

**Newark and Sherwood District Council  
Affordable Housing Viability Assessment  
Final Report**

**Three Dragons**



**July 2009**

# 1 INTRODUCTION

## Background to the Study

- 1.1 Bassetlaw, Mansfield and Newark and Sherwood District Councils appointed Three Dragons to undertake an affordable housing viability study covering the three authorities. The work was overseen by a Project Team comprising representatives of the three councils.
- 1.2 The broad aims of the study were to consider an appropriate target or targets for the authority, as well as to advise on an appropriate threshold or thresholds in the light of the varying local market and land supply conditions.
- 1.3 This report relates to the specific circumstances of Newark and Sherwood District Council. The report analyses the impact of affordable housing and other planning obligations on scheme viability.

## Needs and viability considerations

- 1.4 In September 2007 Fordham Research Limited completed a Strategic Housing Market Assessment (SHMA) covering seven Local Authority Areas in the Northern area of the East Midlands. The Authorities covered were Ashfield, Bassetlaw, Bolsover, Chesterfield, Mansfield, Newark & Sherwood and North East Derbyshire. The HMA proposes 45% affordable housing of which 30% is social rented and 15% intermediate. A further target of 10% is proposed for low cost market housing. For Newark and Sherwood the target is 40% overall, split 25% Social Rented and 15% Intermediate.
- 1.5 The Council has recently commissioned a housing needs assessment. Further research commissioned by the East Midlands Regional Assembly and carried out by Fordham Research (Options for a regional approach to developing affordable housing targets to inform the Partial Review of the East Midlands Regional Spatial Strategy April 2009) found that:

*'There is no viability assessment at regional level, and that work was not part of the present research. However it is likely that if such a study were done, it would find that targets of 10-15% would be the most that can be afforded now. Even these levels may prove optimistic in the short term future. It is therefore apparent that concerns over the exact values of the non-viability tested targets shown in Table ES 3 above are perhaps misplaced. The effective target levels in the East Midlands for some years ahead are likely to be indicated by viability, not levels of housing need'.*

Para ES18

## Policy context - national

- 1.6 This study focuses on the percentage of affordable housing sought on mixed tenure sites and the size of site from above which affordable housing is sought (the site size threshold). National planning policy, set out in PPS3 makes clear that local authorities, in setting policies for site size thresholds and the percentage of affordable housing sought, must consider development

economics and should not promote policies which would make development unviable.

PPS3: Housing (November 2006) states that:

*“In Local Development Documents, Local Planning Authorities should:*

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

The companion guide to PPS3<sup>1</sup> provides a further indication of the approach which Government believes local planning authorities should take in planning for affordable housing. Paragraph 10 of the document states:

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

### **Policy context – East Midlands Region**

- 1.7 Policy 13 of the East Midlands Regional Plan March 2009 has identified 14,800 dwellings to be provided in Newark and Sherwood, 2006 to 2026 (740 per annum).
- 1.8 Policy 14 of the Regional Plan deals with housing affordability. It requires provision to be made for 9,200 affordable units (500 pa) in the Nottingham Outer HMA.

### **Policy context – Newark and Sherwood**

- 1.9 The Local Plan (1999) sets the context for the current affordable housing policies. The Plan states that “The District Council will seek to negotiate an element of affordable housing to be provided on suitable allocated and windfall sites in developments of 25 or more dwellings, or on any residential site of 1 or more hectares irrespective of the number of dwellings”
- 1.10 The Interim Policy Note (IPN), ‘Planning Provision for Affordable Housing’ (October 2005) now sets the policy context. The IPN states that (Para 7) the Council will seek to secure 30% affordable homes on all suitable sites.
- 1.11 Section 8 of the IPN sets out policy on thresholds. This states that the threshold for affordable housing contributions is set at 5 dwellings (0.2 Ha)

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<sup>1</sup> CLG, Delivering Affordable Housing, November 2006

across the District with the exception of Newark where the threshold is 10 dwellings (0.4 Ha).

- 1.12 We understand that delivery of affordable housing has been running around 10% of total completions in recent years.

### **Research undertaken**

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

### **Structure of the report**

- 1.2 The remainder of the report uses the following structure:
- Chapter 2 explains the methodology we have followed in, first, identifying sub markets and, second, undertaking the analysis of development economics. We explain that this is based on residual value principles;
  - Chapter 3 provides analysis of residual values generated across a range of different development scenarios (including alternative percentages and mixes of affordable housing) for a notional 1 hectare site.
  - Chapter 4 considers options for site size thresholds. It reviews national policy and the potential future land supply and the relative importance of small sites. The chapter considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed);
  - Chapter 5 identifies a number of case study sites (generally small sites which are currently in use), that represent examples of site types found in the authority. For each site type, there is an analysis of the residual value of the sites and compares this with their existing use value.
  - Chapter 6 summarises the evidence collected through the research and provides a set of policy options.

## **2 METHODOLOGY**

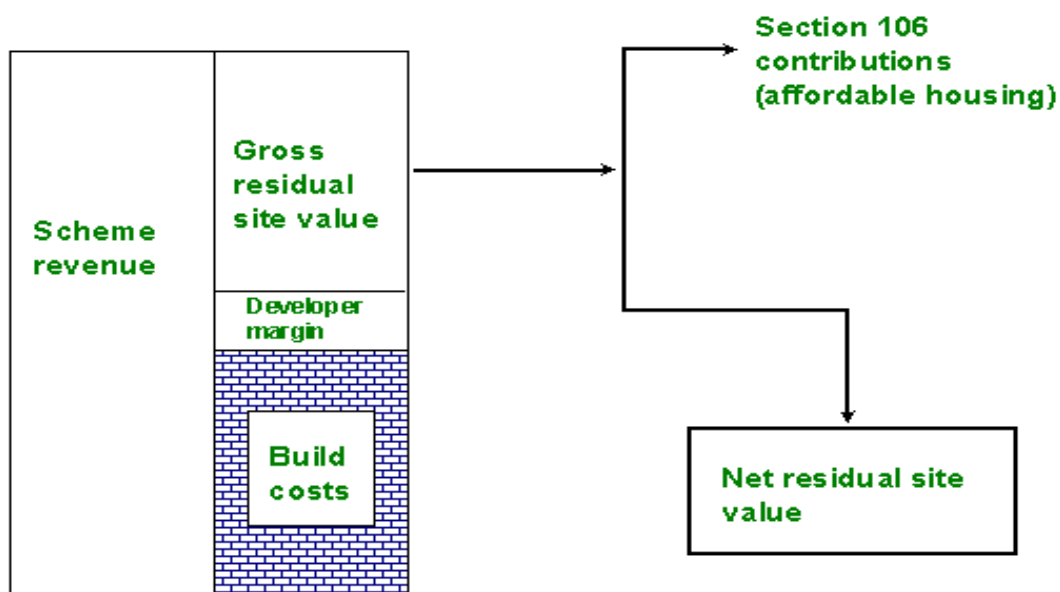
### **Introduction**

- 2.1 In this chapter we explain the methodology we have followed in, first, identifying sub markets (which are based on areas with strong similarities in terms of house prices) and, second, undertaking the analysis of development economics. The chapter explains the concept of a residual value approach and the relationship between residual values and existing/alternative use values.

### **Viability – starting points**

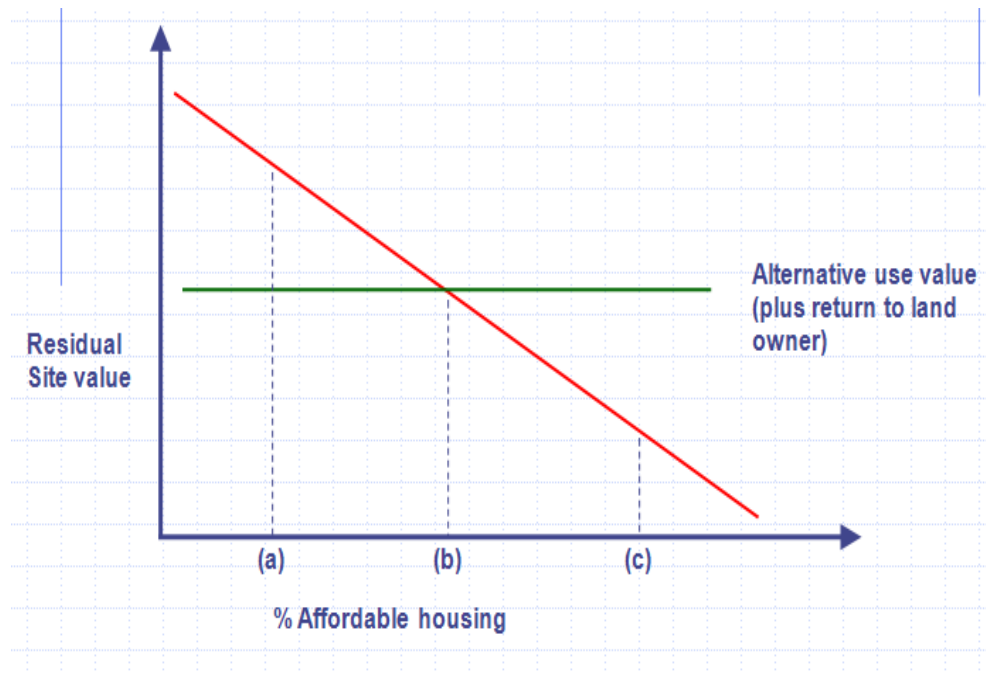
- 2.2 We use a residual development appraisal model to assess development viability. This mimics the approach of virtually all developers when purchasing land. This model assumes that the value of the site will be the difference between what the scheme generates and what it costs to develop. The model can take into account the impact on scheme residual value of affordable housing and other s106 contributions.
- 2.3 Figure 2.1 below shows diagrammatically the underlying principles of the approach. Scheme costs are deducted from scheme revenue to arrive at a gross residual value. Scheme costs assume a profit margin to the developer and the 'build costs' as shown in the diagram include such items as professional fees, finance costs, marketing fees and any overheads borne by the development company.
- 2.4 The gross residual value is the starting point for negotiations about the level and scope of s106 contribution. The contribution will normally be greatest in the form of affordable housing but other s106 items will also reduce the gross residual value of the site. Once the s106 contributions have been deducted, this leaves a net residual value.

**Figure 2.1 Theory of the Section 106 Process**



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

**Figure 2.2 Affordable housing and alternative use value**



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

### 3 HIGH LEVEL TESTING

#### Introduction

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

#### Market value areas

- 3.2 Variation in house prices will have a significant impact on development economics and the impact of affordable housing on scheme viability.
- 3.3 We undertook a broad analysis of house prices in Newark and Sherwood using HM Land Registry data to identify the sub markets. The house prices which relate to the sub markets provide the basis for a set of indicative new build values as at March 2009. Table 3.1 below sets out the sub markets in the District developed for the study.

