the M4(3)b standard does change some of the viability outcomes (as this carries a higher cost burden of £25,000 per dwelling).

If abnormal costs were to increase by £100,000 per net Ha (and benchmark land values remained the same), for the majority of the typologies this would not change the viability outcomes.

6.15. Site specific testing: Site 1 Land East of A1(M), Crabgate Lane, Skellow DN6

6.15.1. This is a greenfield site located around 6.5 miles to the north west of Doncaster town centre and to the northern western edge of Skellow. The site is bounded by established housing to the south and east. The north overlooks open fields, whilst the western boundary abuts the A1(M).

6.15.2. The Council has confirmed a gross site area of 15.11Ha. Initially, the site was assumed to have a 75% gross to net ratio. However, the Council has indicated that a buffer zone is required alongside the A1(M), which reduces the overall net developable area (and reduces the overall dwellings on site by around 40).
6.15.3. We have subsequently deducted a further 1.5Ha to cover this additional buffer zone (in addition to the 75% to gross to net ratio). This gives an overall adjusted net developable area of 9.83Ha (or a gross to net ratio of around 65%).

6.15.4. The Council has confirmed an estimated yield of 300 dwellings. In terms of average dwelling size, we have adopted 92.90 sq m as per the typology testing.

6.15.5. The Council has advised that the draft 2019 Housing Needs Study and Draft Policy 8 require a 23% on site affordable housing provision, split 75/25 between affordable rent and shared ownership / intermediate. We have applied this to our model.

6.15.6. In terms of value, the site is regarded as being a ‘medium’ value area. The nearest new build transactional evidence identified is from Askern, however this is regarded as a being a low value area, therefore it is difficult to make a direct comparison. For the appraisal testing we have subsequently looked to the medium rate of £2,100 per sq m for market value dwellings. However, we have made a small deduction of £50 per sq m to reflect some of the site being adjacent to the A1(M) (which may depress values in parts of the site). We have subsequently applied an overall average of £2,050 per sq m for the market value dwellings.

6.15.7. For affordable housing, we have allowed 45% of market value for affordable rent and 67.50% for shared ownership / intermediate.

6.15.8. Construction costs, including externals, contingency and professional fees are all in line with rates applied to the base typology testing. Furthermore, we have allowed £100,000 per net ha for general abnormals.

6.15.9. The Council has advised that the following additional planning policies are required:
- Archaeology: a spot allowance of £100,000 is assumed
- Sustainable travel: assumed at £500 per dwelling
- Open space: assumed at £2,000 per dwelling
- Bio and geodiversity: assumed at £250 per dwelling
- Education: we are advised the contribution is calculated as totalling £1,588,374 (£5,295 per dwelling)
- M4(2) to 95% of dwellings: assumed at £1,500 per dwelling
- M4(3)a to 5% of dwellings: assumed at £12,500 per dwelling

6.15.10. Marketing / disposal costs and finance are in line with the typology testing.

6.15.11. Developer profit is assumed at 18.5% of market value and 8% on affordable.

6.15.12. For the benchmark land value, the requirement for a large ‘buffer’ next to the A1(M) reduces the net developable area of the site and therefore reduces the overall value of the entire site. We do not therefore consider it appropriate to apply a rate of £250,000 per gross Ha to this site (as per the typology testing), because the amount of space which can be developed is reduced therefore lowering the overall land value. Furthermore, there are additional costs associated with this site, being archaeological works and an increased education provision, which also serves to reduce the benchmark land value. In light of this, we have adjusted the rate to £200,000 per Ha, giving an overall benchmark land value of £3,022,000.

6.15.13. Please see attached Appendix 15a for a summary of the appraisal undertaken. Based on the assumptions outlined above this shows a residual land value of £3,196,361. As this is above the benchmark land value of £3,022,000 the scheme is deemed to be viable.
6.16. Site specific testing: Site 2 Hill Top Rd, Denaby Main

6.16.1. This is a mostly greenfield site located around 7.5 miles to the south west of Doncaster town centre and to the southern edge of Denaby Main, near to the south western edge of Conisbrough. The site overlooks established housing to the north and undeveloped land / wooded areas to the south, east and west. The site does include, however, a skate park area which we understand is to be retained.

6.16.2. The Council has confirmed a gross site area of 6.12Ha. Initially, the site was assumed to have a 75% gross to net ratio. However, the Council has indicated that a buffer zone is required for the skate park and for ecological reasons (with the adjacent wooded areas). This reduces the overall net developable area (and reduces the overall dwellings on site by 26).