**Table 3.1 Viability sub markets in the Newark and Sherwood area**

NEWARK AND SHERWOOD		
Sub Market	PCS	Main settlements; areas
Rural South and Southwell	NG14 7	Rural South - Lowdham; Thurgarton & Bleasby
	NG23 5	Rural South - Elston; Rolleston.
	NG25 0	Southwell and Rural Hinterland
Rural North and Heart of N & S	NG22 0	Northern Rural - Egmonton; Laxton; Eakring
	NG22 8	Rural Heart - Farnsfield, Bilsthorpe; Kirklington
	NG23 6	North East Rural - Sutton-on-Trent; Cauntton
	NG23 7	North East Rural - Collingham; South Clifton & Harby
Newark and Balderton	NG24 1	Newark North West
	NG24 2	Newark North East
	NG24 3	Balderton
	NG24 4	Newark South West
Rainworth, Clipstone and New Ollerton	NG21 0	Rainworth and Blidworth
	NG21 9	Clipstone and Edwinstone
	NG22 9	Ollerton & Boughton

Source: Market value areas as agreed between Three Dragons and Newark and Sherwood DC

#### Testing assumptions (notional one hectare site)

- 3.4 For the viability testing, we defined a number of development mix scenarios, using a range of assumptions agreed with the Council. The scenarios were based on an analysis of typical development mixes and were discussed at the stakeholder workshop.
- 3.5 The development mixes were as follows:
- 30 dph: including 10% 2 bed terraces; 10% 3 bed terraces; 35% 3 bed semis; 25% 3 bed detached; 15% 4 bed detached; 5% 5 bed detached
  - 45 dph: including 5% 2 bed flats; 15% 2 bed terraces; 25% 3 bed terraces; 25% 3 bed semis; 20% 3 bed detached; 10% 4 bed detached;
  - 60 dph: including 10% 1 bed flats; 15% 2 bed flats; 20% 2 bed terraces; 20% 3 bed terraces; 20% 3 bed semis; 10% 3 bed detached; 5% 4 bed detached;
  - 80 dph: including 20% 1 bed flats; 50% 2 bed flats; 20% 2 bed terraces and 10% 3 bed terraces.
- 3.6 We calculated residual scheme values for each of these (base mix) scenarios in line with a further set of tenure assumptions. These were 10%; 20%; 25%; 30%; 35%, 40% and 50% affordable housing. These were tested at 70% Social Rent and 30% New Build HomeBuy in each case. For the New Build HomeBuy, the share purchase was assumed to be 40%. All the assumptions were agreed with the authority. Unless stated, testing was carried out assuming nil grant.
- 3.7 For the purposes of this report New Build HomeBuy represents Intermediate affordable housing.

#### **Other s106 contributions**

- 3.8 For the modelling we have undertaken (and unless shown otherwise) we have assumed that other planning obligations have a total cost of £5,000 per unit.

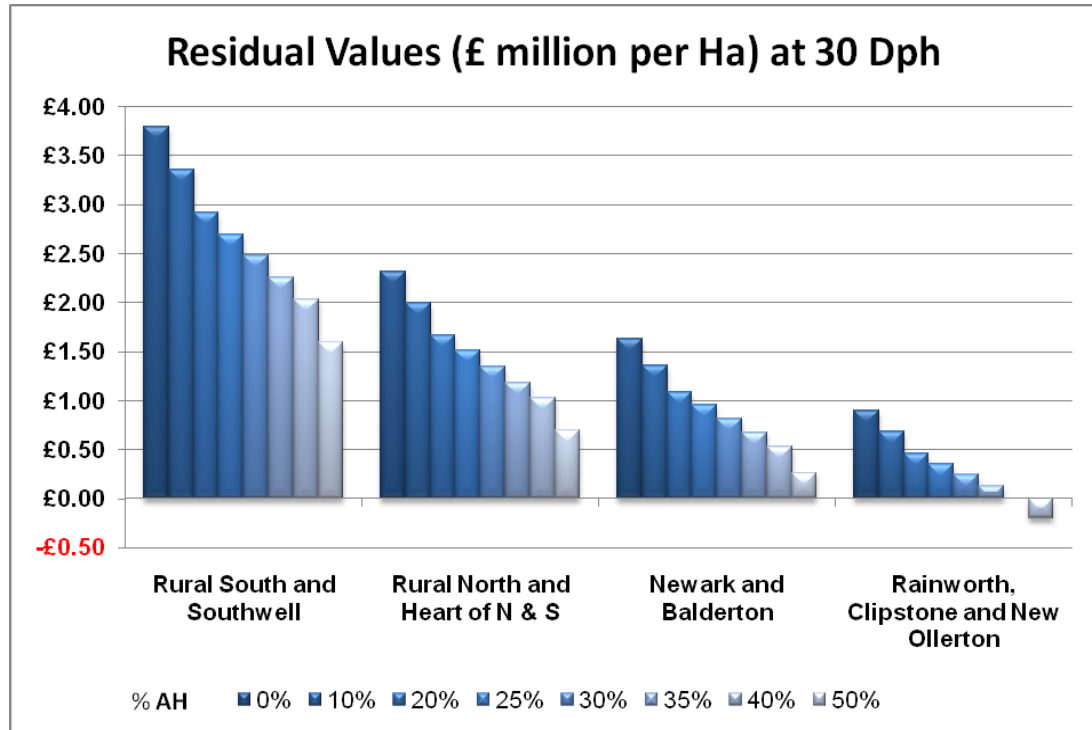
#### **Results: residual values for a notional one hectare site**

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

### Low density housing (30 dph)

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

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

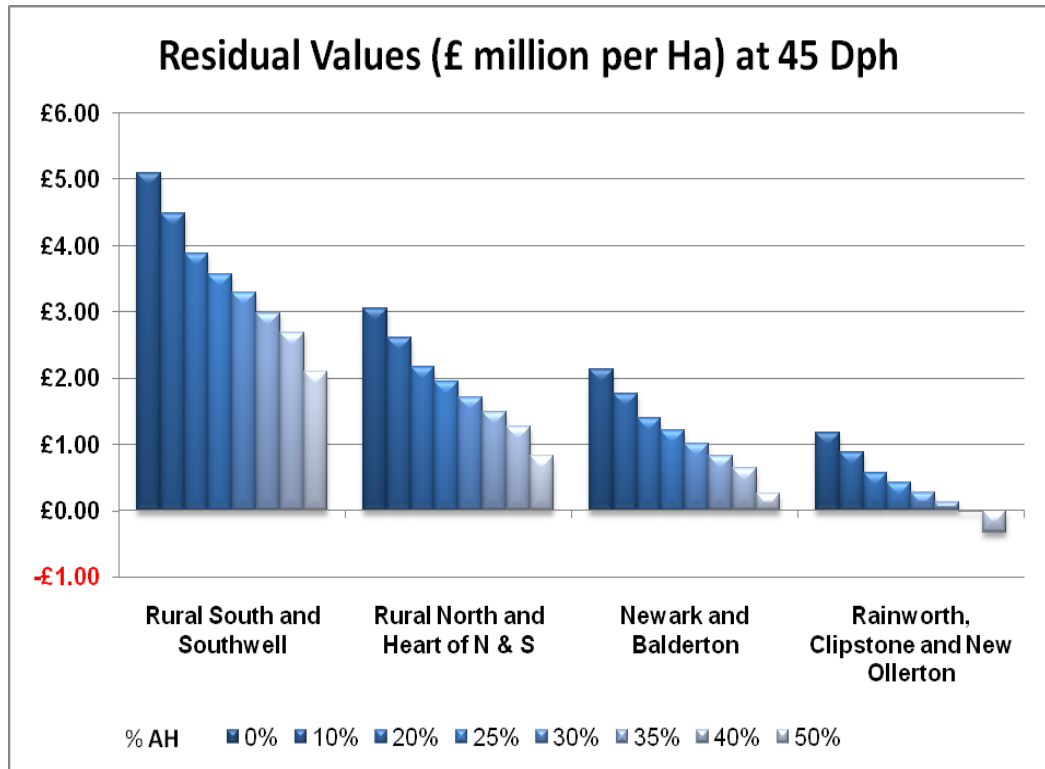


- Figure 3.1 shows a range of mainly positive residual values, depending on the sub market and amount of affordable housing. Residual values at 30% affordable housing range from £2.48 million per hectare in the Rural South and Southwell to £240,000 per hectare in Rainworth, Clipstone and Ollerton. In this sub market, residual values become negative at 50% affordable housing.
- The chart shows a relatively clear distinction in prices between the higher value rural areas and Southwell and the more urban areas of Newark, Balderton, and, at the lower end of the market, locations such as Rainworth, Clipstone and Ollerton.
- The range in values has potentially important implications for policy making. With the scenarios tested, a higher value (£1.59m versus £0.90m) is generated in the Rural South and Southwell sub market at 50% affordable housing than for Rainworth, Clipstone and New Ollerton at 100% market housing.

**Lower density housing (45 dph)**

3.11 Figure 3.2 shows lower density housing (45 dph) and the residual values for each of the market value areas.

**Figure 3.2 Lower density housing (45 dph) – Residual value in £s million**

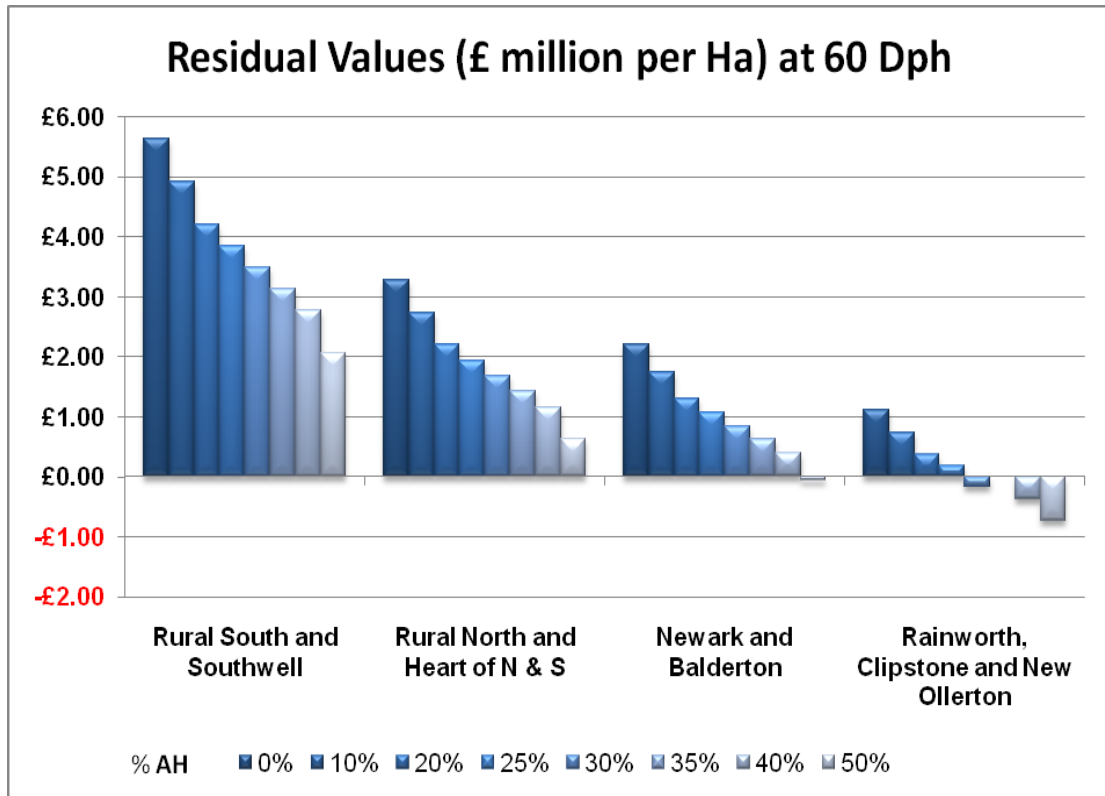


- By increasing density (30 dph to 40 dph), residual values are increased across all submarkets except for Rainworth, Clipstone and New Ollerton where residuals are lower above 30% affordable housing.
- Figure 3.2 demonstrates the range of residual values. At 30% affordable housing, residual values are over £3 million per hectare, compared with a value of around £270,000 per hectare at the lowest end of the market. In Newark itself, a 30% affordable housing target should generate a residual value of just over £1 million per hectare.
- In the middle and weaker market areas, lower density development (with houses rather than flats) will tend to optimise the residual value.

### 60 dph scheme

3.12 Figure 3.3 shows residual values for a (60 dph) scheme and the residual values for each of the market value areas outlined earlier.

**Figure 3.3 Medium density housing (60 dph) – Residual value in £s million**

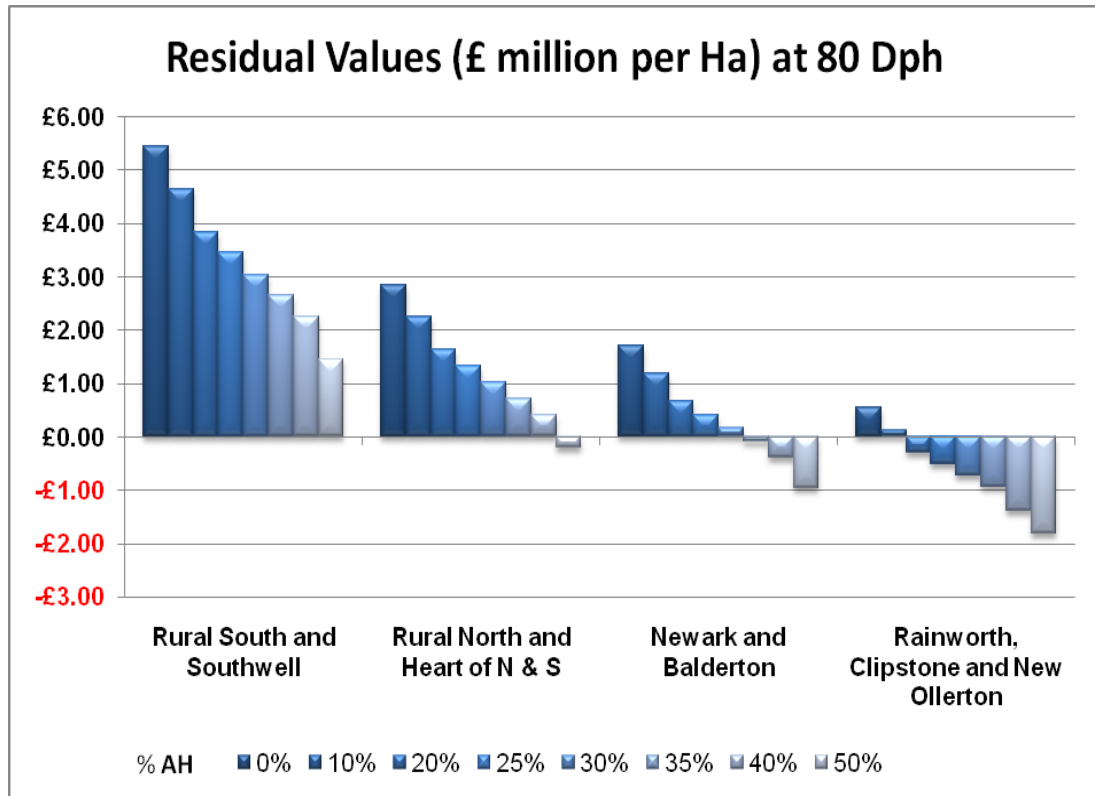


- The results for the 60 dph scenario underline the conclusion that increasing density does not necessarily increase residual value.
- More scenarios are less viable at 60 dph than at 45 dph. This is particularly the case in the lower two sub markets, where only a scheme for 100% market housing in Newark produces a higher residual value at 60 dph than 45 dph.
- The 60 dph scenario tends to produce higher residual values than the 30 dph scenario in the 3 higher value sub markets.
- Several scenarios, mainly in Rainworth, Clipstone and New Ollerton, show negative residual values, although in the highest of the sub markets (Rural South and Southwell) residual values are around two million per hectare even at 50% affordable housing.

### 80 dph scheme

3.13 Figure 3.4 shows residual values for a (80 dph) scheme and the residual values for each of the sub markets

**Figure 3.4 Higher density housing (80 dph) – Residual value in £s million**



3.14 At 80 dph, residuals are lower than at 60 dph. This reflects in large measure a higher proportion of flats and smaller units where sales values do not cover development costs very well.

3.15 It will be noted from Figure 3.4, that at 80 dph most schemes will be marginal or negative in Rainworth, Clipstone and New Ollerton.

3.16 As with all analysis of this nature the results are sensitive to the development mix. Exceptions to these 'rules' may become apparent on a site by site basis.

## Impacts of potential grant funding

- 3.17 The availability of public subsidy (in the form of grant) can have a significant impact on scheme viability. Grant given to the affordable housing providers enables them to pay more for affordable housing units, thus increasing overall scheme revenue and therefore the residual value of a mixed tenure scheme. There are two main sources of grant which may be available: from the Homes and Communities Agency and/or the local authority (for example using money collected from development in the form of a commuted sum, through a s106 agreement).
- 3.18 We have assumed grant of £50,000 per Social Rented unit and £15,000 per New Build HomeBuy unit. This level of grant is based on feedback from Newark and Sherwood DC as being a reasonable figure to use for viability testing purposes.
- 3.19 For our testing, we have tested the impact of grant on residual values for a 1Ha site at 45 dph for all. The results are shown in Table 3.2.

**Table 3.2 Comparison of impact of grant versus on residual values (at 45 dph): Residual Value (£s million per hectare); 70% Social Rent: 30% Shared Ownership**

45 dph	Rural South and Southwell		Rural North and Heart of N & S		Newark and Balderton		Rainworth, Clipstone and New Ollerton	
	No grant	Grant	No grant	Grant	No grant	Grant	No grant	Grant
0% AH	£5.09	N/A	£3.05	N/A	£2.13	N/A	£1.17	N/A
10% AH	£4.48	£4.65	£2.60	£2.77	£1.76	£1.93	£0.87	£1.04
20% AH	£3.88	£4.23	£2.16	£2.51	£1.39	£1.74	£0.57	£0.92
25% AH	£3.57	£4.01	£1.94	£2.38	£1.20	£1.64	£0.42	£0.86
30% AH	£3.28	£3.81	£1.71	£2.24	£1.01	£1.54	£0.27	£0.80
35% AH	£2.98	£3.60	£1.49	£2.11	£0.82	£1.44	£0.12	£0.74
40% AH	£2.68	£3.39	£1.27	£1.98	£0.64	£1.35	£-0.03	£0.68
50% AH	£2.10	£2.99	£0.83	£1.72	£0.26	£1.15	£-0.33	£0.56

- 3.20 Table 3.2 shows that the availability of grant will enhance site viability. Grant will be highly important in helping to make sites viable in a number of different ways; where residual value falls below existing or alternative use value, and, most clearly, where residual values are negative.
- 3.21 As a general rule, the introduction of grant has a greater proportionate impact in the weaker sub markets. For example, in Newark and Balderton, there is a 53% increase residual value at 30% affordable housing due to the impact of grant; whereas in Rural South and Southwell, for the same scenario, grant adds only 16% to residual value.

3.22 Whilst the biggest impact of grant is in the weaker value areas, grant is not an insignificant factor in middle and higher markets and the Council should consider how best to enhance affordable housing supply via this option.

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

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

**Table 3.3 Site values (£ million per hectare) for a 45 dph scheme comparing 50% Social Rent and 50% Shared Ownership without grant versus grant option (70% Social Rent and 30% Shared Ownership)**

45 dph	Rural South and Southwell		Rural North and Heart of N & S		Newark and Balderton		Rainworth, Clipstone and New Ollerton	
	50%:50%	Grant	50%:50%	Grant	50%:50%	Grant	50%:50%	Grant
0%	£5.09	N/A	£3.05	N/A	£2.13	N/A	£1.17	N/A
10%	£4.60	£4.65	£2.69	£2.77	£1.83	£1.93	£0.92	£1.04
20%	£4.11	£4.23	£2.33	£2.51	£1.52	£1.74	£0.68	£0.92
25%	£3.87	£4.01	£2.15	£2.38	£1.37	£1.64	£0.55	£0.86
30%	£3.63	£3.81	£1.97	£2.24	£1.22	£1.54	£0.43	£0.80
35%	£3.38	£3.60	£1.78	£2.11	£1.07	£1.44	£0.31	£0.74
40%	£3.15	£3.39	£1.61	£1.98	£0.64	£1.35	£0.18	£0.68
50%	£2.66	£2.99	£1.24	£1.72	£0.61	£1.15	-£0.06	£0.56

3.24 Table 3.3 shows the residual values with a 50%:50% split in the affordable element. This does not however show higher residual values compared to the 'with grant' scenario. In Newark, for example, a 'with grant' scenario produces a significantly higher residual value than the 50%:50% affordable option, across all the percentages of affordable housing tested.

3.25 The implication of the chart is that shifting tenure (towards a higher percentage of intermediate housing – Shared Ownership or New Build HomeBuy) is more effective in the stronger, than the weaker sub markets.