6.16.3. We have subsequently deducted a further 0.75Ha to cover this additional buffer zone (in addition to the 75% to gross to net ratio). This gives an overall adjusted net developable area of 3.84Ha (or a gross to net ratio of around 62.50%).

6.16.4. The Council has confirmed an estimated yield of 125 dwellings.

6.16.5. In terms of value, the site is regarded as being in a ‘low’ value area. The nearest new build transactional evidence identified is from Gleeson Homes ‘Kilner Park’ scheme in Denaby Main. We therefore anticipate that, in reality, this scheme would likely attract low-cost developers. We have subsequently based our assessment on the low-cost developer model. We have therefore adopted an average dwelling size of 86.43 sq m, as per the typology testing.
6.16.6. The Council has advised that the draft 2019 Housing Needs Study and Draft Policy 8 require a 23% on site affordable housing provision, split 75/25 between affordable rent and shared ownership / intermediate. We have applied this to our initial model.

6.16.7. In terms of sales value we note that the following average sales values achieved at Kilner Park during 2018:

- Detached average circa 74 sq m achieved £1,958 per sq m
- Semi-detached average circa 60 sq m achieved £1,667 per sq m
- Semi-detached average circa 72 sq m achieved £1,608 per sq m
- Terrace average circa 72 sq m achieved £1,602 per sq m

6.16.8. Taking into account sales price inflation since the above were achieved and also allowing for some detached dwellings to be provided on site we have adopted an average sales rate of £1,675 per sq m.

6.16.9. For affordable housing, we have allowed 45% of market value for affordable rent and 67.50% for shared ownership / intermediate. For discounted market sale we have assumed 80% of market value.

6.16.10. Construction costs, including externals, contingency and professional fees are all in line with rates applied to the low cost developer typology testing. Furthermore, we have allowed £100,000 per net ha for general abnormals.

6.16.11. The Council has advised that the following additional planning policies are required:

- Archaeology: a spot allowance of £50,000 is assumed
- Sustainable travel: assumed at £500 per dwelling
- Open space: assumed at £1,000 per dwelling (reduced as there is an on-site skate park already provided)
- Bio and geodiversity: assumed at £250 per dwelling
- Education: we are advised the contribution is calculated as totalling £663,361 (£5,307 per dwelling)
- M4(2) to 95% of dwellings: assumed at £1,500 per dwelling
- M4(3)a to 5% of dwellings: assumed at £12,500 per dwelling

6.16.12. Marketing / disposal costs and finance are in line with the low cost developer typology testing.

6.16.13. Developer profit is assumed at 18.5% of market value and 8% on affordable.

6.16.14. For the benchmark land value, the requirement for a ‘buffer’ reduces the net developable area of the site and therefore reduces the overall value of the entire site. We do not therefore consider it appropriate to apply a rate of £150,000 per gross Ha to this site (as per the typology testing), because the amount of space which can be developed is reduced therefore lowering the overall land value. Furthermore, there are additional costs associated with this site, being archaeological works and an increased education provision, which also serves to reduce the benchmark land value. In light of this, we have adjusted the rate to £125,000 per Ha, giving an overall benchmark land value of £765,000.

6.16.15. Based on an affordable housing provision of 23% the scheme shows a deficit, therefore is deemed to be unviable.
6.16.16. We have subsequently adjusted the appraisal to provide a 15% affordable housing provision. This also shows an unviable outcome. We have then adjusted the affordable housing provision to equate to affordable home ownership only and removed the sustainable travel and M4(3)a policy requirements. Please see attached Appendix 15b for a summary of this appraisal. Based on these adjusted assumptions the scheme shows a residual land value of £778,042. As this is above the benchmark land value of £765,000 the scheme is deemed to be viable.

6.16.17. In summary, the scheme is unviable with a 23% affordable housing provision applied. However, the scheme is shown to be viable if the affordable housing provision is reduced to 15% and the planning policy / S106 contributions are adjusted down from a total of £9,607 per dwelling to £8,382 per dwelling.

6.17. Site specific testing: Site 3 Land to the north of Hatfield Lane, Barnby Dun

6.17.1. This is a greenfield site located around 5.5 miles to the north east of Doncaster town centre and to the eastern edge of the village of Barnby Dun. The site is bounded by established housing to the south and west. The north and east overlooks open fields.

6.17.2. The Council has confirmed a gross site area of 11.82Ha. Initially, the site was assumed to have a 75% gross to net ratio. However, we understand that a large portion of the site is located within Flood Risk Zone 3 and therefore is not deemed suitable for residential development. The part of the site located within Flood Risk Zone 1 is deemed suitable for development and the Council estimate this as being able to provide 98 dwellings in total. On the basis of a 35 dwelling per net Ha ratio we calculate the net developable area to total 2.80 Ha. This is a gross to net ratio of just under 24%.
6.17.3. In terms of average dwelling size, we have adopted 92.90 sq m as per the typology testing.