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

## Market sensitivity testing

- 3.27 We are aware of current concerns about the volatility of the current housing market, and as such, we have looked a situation where house prices are 10% higher and 10% lower than the levels assumed in our main testing based at March 2009.
- 3.28 Table 3.4 shows residual values for a 40 dph scheme with house prices increased and decreased by 10% for a range of selected locations in the District. This is not a reflection of any particular forecast of how the market will perform, but aims to show the sensitivity of residual values to changes in house prices.

**Table 3.4 Residual values (£ million per hectare) for a 45 dph scheme with prices 10% higher and lower than the baseline. No grant; 70% Social Rent: 30% Shared Ownership**

	Rural South and Southwell			Rural North and Heart of N & S		
	-10%	0%	10%	-10%	0%	10%
0% AH	£4.19	£5.09	£5.99	£2.35	£3.05	£3.75
10% AH	£3.66	£4.48	£5.33	£1.96	£2.60	£3.26
20% AH	£3.02	£3.88	£4.53	£1.57	£2.16	£2.76
25% AH	£2.86	£3.57	£4.32	£1.38	£1.94	£2.51
30% AH	£2.59	£3.28	£3.99	£1.18	£1.71	£2.26
35% AH	£2.33	£2.98	£3.65	£0.98	£1.49	£2.01
40% AH	£2.06	£2.68	£3.31	£0.79	£1.27	£1.76
50% AH	£1.53	£2.10	£2.65	£0.40	£0.83	£1.26

	Newark and Balderton			Rainworth, Clipstone and New Ollerton		
	-10%	0%	10%	-10%	0%	10%
0% AH	£1.53	£2.13	£2.75	£0.67	£1.17	£1.69
10% AH	£1.21	£1.76	£2.33	£0.40	£0.87	£1.35
20% AH	£0.88	£1.39	£1.91	£0.14	£0.57	£1.01
25% AH	£0.71	£1.20	£1.70	£0.01	£0.42	£0.84
30% AH	£0.55	£1.01	£1.49	£0.02	£0.27	£0.86
35% AH	£0.38	£0.82	£1.28	£-0.25	£0.12	£0.50
40% AH	£0.22	£0.64	£1.07	£-0.38	£-0.03	£0.33
50% AH	£-0.11	£0.26	£0.64	£-0.65	£-0.33	£-0.01

- 3.29 Table 3.4 shows significant variation in residual values depending on the assumption about future price changes. For example in the Rural South sub market, a 10% increase in house prices will increase residual land value by 22% at a 30% affordable housing target. At the weaker end of the market, a small increase in prices will have an even more dramatic impact ; for example in Newark and Balderton, a 10% increase in house price (at 30% affordable housing) will increase residual by almost 50%, or in Rainworth, Clipstone and New Ollerton where residual is increased threefold.

- 3.30 Falling house prices will have a significant impact on residual values. At 30% affordable housing, a 10% fall in house prices in for example Newark and Ollerton, would almost halve residual values.
- 3.31 We should re-iterate that these are scenarios only, and at the time of writing, there is no consensus on the direction for house prices.
- 3.32 More significant for setting affordable housing targets is the longer term trend in house prices which has proven to be around 3% above the rate of inflation nationally, with the Halifax house price index showing (nationally) a fivefold increase in prices since 1983 (circa 25 years). This, we feel, is a far more powerful indicator of viability over the period of the District's Plan.

### **Viability on very large sites**

- 3.33 The analysis carried out relates to a notional one hectare site, where it is anticipated that market selling prices will broadly 'pick up' the values from surrounding or very local settlements.
- 3.34 In practice, where very large sites are released (several hundred houses or a Sustainable Urban Extension), these sites will have the potential to create their own market, which in many instances will exceed the prices being charged for new housing being on smaller sites.
- 3.35 It is also fair to say that large sites may also be hit by significant infrastructure costs, particularly in green field locations and as such may not achieve the headline targets proposed.
- 3.36 The testing of such strategic sites is therefore beyond the scope of this study, as market values and specific infrastructure and abnormal costs need to be established in each instance. We would suggest that these sites are tested by the Council going forward, where affordable housing targets can be set independently of the findings of this study.

### **Benchmarking results**

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

#### **Table 3.5 Residential land values regionally**

EAST MIDLAND			
REGION	Small Sites (sites for less than five houses)	Bulk Land (sites in excess of two hectares)	Sites for flats or maisonettes
	£s per hectare	£s per hectare	£s per hectare
Lincoln	1,200,000	1,100,000	1,100,000
Mansfield	840,000	700,000	700,000
Nottingham (suburbs)	1,470,000	1,470,000	1,470,000
Derby	1,700,000	1,550,000	1,550,000
Leicester	1,600,000	1,500,000	1,500,000
Northampton	1,480,000	1,350,000	1,350,000
Loughborough	1,600,000	1,500,000	1,500,000

Source: Valuation Office; Property Market Report, January 2009

- 3.39 The table indicates residential land values ranged from £0.75 million (Mansfield) to £1.47 million (Nottingham suburbs). Our estimate for Newark and Sherwood is around £1 million based on these broad benchmarks.
- 3.40 Another benchmark which can be referred to is that of industrial land. Table 3.6 shows values ranging from £250,000 per hectare to £500,000 per hectare in the latter part of 2008 for Typical sites (Table 3.6)

**Table 3.6 East Midlands industrial land values**

EAST MIDLANDS			
	From £s per ha	To £s per ha	Typical £s per ha
Lincoln	250,000	300,000	275,000
Mansfield	200,000	300,000	250,000
Nottingham	425,000	575,000	500,000
Derby	325,000	450,000	400,000
Leicester	350,000	500,000	425,000
Northampton	350,000	500,000	450,000

Source: Valuation Office; Property Market Report, January 2009

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

## 4 LAND SUPPLY, SMALL SITES AND USE OF COMMUTED SUMS

### Introduction

- 4.1 This chapter reviews the policy context and options for identifying the size of sites above which affordable housing contributions would be sought, in the national policy context.
- 4.2 The current policy in the IPN (October 2005) in Newark and Sherwood is 30% affordable housing on sites of 5 or more dwellings/0.2 hectares with the exception of Newark, Balderton and Fernwood, where the policy is 30% affordable housing on sites of 10 or more dwellings/0.4 hectare.
- 4.3 The chapter provides an assessment of the profile of the future land supply and the likely relative importance of small sites. It then considers practical issues about on-site provision of affordable housing on small sites and the circumstances in which collection of a financial contribution might be appropriate (and the principles by which such contributions should be assessed).

### Purpose of the Analysis

- 4.4 PPS3 Housing sets out national policy on thresholds and affordable housing and states:
- "The national indicative minimum site size threshold is 15 dwellings. However, Local Planning Authorities can set lower minimum thresholds, where viable and practicable, including in rural areas. This could include setting different proportions of affordable housing to be sought for a series of site-size thresholds over the plan area." (Para 29)*
- 4.5 By reducing site size thresholds and 'capturing' more sites from which affordable housing can be sought, an authority can potentially increase the amount of affordable housing delivered through the planning system.
- 4.6 In this section we examine the impact that varying site size thresholds would have on affordable housing supply. In order to do this we need to examine the likely future site supply profile.

### Small sites analysis

- 4.7 We have analysed data on planning consents for the period 2005 to 2008 in order to establish how important sites of different sizes are likely to be to the future land supply. The tables below show the results of this exercise.

**Table 4.1: No of dwellings in different sizes of sites – planning permissions 2006/7 to 2007/8: All sites in the District**

Planning consents (2005/6 to 2007/8)		
Size of site in dwellings	Total Dwellings	Percentage of Dwellings
1 to 4	512	17%
5 to 9	205	7%
10 to 14	126	4%
15 to 24	199	6%
25 to 49	274	9%
50 to 99	707	23%
100 and over	1042	34%
	<b>3065</b>	<b>100.0%</b>

Source: Newark and Sherwood DC monitoring data

4.8 Table 4.1 shows that (for all sites in the District), that 28% of all dwellings will be developed on sites of less than 15 dwellings. Conversely 57% of all dwellings will be built on sites of over 50 dwellings. At a District-wide threshold of 5 units, this would mean that (if viable) 766 dwellings (30% of all dwellings on sites of five dwellings and more) would be delivered.

4.9 Table 4.2 looks at the situation with respect to Newark and Balderton, where the threshold is current at 10 dwellings.

**Table 4.2: No of dwellings in different sizes of sites – planning permissions 2006/7 to 2007/8: Sites in Newark and Balderton**

Planning consents (2005/6 to 2007/8)		
Size of site in dwellings	Total Dwellings	Percentage of Dwellings
1 to 4	113	7%
5 to 9	130	8%
10 to 14	47	3%
15 to 24	109	6%
25 to 49	77	5%
50 to 99	588	35%
100 and over	629	37%
	<b>1693</b>	<b>100.0%</b>

Source: Newark and Sherwood DC monitoring data

4.10 Table 4.2 shows that in the main settlement of Newark (combined with Balderton) 18% of dwellings will be delivered on sites of less than 15 dwellings. At the other end of the scale, 72% of dwellings will be delivered on sites of 50 dwellings and more. This means that in relation to the District as a whole, Newark is relatively less reliant on small sites to achieve affordable housing. This tends to support the current policy position of a higher threshold in Newark and Balderton.

### **Small sites and management of affordable housing**

- 4.11 We discussed the suitability of small sites for affordable housing at the two workshops with the development industry, which included representatives from Registered Social Landlords (RSLs). The workshops considered the situation where there could be as few as one or two units on each site.
- 4.12 While RSLs indicated that they would prefer to have affordable housing in larger groups (say 10 to 15 dwellings), they would be prepared to take on small numbers of affordable units (down to 1 and 2 dwellings) in mixed tenure development. It was suggested that any decision about site size thresholds should be based on the range of site sizes coming forward for development.

### **Use of commuted sums**

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

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

- 4.14 Where commuted sums are sought as an alternative to direct on or off-site provision, PPS3 (para 29) sets out the appropriate principle for assessing financial contributions - that they should be of “broadly equivalent value”

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

*PPS3 Para 29*

- 4.15 Our approach is that the commuted sum should be equivalent to the ‘developer/landowner contribution’ if the affordable housing was provided on site. One way of calculating this is to take the difference between the residual value of 100% market housing and the residual value of the scheme with the relevant percentage and mix of affordable housing.
- 4.16 If the ‘equivalence’ principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution.
- 4.17 Any concerns about scheme viability (whatever size of site) should be reflected by providing grant or altering tenure mix, or by a ‘reduced’ affordable housing contribution whether provided on-site, off-site or as a financial

contribution. Other planning obligations may also need to be reduced under some circumstances.

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

## 5 CASE STUDY VIABILITY ANALYSIS

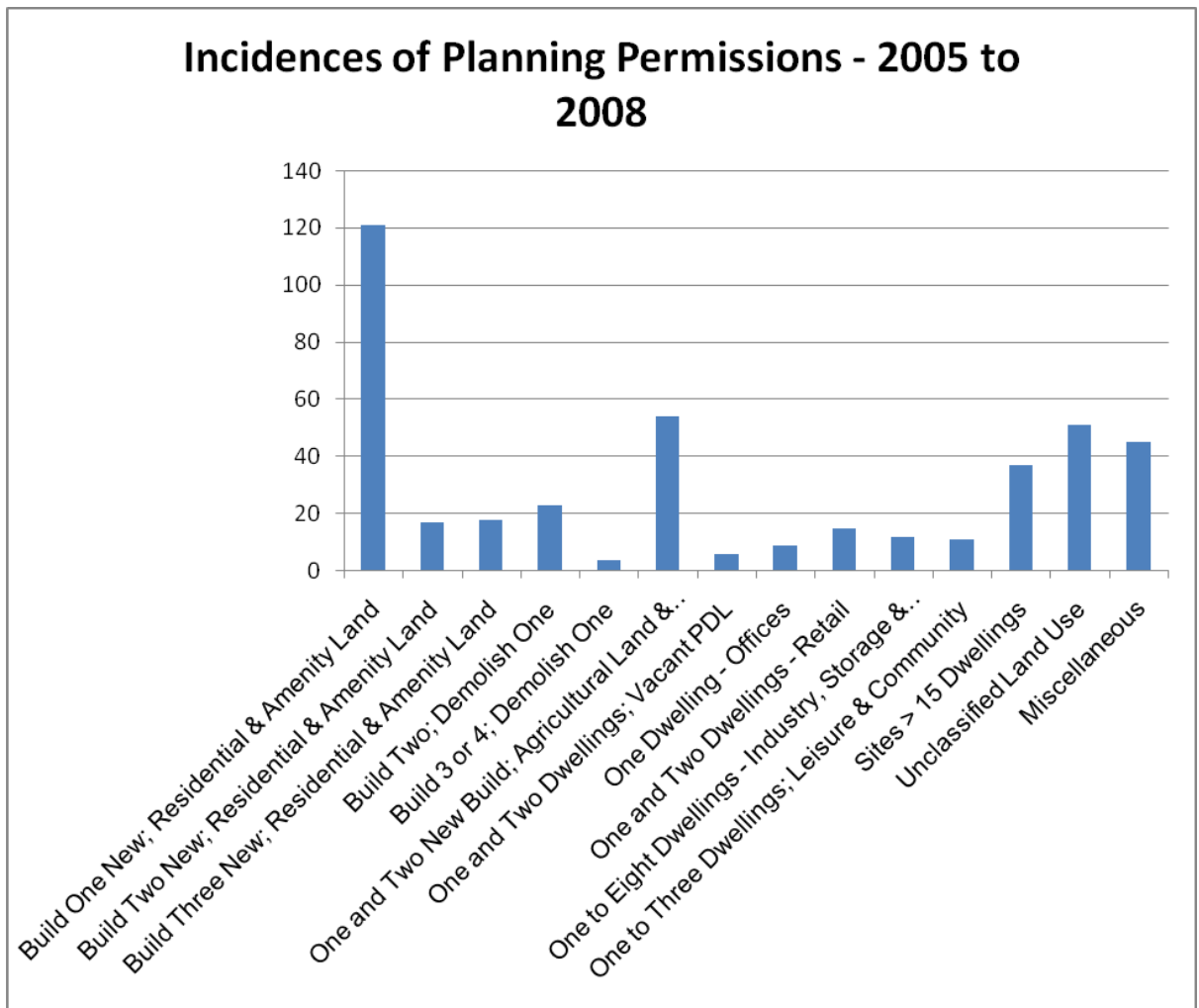
### Introduction

- 5.1 The analysis in Chapter 3 provides a good indication of the likely viability of sites in the District. The residual values can be compared with existing use values to establish whether land owners are likely to make a return over and above existing use value, taking into account a developer margin.
- 5.2 The analysis in Chapter 3 will apply for large as well as small sites (on a pro rata basis). We do not have any evidence to suggest that the economics change significantly between large and small sites. This assumption was accepted at the development industry workshops and has been the case elsewhere where we have run similar workshops.
- 5.3 In theory therefore there is no real need to review in detail viability issues for small sites. However, for the sake of further illustration, and recognising that there may be special circumstances which impact on the viability of some types of smaller sites, it was felt helpful to review the development economics of some illustrative case studies.

### Case study sites

- 5.4 In this section we review a number of case study developments which are examples of small sites for residential development. Figure 5.1 shows the types of schemes with planning permissions from 2005-6 to 2007-8, with the nature of the existing land use. Here we are measuring the number of schemes of different sizes.

**Figure 5.1 Incidence of planning permissions – 2005 to 2008**



5.5 Figure 5.1 shows a high incidence of permissions for schemes involving the development of one dwelling, mainly from land which is categorised as residential and residential amenity land (29% of all incidences of planning permission). Schemes of development on this type of land (we assume this will often be garden and backfill land) garden land involving the construction of two and three dwellings make up around 8% of all permissions. Agricultural land and farm buildings (mostly new build) provide a significant number of smaller developments (one and two dwellings) in Newark and Sherwood; together they make up 13% of all incidences of planning permissions.

5.6 There are then a range of schemes emanating from commercial uses – typically industrial land, shops and offices. Together these make up around 8% of all incidences of planning permissions. They are therefore not significant in the bigger picture.

5.7 Some types of scheme involve the demolition of one dwelling and the construction of two, three and four dwellings. These schemes make up 6% of all incidences of planning permissions, of which most of these (85%) involve the construction of two new dwellings.

- 5.8 There are a number of schemes which do not fit neatly into any of these categories. These are included as miscellaneous. Permissions for more than 15 dwellings have been categorised separately.
- 5.9 On the basis of the data, we have selected four case studies for further investigation. These are shown in Table 5.1

**Table 5.1 Case study sites**

<b>Case Study</b>	<b>Number of dwellings</b>	<b>Type of new development</b>	<b>Site (Ha)</b>	<b>Size</b>	<b>Resulting density</b>
<b>A</b>	<b>1</b>	1 x 5 bed detached house		0.05	20
<b>B</b>	<b>2</b>	1 x 4 bed detached house; 1 x 5 bed detached house		0.075	27
<b>C</b>	<b>5</b>	3 x 3 bed terraced 2 x 3 bed semis; 1 x 4 bed detached		0.15	35
<b>D</b>	<b>6</b>	4 x 3 bed semis 2 x 4 bed detached		0.1	60

- 5.10 For each case study we have undertaken an analysis of residual values for all the sub markets sub markets and at levels of affordable housing from 0%; 10%; 20%; 30% and 40%. All the other assumptions used are the same as for the main analysis described in Chapter 3.

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

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

**Table 5.2 Develop one detached house**

Case A	0%	10%	20%	30%	40%
<b>Rural South and Southwell</b>	£227,000	£203,000	£178,000	£153,000	£127,000
	£4.54	£4.06	£3.56	£3.06	£2.54
<b>Rural North and Heart of N and S</b>	£145,000	£127,000	£108,000	£90,000	£70,000
	£2.90	£2.54	£2.16	£1.80	£1.44
<b>Newark and Balderton</b>	£104,000	£89,000	£73,000	£258,000	£42,000
	£2.08	£1.78	£1.46	£1.16	£0.84
<b>Rainworth, Clipstone &amp; New Ollerton</b>	£59,000	£47,000	£35,000	£22,000	£10,000
	£1.18	£0.94	£0.70	£0.44	£0.20

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

- 5.12 Table 5.2 shows residual values at the different proportions of affordable housing. All results are positive, even at 40% affordable housing in the weakest sub market.
- 5.13 Where one dwelling of this type is built on residential or residential amenity land (a common occurrence in the District – see Figure 5.1), we would expect there to be a significant uplift in site value, particularly in the higher value areas.
- 5.14 Whether sites come forward will depend on the propensity of home owners to bring forward a single plot, which in turn will depend on whether there is sufficient gap between the uplift and any potential devaluation to the existing dwelling resulting from the construction of a new house in the old garden. At 20% affordable housing the uplift in a location such as Newark (Balderton) will be close to £70,000. This will allow around a 30% devaluation in the value of the existing house.
- 5.15 A significant number of small sites come forward from agricultural land and buildings. Valuation Office data suggests that farm land is currently worth around £15,000 per hectare. This would mean that in the weakest sub market, a planning permission including 40% affordable housing would increase land value by around thirteenfold. Whilst this does not mean that land will necessarily be brought forward, it does indicate that in a strict financial viability context, this type of site is viable.

- 5.16 A very small proportion of sites are developed by demolishing an existing dwelling. On the basis that the existing use value of these sites is close to the selling price of a new build unit (and not the residual value) we believe that these sites will be very difficult to bring forward.

**Case study B – Develop two detached houses (one 4 bed and one five) on a 0.075 ha site.**

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

**Table 5.3 Develop two detached houses**

Case B	0%	10%	20%	30%	40%
<b>Rural South and Southwell</b>	£421,000	£374,000	£328,000	£282,000	£236,000
	£5.61	£4.99	£4.73	£3.76	£3.15
<b>Rural North and Heart of N and S</b>	£265,000	£231,000	£196,000	£162,000	£127,000
	£3.53	£3.08	£2.61	£2.16	£1.69
<b>Newark and Balderton</b>	£191,000	£162,000	£134,000	£105,000	£76,000
	£2.55	£2.16	£1.78	£1.40	£1.01
<b>Rainworth, Clipstone &amp; New Ollerton</b>	£109,000	£87,000	£64,000	£41,000	£19,000
	£1.45	£1.16	£0.85	£0.55	£0.25

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

- 5.10 Similar arguments apply to Case Studies A and B. For infill, backland and garden plots, there will some uplift, although more modest at lower affordable housing percentages. There will very significant uplift in the case of agricultural land. Two dwellings will generate high absolute values and when compared with the scheme for one dwelling above, will also generate higher residual values on a per hectare basis.
- 5.11 We think the residual values generated on this type of small site are high, particularly in the three highest value sub markets. The analysis suggests that minimally a £1 million per hectare will be generated in these sub markets at 40% affordable housing. As with the high level testing, residual values of between £2 and £4 million per hectare are achievable at 30% affordable housing in the more valuable rural areas of the District.

- 5.12 Where two new dwellings replace one (see Figure 5.1) the economics will be more favourable than with a 'one for one' development. However, we do not believe that this type of scheme will normally be capable of delivering affordable housing as the economics are still weak; i.e. the residual values even from two plots will not normally be greater than the value of an open market house. That said, the District is not significantly reliant on this type of small site and thus is not adversely affected in this respect where it may wish to reduce the threshold.