6.17.4. The Council has advised that the draft 2019 Housing Needs Study and Draft Policy 8 require a 23% on site affordable housing provision, split 75/25 between affordable rent and shared ownership / intermediate. We have applied this to our model.

6.17.5. In terms of value, the site is regarded as being a ‘medium’ value area. However, according to the Zoopla Zed Index evidence the village has a current average value equivalent to around 113% of the wider Doncaster average. In other words, the values in Barnby Dun are slightly above the general average for the Doncaster Metropolitan Borough area. That said, the nearest transactional evidence for new build schemes are from Kirk Sandall and Edenthorpe to the south and whilst both locations attract lower values than Barnby Dun (as well as the data typically dating back to 2017) the values achieved are below our overall medium average of £2,100 per sq m and at relatively modest levels.

6.17.6. Having considered the evidence we have adopted an average of £2,100 per sq m, in line with the typology medium value testing.

6.17.7. For affordable housing, we have allowed 45% of market value for affordable rent and 67.50% for shared ownership / intermediate.

6.17.8. Construction costs, including externals, contingency and professional fees are all in line with rates applied to the base typology testing. Furthermore, we have allowed £100,000 per net ha for general abnormalities.

6.17.9. The Council has advised that the following additional planning policies are required:
- Archaeology: a spot allowance of £50,000 is assumed
- Sustainable travel: assumed at £500 per dwelling
- Open space: assumed at £2,000 per dwelling
- Bio and geodiversity: assumed at £250 per dwelling
- Education: we are advised the contribution is calculated as totalling £529,458 (£5,403 per dwelling)
- M4(2) to 95% of dwellings: assumed at £1,500 per dwelling
- M4(3)a to 5% of dwellings: assumed at £12,500 per dwelling

6.17.10. Marketing / disposal costs and finance are in line with the typology testing. Developer profit is assumed at 18.5% of market value and 8% on affordable.

6.17.11. For the benchmark land value, as indicated above only a relatively small proportion of the site is deemed suitable for residential development (just under 24%) owing to a large portion of the site being situated in Flood Risk Zone 3. This means that a large portion of the site can only effectively be used as amenity / agricultural land in the long term. It is not therefore appropriate to attribute any significant value to this element of the site (and therefore we do not consider it appropriate to apply a rate of £250,000 per gross Ha to the whole site).

6.17.12. In light of this, we have looked to apply what is deemed to be an appropriate rate per Ha but based on the net developable area of the site rather than the gross area. Looking at the typology testing, the other site specific appraisals undertaken and also the nature and location of the subject site we consider a rate of £350,000 per net Ha to be appropriate here. This gives an overall benchmark land value of £980,000.

6.17.13. Please see attached Appendix 15c for a summary of the appraisal undertaken. Based on the assumptions outlined above this shows a residual land value of £1,281,589. As this is above the benchmark land value of £980,000 the scheme is deemed to be viable.
6.18. Site specific testing: Site 4 North Eastern Rd, Thorne

6.18.1. This is a greenfield site located around 12 miles to the north east of Doncaster town centre and to the north eastern of Thorne. The site overlooks established housing to the south and east, a railway line abuts the boundary to the west and there are open fields / scrubland to the north.

6.18.2. The Council has confirmed a gross site area of 2.48Ha. Initially, the site was assumed to have a 85% gross to net ratio. However, we understand that a portion of the site is located within Flood Risk Zone 3 and therefore is not deemed suitable for residential development. The part of the site located within Flood Risk Zone 1 is deemed suitable for development and the Council estimate this as being able to provide 53 dwellings in total. On the basis of a 40 dwelling per net Ha ratio (increased for a low value area with a higher proportion of terraces and semi-detached) we calculate the net developable area to total 1.32 Ha. This is a gross to net ratio of just under 54%.

6.18.3. In terms of value, the site is regarded as being in a ‘low’ value area. However, according to the Zoopla Zed Index evidence Thorne has a current average value equivalent to around 87% of the wider Doncaster average, which is significantly higher than other low value locations (such as Bentley, Carcroft and Edlington). This suggests that, whilst a low value area, an uplift could be justified when compared to other low value areas.