**Case study C – Develop five dwellings on a 0.15 ha site**

- 5.12 We look here at a development of five dwellings (including two terraces, two semis and one detached house). Whilst our analysis (Figure 5.1) shows that one and two dwellings tend to predominate as examples of smaller sites, some sites are developed at around this level.

**Table 5.3 Develop five dwellings**

Case C	0%	10%	20%	30%	40%
<b>Rural South and Southwell</b>	£631,000	£557,000	£482,000	£406,000	£331,000
	£4.21	£3.71	£3.21	£2.71	£2.21
<b>Rural North and Heart of N and S</b>	£377,000	£322,000	£266,000	£210,000	£154,000
	£2.51	£2.15	£1.77	£1.40	£1.03
<b>Newark and Balderton</b>	£262,000	£216,000	£168,000	£122,000	£74,000
	£1.75	£1.44	£1.12	£0.81	£0.49
<b>Rainworth, Clipstone &amp; New Ollerton</b>	£143,000	£105,000	£68,000	£30,000	£-8,000
	£0.95	£0.70	£0.45	£0.20	£-0.05

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

- 5.13 This type of scheme, developed on backland or residential infill should generate a significant uplift from existing use value in most instances. Five dwellings, based on the assumptions outlined, will generate a higher absolute value which may be critical in bringing sites forward in some instances. As previously stated in the High Level testing, grant will need to be focused in the weaker sub markets for these smaller sites, as well as for the larger ones.
- 5.14 As before, where this type of development involves the demolition of an existing dwelling, residual values will normally fall short of existing use values, although the economics of 'knock one down, develop five' are significantly more favourable than with a lesser number of new build homes.

**Case study D – Development of 6 dwellings on a 0.1 ha site**

- 5.15 We look here at an example of a 6 dwelling development. We take as an example here the development of four, three bed semis and two, four bed detached houses

**Table 5.4 Develop five dwellings**

Case D	0%	10%	20%	30%	40%
<b>Rural South and Southwell</b>	<b>£813,000</b>	<b>£718,000</b>	<b>£623,000</b>	<b>£528,000</b>	<b>£434,000</b>
	<b>£8.13</b>	<b>£7.18</b>	<b>£6.23</b>	<b>£5.28</b>	<b>£4.34</b>
<b>Rural North and Heart of N and S</b>	<b>£485,000</b>	<b>£415,000</b>	<b>£345,000</b>	<b>£275,000</b>	<b>£206,000</b>
	<b>£4.85</b>	<b>£4.15</b>	<b>£3.45</b>	<b>£2.75</b>	<b>£2.06</b>
<b>Newark and Balderton</b>	<b>£337,000</b>	<b>£278,000</b>	<b>£220,000</b>	<b>£161,000</b>	<b>£103,000</b>
	<b>£3.37</b>	<b>£2.78</b>	<b>£2.22</b>	<b>£1.61</b>	<b>£1.03</b>
<b>Rainworth, Clipstone &amp; New Ollerton</b>	<b>£181,000</b>	<b>£135,000</b>	<b>£89,000</b>	<b>£41,000</b>	<b>-£5,000</b>
	<b>£1.81</b>	<b>£1.35</b>	<b>£0.89</b>	<b>£0.41</b>	<b>-£0.00</b>

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

- 5.16 This type of development enhances residual value both in absolute terms, as well as on a per hectare basis. This results from a higher density solution (see Table 5.1).
- 5.17 This type of scheme should generate very healthy residual values and planning gain uplift on a very substantial number of small sites in the District.

**Commentary on the results**

- 5.18 This section on case studies is primarily illustrative, looking at the economics with particular reference to smaller sites and including consideration of achieved residual values for different sites and how they compare with existing use values.
- 5.19 The results for the small sites reflect in large measure, the previous analysis which considered the notional 1 hectare site. Sites with a low number of dwellings (smaller sites) are no less or more viable than sites with a larger number of dwellings.
- 5.20 Our specific examination of small sites and the case studies suggest that affordable housing will be deliverable based on the significant, and in some cases, very significant uplifts from existing uses; in the case of Newark and Sherwood, these will be sites in garden and back land, and in agricultural use.

5.21 Inevitably, with sites that involve the development or re-development of residential, the site specific circumstances will be critical. There may need be distinction to be drawn in policy terms between those sites where a devaluation to the existing dwelling occurs, and those sites where a complete demolition of the existing dwelling occurs. With the latter, the economics of development will normally be much more difficult.

## 6 MAIN FINDINGS AND CONCLUSIONS

### Overview

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

### Key findings

- 6.2 The market value areas in Newark and Sherwood we identified were Rural South and Southwell, Rural North and Heart of Newark and Sherwood, Newark and Balderton and Rainworth, Clipstone and New Ollerton.
- 6.3 There is variation in market values between the market value areas. These differences in market values were reflected in differences in residual values (for the different scenarios tested). We found that residual value is dependent not only on location but also on the density adopted.
- 6.4 Residual values are generally higher in the rural areas than in the towns. There are significant differences between the Rural South and Southwell, and, at the other end of the scale, locations such as Rainworth, Clipstone and New Ollerton. Without grant, and using our standard assumptions about the mix of affordable housing and other s106 contributions, at 30% affordable housing, residual values per hectare are at their greatest in the Rural South and Southwell sub market at £3.49m (at 60 dph) and at their lowest in Rainworth, Clipstone and New Ollerton (-£0.73).
- 6.5 In Newark and Balderton (as a middle to lower market location), residual values per hectare of over £0.8m can be achieved for certain kinds of development densities (and hence mixes) at 30% affordable housing and in Rainworth, Clipstone and New Ollerton, residual values of around £0.4m per hectare can be achieved at lower densities at 25% affordable housing. These values do not themselves indicate that sites are viable, but we would estimate that this level of affordable housing is competitive in terms of residual values with industrial land.
- 6.6 The above commentary has important implications for affordable housing targets in the District. At 45 dph, a 50% affordable housing target in the Rural South and Southwell sub market should generate a higher residual value than a nil affordable housing target (i.e. a scheme for 100% market housing) in the weakest sub market. This means that a split target is in principle, justified on the basis of viability.
- 6.7 The introduction of grant at the levels tested makes a significant difference to residual values, particularly in the weaker locations. Grant will be important in

these locations in generating sufficient residual value to encourage sites to come forward from higher value existing uses.

- 6.8 The analysis shows that increasing the proportion of intermediate affordable housing in the mix of affordable housing (to a 50%:50% split) does not achieve the same benefits as introducing grant. However, increasing intermediate housing does improve the position in some circumstances, compared with nil grant. For instance, in Newark, at 30% affordable housing and with 70% of the affordable housing as social rented housing, the residual value at 45dph is £1.01 m per hectare but with 50% of the affordable housing as Newbuild HomeBuy, the residual value increases to £1.22m.
- 6.9 The analysis shows that residual values are very sensitive to house prices. Changes in house prices could have a significant impact on viability. This applies not only in the short term, in 'credit crunch' conditions, but also over the long term, where historically the trend in prices has been to increase (albeit with various peaks and troughs along the way).
- 6.10 The analysis of the supply of sites in the District suggested that smaller sites do not generally make a very significant contribution to the overall supply of housing. Information about permissions shows that around 28% of dwellings granted planning permission are on sites of less than 15 dwellings (the national indicative minimum site size threshold). Sites of between 5 and 14 dwellings make up only around 10% of the total supply (planning permissions 2005 to 2008).
- 6.11 A very small proportion of smaller sites being brought forward, involve the redevelopment of existing residential properties – either as a one for one replacement or at a higher density of development. Whilst such schemes can deliver affordable housing in some circumstances in the higher value markets, it must be acknowledged that residual values, with even relatively low levels of affordable housing, will not be sufficiently above current use values to encourage land owners to bring the land forward. The use of grant could help in achieving higher levels of affordable housing on such sites.
- 6.12 Again, it is important to highlight that it is not the size of the site per se that causes difficulties with viability, but the nature of the existing or alternative use.
- 6.13 From a housing management perspective, we did not find any in- principle objections from housing associations to the on-site provision of affordable housing on small sites. There may be particular schemes where on-site provision is not the preferred option, but as a general rule, on-site provision of (very) small numbers of affordable homes is acceptable to housing associations.
- 6.14 Where a financial payment in lieu of on-site provision of affordable housing (or commuted sum) is to be sought, it should be of "broadly equivalent value". This approach is, on the evidence we have considered, a reasonable one to take in policy terms.
- 6.15 If this 'equivalence' principle is adopted, then the decision of the local authority to take a commuted sum will be based on the acceptability or otherwise of on-site provision as a housing and spatial planning solution, not in response to viability issues.

## Conclusions and policy recommendations

- 6.16 There is no detailed government guidance setting out how targets should be assessed, based on an assessment of viability. In coming to our conclusions, we have reviewed the residual values generated for the different sub markets in the District at the alternative levels of affordable housing tested and considered how these values compare with historic land values generally in the area.
- 6.17 The current policy operated in Newark and Sherwood is for 30% affordable housing.
- 6.18 Comparing Q1 of 1999<sup>2</sup> with Q1 of 2009, we find that mean average house prices in Newark and Sherwood have more than doubled<sup>3</sup>. These figures are for all house prices and not specifically for new homes.
- 6.19 Our review has also taken into account that the Strategic Housing Market Assessment (2007) which proposed an overall target of 40% affordable housing, split 25% Social Rent and 15% Intermediate affordable.
- 6.20 On the basis of the available evidence, we believe there are two key options for setting affordable housing proportions for spatial planning policy purposes.
- Retain the target of 30%, set out in the IPN of 2005, and set out in further guidance (e.g. an updated SPD) a pragmatic approach to housing delivery which reflects the fact that the local housing market has a significant spread of market values. Success of this option would rely on significant levels of subsidy for schemes in the weakest market areas to help in the delivery of affordable housing at the target percentage. This would apply particularly in locations such as Rainworth, Clipstone and New Ollerton. Or:
  - Adopt differential targets for different parts of the District, to reflect the spread of market values. On this basis, we would suggest a 35% target in the Rural South and Southwell sub market, a 30% target for the Rural North and Heart of District and in Newark and a 25% target for Clipstone and New Ollerton. This would further be on the basis that to achieve 25% affordable housing in the weakest sub market (Rainworth, Clipstone and New Ollerton) grant would normally be needed.
- 6.21 We recognise that the overall delivery identified in the second of the main options (whichever sub option is used) will be below the current level of the IPN policy in some locations. However, we see this as a realistic set of options given the market values found in the District, particularly in its weaker market areas. The Council could consider higher percentages of affordable housing but this, in our view, would be difficult to achieve without a high level of certainty that significant amounts of subsidy can be secured on a regular basis.