6.18.4. In terms of new build schemes, the nearest evidence is identified from Gleeson Homes ‘King Edward Court’ scheme in Thorne and also Keepmoats ‘Queens Way’ scheme also in Thorne. We therefore anticipate that, in reality, this scheme would likely attract low-cost developers. We have subsequently based our assessment on the low-cost developer model. We have therefore adopted an average dwelling size of 86.43 sq m, as per the typology testing.
6.18.5. The Council has advised that the draft 2019 Housing Needs Study and Draft Policy 8 require a 23% on site affordable housing provision, split 75/25 between affordable rent and shared ownership / intermediate. We have applied this to our initial model.

6.18.6. In terms of sales value we note that the following average sales values achieved at Gleeson’s King Edward Court scheme during 2018:

- Detached average circa 71 sq m achieved £1,775 per sq m
- Semi-detached average circa 61 sq m achieved £1,608 per sq m
- Semi-detached average circa 73 sq m achieved £1,597 per sq m

6.18.7. At Keepmoat’s Queens Way scheme we note the following in 2018:

- Semi-detached average circa 60 sq m achieved £1,668 per sq m
- Semi-detached average circa 71 sq m achieved £1,690 per sq m
- Semi-detached average circa 77 sq m achieved £1,657 per sq m
- Detached average circa 95 sq m achieved £1,795 per sq m

6.18.8. Taking into account sales price inflation since the above were achieved and also allowing for some detached dwellings to be provided on site we have adopted an average sales rate of £1,675 per sq m.

6.18.9. For affordable housing, we have allowed 45% of market value for affordable rent and 67.50% for shared ownership / intermediate. For discounted market sale we have assumed 80% of market value.

6.18.10. Construction costs, including externals, contingency and professional fees are all in line with rates applied to the low cost developer typology testing. Furthermore, we have allowed £100,000 per net ha for general abnormals.

6.18.11. The Council has advised that the following additional planning policies are required:
- Sustainable travel: assumed at £500 per dwelling
- Open space: assumed at £2,000 per dwelling
- Bio and geodiversity: assumed at £250 per dwelling
- Education: we are advised the contribution is calculated as totalling £146,376 (£2,762 per dwelling)
- M4(2) to 95% of dwellings: assumed at £1,500 per dwelling
- M4(3)a to 5% of dwellings: assumed at £12,500 per dwelling

6.18.12. Marketing / disposal costs and finance are in line with the low cost developer typology testing. Developer profit is assumed at 18.5% of market value and 8% on affordable.

6.18.13. For the benchmark land value, as indicated above a reduced portion of the site is deemed suitable for residential development (just under 54%) owing to a portion of the site being situated in Flood Risk Zone 3. This means that a portion of the site can only effectively be used as amenity / agricultural land in the long term. It is not therefore appropriate to attribute any significant value to this element of the site (and therefore we do not consider it appropriate to apply a rate of £150,000 per gross Ha to the whole site).

6.18.14. In light of this, we have looked to apply what is deemed to be an appropriate rate per Ha but based on the net developable area of the site rather than the gross area. Looking at the typology testing, the other site specific appraisals undertaken and also the nature and location of the subject site we consider a rate of circa £265,000 per net Ha to be appropriate here. This gives an overall benchmark land value of £350,000.

6.18.15. Based on an affordable housing provision of 23% the scheme shows a deficit, therefore is deemed to be unviable.
6.18.16. We have subsequently adjusted the appraisal to provide a 15% affordable housing provision (provided as affordable home ownership). Please see attached Appendix 15d for a summary of this appraisal. Based on these adjusted assumptions the scheme shows a residual land value of £376,441. As this is above the benchmark land value of £350,000 the scheme is deemed to be viable.

6.18.17. In summary, the scheme is unviable with a 23% affordable housing provision applied. However, the scheme is shown to be viable if the affordable housing provision is reduced to 15%.

6.19. Site specific testing: Site 5 Sandy Lane, Hyde Park, Doncaster

6.19.1. This comprises a partially brownfield site located in the Hyde Park area of Doncaster around 1 mile to the south east of the town centre. This is positioned within close proximity to the Lakeside development, which includes a variety of commercial, retail, residential and leisure uses. Within the immediate vicinity the site is located just to the north of Lakeside Primary school, amenity land to the west, South Yorkshire aircraft museum to the east and established housing to the north.

6.19.2. The site is understood to be a former Yorkshire Water facility and 2 brick built pumping stations remain on site. The Council has stated the following in its advice:

*The heritage assets on site should be subject to a historic and architectural analysis. This should in particular include the two pumping stations and piers and railings to the entrance. Any scheme should look in depth at the potential to retain all or some these heritage assets and full justification provided for the final form of the development.*
6.19.3. We have subsequently assumed that the pumping stations, piers and railing would need to be retained as part of any development. To cover any additional costs associated with retaining these elements we have increased the abnormal costs from £300,000 per net Ha to £500,000 per net Ha (which is deemed to cover any necessary conversion works in the event the buildings are retained as residential accommodation).