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<sup>2</sup> The year the Local Plan was approved

<sup>3</sup> CLG Live Table Mean House Prices by District. Q1 1999 = £67,887 Q3 2008 = £157,534

## Viability on individual sites

- 6.22 Our analysis has indicated that there will be site-specific circumstances where achievement of the affordable housing proportions set out above may not be possible. This should not detract from the robustness of the overall targets but the council will need to take into account specific site viability concerns when these are justified.
- 6.23 If there is any doubt about viability on a particular site, it will be the responsibility of the developer to make a case that applying the council's affordable housing requirement for their scheme makes the scheme **not viable**. Where the council is satisfied this is the case, the council has a number of options open to it (including changing the mix of the affordable housing and supporting a bid for grant funding from the Homes and Communities Agency and/or using their own funds) before needing to consider whether a lower level of affordable housing is appropriate. In individual scheme negotiations, the council will also need to consider the balance between seeking affordable housing and its other planning obligation requirements.

## Thresholds

- 6.24 The current policy position on thresholds set out in the IPN of 2005 is 5 dwellings (0.2 Ha) across the District with the exception of Newark and Balderton where the threshold is 10 dwellings (0.4 Ha).
- 6.25 Our analysis of site supply finds this is a logical position for the Council to adopt in that a higher proportion of dwellings will be delivered from larger sites in Newark and Balderton.
- 6.26 Across the District as a whole, only 28% of all dwellings will be developed on sites of less than 15 dwellings. Further, only 17% of dwellings will be developed on sites of less than 5 dwellings. From a site supply aspect, this weakens the case for a lower threshold.
- 6.27 From a pure viability viewpoint, we believe that a strong case is made on the basis of the case studies looked at for a lower threshold than 5. This would clearly mean that more sites would contribute to affordable housing. This has the advantage of maximising delivery of affordable housing but also has implications for the Council's workload and could involve a large number of smaller (local) builders with the s106 process.
- 6.28 There is a further option for harmonising the threshold at 5 dwellings across the District. This would mean around an additional 10% of recent planning permissions in Newark and Balderton being 'caught' by the policy.
- 6.29 For the purposes of policy simplification, and to potentially add to affordable housing supply, we would suggest a harmonisation of the threshold at 5 dwellings across the District.
- 6.30 Below a certain level of dwellings (depending on the target percentage adopted), on-site provision is not mathematically practical and an equivalent commuted sum will need to be sought.

### **Commuted sums**

- 6.31 Where **commuted sums** are collected a possible approach to calculating the appropriate sum sought is to base this on the equivalent amount which would be contributed by the developer/landowner were the affordable housing provided on site. This is expressed as follows:

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

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

Equivalent commuted sum = RV 100% MV minus RV AH

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

## **Appendix 1**

### **BASSETLAW, MANSFIELD AND NEWARK & SHERWOOD AFFORDABLE HOUSING SECTION 106 VIABILITY STUDY**

#### **Workshop Notes**

Two workshops were held on the morning and afternoon of 10<sup>th</sup> February at Mansfield Civic Offices. Representatives of the development industry, landowners and agents, housing associations, EMDA, parish and district councils were in attendance. A full attendance list is given below.

This is a composite note of the two meetings:

Three Dragons and the local authorities would like to thank all those in attendance for their inputs to the study. Full details of those present are in Appendix A:

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

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

#### **Key issues**

##### **1 Basis for interpreting viability**

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

The report by Three Dragons will enable the local authorities to set broad policies. Individual schemes will be appraised on a scheme specific basis by the local authorities taking account of site conditions and market viability. This is of particular importance in the present volatile market, in which house prices nationally are falling but a recovery can be anticipated during the life of the core strategy and relevant DPDs.

Viability testing for policy making purposes will be based on trend house prices but at a scheme specific level local authorities will need to take into account actual house prices for the particular scheme.

Feedback from the workshops emphasised the importance of existing and alternative use values and of the need for owners of agricultural land to maximise the return on what might be a once in a lifetime disposal. A figure of £250,000 per acre was quoted as a realistic minimum for a Greenfield site without an existing planning consent for residential development.

There is a (CGT) taxation issue for land owners which impacts on the timing of land disposals and the scale of development/land value below which development is simply not considered worthwhile. This is particularly significant for small sites.

## **2 Overall methodology**

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

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

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

## **3 Sub markets**

A key part of the study will involve the analysis of viability at a sub market level. Sub markets will be defined primarily by house prices. The Powerpoint presentation shows a map of draft areas although these are subject to further analysis.

Participants generally welcomed the focus on sub markets, although there were some queries as to whether individual locations had been allocated to the correct submarkets. Participants were invited to submit comments on submarkets by email to Andrew Golland.

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

House prices: some attendees thought the house prices assumed might be on the high side. It was stated that in the current housing market, the traditional premium achieved by new build housing, no longer applies. It was pointed out by Three Dragons that the house prices adopted for the testing purposes should reflect the longer term relationship between prices and build costs.

## **4 Density and development mix**

A template of development mixes was demonstrated showing proposed mixes of house types at different densities. It was suggested that bungalows should be added to the mix particularly in more rural locations. Higher density flatted developments, whilst they should be modelled to demonstrate viability, were considered unlikely to come forward in the present market.

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

## **5 Thresholds and the viability of smaller sites**

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

The logic of a 15 dwelling threshold as in PPS3 was questioned – why is it 15?; the economics do not change at this point. There were arguments for the use of commuted sum contributions from very small sites although housing associations present did not report difficulties in managing small numbers of units on scattered sites within the same local authority area.

Any policy on thresholds must be linked to overall land supply and the study would be considering the actual and anticipated supply of land by size of site

## **6 Calculation of commuted sums**

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

## **7 Development costs**

Three Dragons presented the proposed page that will be used for the testing framework. This is included in the Powerpoint presentation. It was explained that the base build costs per square metre will be calculated from the BCIS data source (NB: costs in the Powerpoint presentation are illustrative and not Local Authority specific). The other development costs (professional fees, internal overheads, profit margins, etc) are however those which Three Dragons intend to use for base viability testing.

It was suggested that in the present volatile market the development industry is exploring build under licence type schemes with landowners which will impact on both profit margins and the pace and price at which land comes forward.

Please can delegates provide guideline figures as to how this process impacts on residual land values (versus a situation where land is purchased by a developer up-front).

## **8 Other Section 106 contributions**

The level of planning gain package was discussed. – it can range from £5,000 per dwelling to Milton Keynes tariff levels of £18,000 plus free land) or even higher. Certainty as to planning obligations and defined affordable housing obligations is beneficial to developers in negotiation with landowners.

## **9. Affordable housing issues**

Intermediate tenure provision was changing from low cost home ownership to intermediate rent. This had implications for viability which would be modelled in the base viability analysis.

Information on current grant rates by tenure would be obtained by Three Dragons from the regional office of the HCA.

## **10 Protocols for negotiations on Section 106**

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

### **Appendix 2 Three Dragons model: Method statement**

The Toolkit provides the user with an assessment of the economics of residential development. It allows the user to test the economic implications of different types and amounts of planning obligation and, in particular, the amount and mix of affordable housing. It uses a residual development appraisal approach which is the industry accepted approach in valuation practice.

The Toolkit compares the potential revenue from a site with the potential costs of development before a payment for land is made. In estimating the potential revenue, the income from selling dwellings in the market and the income from producing specific forms of affordable housing are considered. The estimates involve (1) assumptions about how the development process and the subsidy system operate and (2) assumptions about the values for specific inputs such as house prices and building costs. These assumptions are made explicit in the guidance notes. If the user has reason to believe that reality in specific cases differs from the assumptions used, the user may either take account of this in interpreting the results or may use different assumptions.

The main output of the Toolkit is the residual value. In practice, as shown in the diagram below, there is a 'gross' residual value and a 'net' residual value. The gross residual value is that value that a scheme generates before Section 106 is required. Once Section 106 contributions have been taken into account, the scheme then has a net residual value, which is effectively the land owner's interest.

## Key data assumptions

### Market areas and prices:

NEWARK AND SHERWOOD											
	Detached			Semi-detached			Terraced		Flats		
Sub Market	5 Bed Det	4 Bed Det	3 Bed Det	4 Bed Semi	3 Bed Semi	2 Bed Semi	3 Bed Terr	2 Bed Terr	3 Bed Flat	2 Bed Flat	1 Bed Flat
Rural South and Southwell	£ 465,000	£ 405,000	£ 345,000	£ 270,000	£ 245,000	£ 220,000	£ 240,000	£ 210,000	£230,000	£200,000	£140,000
Rural North and Heart of N & S	£ 365,000	£ 315,000	£ 270,000	£ 210,000	£ 190,000	£ 170,000	£ 185,000	£ 160,000	£180,000	£155,000	£110,000
Newark and Balderton	£ 315,000	£ 275,000	£ 235,000	£ 180,000	£ 165,000	£ 150,000	£ 160,000	£ 140,000	£155,000	£135,000	£95,000
Rainworth, Clipstone and N. Ollerton	£ 260,000	£ 230,000	£ 195,000	£ 150,000	£ 140,000	£ 125,000	£ 135,000	£ 120,000	£130,000	£115,000	£80,000

### The development mixes were as follows:

		30 dph	45 dph	60 dph	80 dph
Flats	1 bed			10.00%	20.00%
	2 bed		5.00%	15.00%	50.00%
Terraces / Town Houses	2 bed	10.00%	15.00%	20.00%	20.00%
	3 bed	10.00%	25.00%	20.00%	10.00%
Semi - Detached Houses	3 bed	35.00%	25.00%	20.00%	
Detached Houses	3 bed	25.00%	20.00%	10.00%	
	4 bed	15.00%	10.00%	5.00%	
	5 bed	5.00%			

### Social Rents (£/week)

Flats	1 bed	£63
	2 bed	£71
Terraces / Town Houses	2 bed	£72
	3 bed	£73
Semi - Detached Houses	3 bed	£74
Detached Houses	3 bed	£75
	4 bed	£76
	5 bed	£78

### Rental Costs:

Social Rent Costs		Intermediate Rent Costs		Homebuy Costs	
Management	£ 1,000	Management Costs	6.00%	Operating Cost	2.75%
Maintenance	£ 400	Maintenance Costs	£ 500	Capitallisation	6.75%

Voids/bad debts	3.00%
Repairs reserve	£ 500
Capitalisation	6.75%

Voids/bad debts	5.00%
Letting fee	1.00%
Capitalisation	6.75%

Percentage Purchase	40.00%
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### Build Costs:

Flats (6-15 storeys)	£1,800
Flats (5 storeys)	£1,150
Houses <= 75m2	£920
Houses > 75m2	£800