6.19.4. The Council has confirmed a gross site area of 1.3Ha. We have assumed a 90% gross to net ratio. This gives a net developable area of 1.24Ha.

6.19.5. In terms of average dwelling size, we have adopted 92.90 sq m as per the typology testing.

6.19.6. The Council has advised that the draft 2019 Housing Needs Study and Draft Policy 8 require a 23% on site affordable housing provision, split 75/25 between affordable rent and shared ownership / intermediate. We have applied this to our model.

6.19.7. In terms of value, the site is situated within postcode area ‘DN4’. Within this area we have identified a number of recent schemes, including:

- Barratts David Wilson Homes ‘Belle Vue’ & ‘Serentiy’ schemes
- Keepmoat / Strata ‘Dominion’
- Muse Developments ‘The Residence, Lakeside’
- Persimmon ‘Warren Park’

6.19.8. The schemes by Barratts David Wilson Homes, Persimmon and Muse Developments all show values averaging in excess of £2,250 per sq m. The Keepmoat / Strata scheme shows more modest values, albeit for some house types values in excess of £2,000 per sq m has been achieved.

6.19.9. Having considered the evidence and for the purposes of this testing we have adopted an average of £2,250 per sq m.
6.19.10. For affordable housing, we have allowed 45% of market value for affordable rent and 67.50% for shared ownership / intermediate.

6.19.11. Construction costs, including externals, contingency and professional fees are all in line with rates applied to the base typology testing. Furthermore, we have allowed £500,000 per net ha for general abnormals (as stated above).

6.19.12. The Council has advised that the following additional planning policies are required:

- Sustainable travel: assumed at £500 per dwelling
- Open space: assumed at £2,000 per dwelling
- Bio and geodiversity: assumed at £250 per dwelling
- Education: we are advised the contribution is calculated as totalling £109,782 (£2,815 per dwelling)
- M4(2) to 95% of dwellings: assumed at £1,500 per dwelling
- M4(3)a to 5% of dwellings: assumed at £12,500 per dwelling

6.19.13. Marketing / disposal costs and finance are in line with the typology testing. Developer profit is assumed at 18.5% of market value and 8% on affordable.

6.19.14. For the benchmark land value, given the higher level of abnormal costs applied to the site there is an argument that the benchmark land value should be below the average £200,000 per Ha applied in the typology testing. We have subsequently adjusted this to £175,000 per Ha, equating to a benchmark land value of £241,500.
6.19.15. Please see attached Appendix 15e for a summary of the appraisal undertaken. Based on the assumptions outlined above this shows a residual land value of £262,801. As this is above the benchmark land value of £241,500 the scheme is deemed to be viable.
7. CONCLUSIONS AND RECOMMENDATIONS

7.1. For residential sites, the typology tests show that development across the Metropolitan Borough is viable and able to deliver some level of policy contribution.

7.2. Our modelling considers the impact of a variety of planning policy requirements, including:

- Nationally Described Space Standards
- Affordable housing (tested at 15%, 20% and 25%)
- Sustainable travel
- Open space provision
- Bio and geodiversity
- Education contributions
- Accessibility and adaptability standards: M4(2) and M4(3) Building Regulation Standards

7.3. Our typology testing results shows that schemes within high value locations can comfortably deliver all of the above policies, including an affordable housing provision of 25%.

7.4. Similarly, the majority of the medium value schemes were also viable with all of the above applied, again including a 25% affordable housing provision. However, the medium value sites were typically closer to the viability thresholds and in some cases the affordable housing provision needed to be reduced in order to generate a viable outcome.
7.5. As anticipated, viability pressure was at its highest for schemes in low value areas. These schemes were shown to be unviable if a 20% (or higher) affordable housing provision was applied. However, some schemes did return a viable outcome if the affordable housing provision was reduced to 15%, although typically this also required a reduction in the other S106 policy contributions.

7.6. We understand that the Council has an emerging policy which requires a 23% affordable housing provision. Based on our appraisal testing, we consider this policy to be justifiable, together with the other planning policy requirements, for sites in medium and high value areas (albeit recognising, in line with the NPPF and PPG, that there will still be occasions when site-by-site viability analysis needs to be undertaken to test these policies).

7.7. However, in the low value areas the testing results suggest that a 23% provision would be unviable for most sites. In light of this, a reduction to 15% is recommended.