Professional Fees %	12%	of build costs
Internal Overheads	5%	of build costs
Finance (Market)	7%	of build costs
Finance (Affordable Housing)	7%	of build costs
Marketing Fees	3%	of market value
Developers Return	15%	of market value
Contractors Return	6%	of developments costs

### Unit Sizes:

		Unit Size (sq.m)	
		Affordable	Market
Flats	1 bed	46	45
	2 bed	67	60
Terraces / Town Houses	2 bed	76	65
	3 bed	84	80
Semi - Detached Houses	3 bed	86	90
Detached Houses	3 bed	90	110
	4 bed	110	135
	5 bed	125	150

### Affordable housing targets:

10%  
20%;  
25%;  
30%;  
35%;  
40%;  
50%

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

## Appendix 3 Results – Residual values – no grant scenario

### Revenue (£millions per hectare)

<b>30 dph</b>	0%	10%	20%	25%	30%	35%	40%	50%
Rural South and Southwell	£3.79	£3.35	£2.92	£2.69	£2.48	£2.25	£2.03	£1.59
Rural North and Heart of N & S	£2.31	£1.99	£1.67	£1.51	£1.34	£1.18	£1.02	£0.70
Newark and Balderton	£1.63	£1.36	£1.08	£0.95	£0.81	£0.67	£0.53	£0.26
Rainworth, Clipstone and New Ollerton	£0.90	£0.68	£0.46	£0.35	£0.24	£0.13	£0.00	-£0.20

<b>45 dph</b>	0%	10%	20%	25%	30%	35%	40%	50%
Rural South and Southwell	£5.09	£4.48	£3.88	£3.57	£3.28	£2.98	£2.68	£2.10
Rural North and Heart of N & S	£3.05	£2.60	£2.16	£1.94	£1.71	£1.49	£1.27	£0.83
Newark and Balderton	£2.13	£1.76	£1.39	£1.20	£1.01	£0.82	£0.64	£0.26
Rainworth, Clipstone and New Ollerton	£1.17	£0.87	£0.57	£0.42	£0.27	£0.12	-£0.03	-£0.33

<b>60dph</b>	0%	10%	20%	25%	30%	35%	40%	50%
Rural South and Southwell	£5.64	£4.92	£4.21	£3.85	£3.49	£3.13	£2.78	£2.06
Rural North and Heart of N & S	£3.27	£2.74	£2.21	£1.94	£1.68	£1.42	£1.15	£0.62
Newark and Balderton	£2.20	£1.75	£1.30	£1.07	£0.84	£0.62	£0.39	-£0.06
Rainworth, Clipstone and New Ollerton	£1.11	£0.74	£0.37	£0.18	-£0.18	£0.00	-£0.37	-£0.74

<b>80 dph</b>	0%	10%	20%	25%	30%	35%	40%	50%
Rural South and Southwell	£5.45	£4.65	£3.84	£3.45	£3.04	£2.65	£2.24	£1.44
Rural North and Heart of N & S	£2.85	£2.24	£1.63	£1.32	£1.02	£0.71	£0.41	-£0.21
Newark and Balderton	£1.70	£1.19	£0.67	£0.41	£0.16	-£0.10	-£0.39	-£0.97
Rainworth, Clipstone and New Ollerton	£0.55	£0.12	-£0.30	-£0.52	-£0.73	-£0.95	-£1.40	-£1.81

## Illustrative scheme – 45 dph – Rural North sub market – at 30% Affordable Housing

### 1 - SITE IDENTIFICATION

Site Details

Site Address

Site Reference

Application Number

Scheme Description

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

### 3 - BASIC SITE INFORMATION

Site Area

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

Density / Number of Dwellings

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

Percentage Increase/Decrease in Density:  
You may test the effect of a percentage increase/decrease in the site density by using the cell below

%

Resulting Number of Dwellings	<input type="text" value="45"/>	<input type="checkbox"/> Tick if this a rural development
Resulting Density	<input type="text" value="45 dph"/>	

#### 4 - CHARACTERISTICS OF DEVELOPMENT

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

You then have 2 options for entering information about the scheme

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

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

Ref.	Description of Dwelling	No of Bed-Rooms	Dwelling Type	No of Units	Size in sq.m Affordable	Size in sq.m Market	Parking (flats only)	No. of Storeys (1-99)
1	2 Bed Flats	2	Flat	2.3	67	60	n/a	2
2	2 Bed Terraces	2	House	6.8	76	65	n/a	n/a
3	3 Bed Terraces	3	House	11.3	84	80	n/a	n/a
4	3 Bed Semis	3	House	11.3	86	90	n/a	n/a
5	3 Bed Detached	3	House	9.0	90	110	n/a	n/a
6	4 Bed Detached	4	House	4.5	110	135	n/a	n/a
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								
Total Number of units				45				

#### 5 - MARKET VALUES

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

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

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

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

100 %

Reset button to return to base market value

Ref.	Unit Type	No of Bed-Rooms	Market Value	Adjusted Market Value
1	2 Bed Flats	2	£155,000	£155,000
2	2 Bed Terraces	2	£160,000	£160,000
3	3 Bed Terraces	3	£185,000	£185,000
4	3 Bed Semis	3	£190,000	£190,000
5	3 Bed Detached	3	£270,000	£270,000
6	4 Bed Detached	4	£315,000	£315,000
7				
8				
9				
10				
11				
12				
13				
14				

### 6 - TENURE MIX

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

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

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

Input by Percentages  Input by Quantity Clear Table

Ref	Description	SALE	AFFORDABLE				Required No. of Units
			Social rent	New Build HomeBuy	Intermediate rent	Discount Market	
		70%	21%	9%			
1	2 Bed Flats	1.6	0.5	0.2			2.3
2	2 Bed Terraces	4.7	1.4	0.6			6.8
3	3 Bed Terraces	7.9	2.4	1.0			11.3
4	3 Bed Semis	7.9	2.4	1.0			11.3
5	3 Bed Detached	6.3	1.9	0.8			9.0
6	4 Bed Detached	3.2	0.9	0.4			4.5
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
	Total	31.5	9.5	4.1			45.0

New Build HomeBuy	Percentage Purchased	40%
	Rental limit on unbought share	100%
Percentage purchased by purchaser for Discount Market		
Local Sale	Average Income	
	Income Multiplier	

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### 8 - SOCIAL AND INTERMEDIATE RENT

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

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

View Default Rents ->

Ref.	Description	Social Rent Values (per week)			Intermediate Rent Values (per week)			
		No. of units	Default Rents	User Rents	No. of units	Market Rent	Adjust 75%	User Rents
1	2 Bed Flats	0.47	£ -	£ 71.00		£ -	£ -	
2	2 Bed Terraces	1.42	£ -	£ 72.00		£ -	£ -	
3	3 Bed Terraces	2.36	£ -	£ 73.00		£ -	£ -	
4	3 Bed Semis	2.36	£ -	£ 74.00		£ -	£ -	
5	3 Bed Detached	1.89	£ -	£ 75.00		£ -	£ -	
6	4 Bed Detached	0.95	£ -	£ 76.00		£ -	£ -	
7			£ -			£ -	£ -	
8			£ -			£ -	£ -	
9			£ -			£ -	£ -	
10			£ -			£ -	£ -	
11			£ -			£ -	£ -	
12			£ -			£ -	£ -	
13			£ -			£ -	£ -	
14			£ -			£ -	£ -	
15			£ -			£ -	£ -	
16			£ -			£ -	£ -	
17			£ -			£ -	£ -	
18			£ -			£ -	£ -	
19			£ -			£ -	£ -	
20			£ -			£ -	£ -	

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## 9 - AFFORDABLE HOUSNG COSTS AND CAPITALISATION FACTORS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

ClearTable

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

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

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

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

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## 10 - DEVELOPMENT COSTS

ALWAYS DEPRESS THE CLEAR TABLES BUTTON FIRST

Clear Tables

### Build Costs per sq m

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

	Toolkit Values	User Values
Bungalows	£1,049	
Flats (6+ storeys)	£1,545	
Flats (5 & less storeys)	£1,115	£1,150
Houses <= 75m2	£999	£920
Houses > 75m2	£901	£800

### Other Development Costs

You can enter your own values in the white cells below. Enter 0% for non-applicable items.

Where cells are left blank, the Toolkit value for that row will be used.

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

### Exceptional Development Costs

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

Sustainable Homes Standard	
Market Housing	Affordable Housing
None	None

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

Scheme Total	
per dwelling	
per hectare	

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## 11 - PLANNING OBLIGATIONS

ALWAYS DEPRESS THE CLEAR TABLE BUTTON FIRST

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

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

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

Obligations package per unit

Contribution from Commercial

Total for Scheme	£225,000
Total for Scheme per hectare	£225,000
Total for Scheme divided by total number of units	£5,000
Total for Scheme divided by number of sale units	£7,143

## 16 - HOUSING CORPORATION GRANT AVAILABILITY

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

TOTAL NUMBER OF UNITS		DENSITY (per hectare)		AFFORDABLE UNITS		
Dwellings	45	Dwellings	45.0		Quantity	% of All Units
% Wheelchair Units				<b>Total</b>	13.5	30%
				Social rent	9.5	21%
				Intermediate	4.1	9%
REVENUE AND COSTS		RESIDUAL VALUE				
<b>Total scheme revenue</b>	£ 7,440,000	<b>Whole scheme</b>	£ 1,905,000			
<b>Total scheme costs</b>	£ 5,535,000	Per hectare	£ 1,905,000			
Contribution to revenue from:		Per dwelling	£ 42,000			
Market housing	£ 6,647,000	Per market dwelling	£ 60,000			
Affordable Housing	£ 793,000					
- Social rent	£ 263,000	PUBLIC SUBSIDY (GRANT)				
- New Build HomeBuy	£ 530,000	<b>Whole Scheme</b>	£ -			
- Intermediate Rent	£ -	Per Social Rental dwelling	£ -			
- Discount Market	£ -	Per New Build HomeBuy dwelling	£ -			
- Local Sale	£ -	Per Intermediate Rent dwelling	£ -			
Capital Contribution	£ -					
Commercial Elements	£ -					
Contribution to costs from:		Alternative Site Values		Against residual		
Market housing	£ 4,119,000	Existing Use Value	£ -	£ -		
Affordable Housing	£ 1,191,000	Acquisition Cost	£ -	£ -		
- Social rent	£ 834,000	Alternative Use Value 1	£ -	£ -		
- New Build HomeBuy	£ 357,000	Alternative Use Value 2	£ -	£ -		
- Intermediate Rent	£ -	Alternative Use Value 3	£ -	£ -		
- Discount Market	£ -					
- Local Sale	£ -					
Land Finance	£ -					
Planning Obligations	£ 225,000					
Total Exceptional Costs	£ -					
Commercial Elements	£ -					

Save Results

View Results

Cost Components

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